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**Occasional Paper**

**Trends in VET: policy and participation**

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National Centre for Vocational Education Research (NCVER)

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# About the research

### *Trends in VET: policy and participation*

### Georgina Atkinson and John Stanwick, NCVER

The vocational education and training (VET) sector has undergone considerable change over the last two decades, whereby its landscape of policy, funding and institutions has evolved significantly. While the landscape may have changed, the central mission of VET and its key actors — students, employers, providers — remain a constant. These actors are indeed as important now as they have ever been in their efforts to collaboratively develop and deliver a skilled national labour force, one suited to the jobs available in a diverse economy.

While the actors may be broadly constant, the past two decades have also seen major changes in the labour market. This is evident in its size and opportunities; in the growth of ‘services’; in the increase in part-time work; in greater demands for connectedness with global markets; and in technology-led productivity. These macro factors have all driven changes in VET policy, impacting on both learners and employers. These impacts have been especially felt by younger people entering the labour force following the global events of 2008.

While there is promise of greater information becoming available through total VET activity (TVA) reports in the future, this research takes a deliberately retrospective view, tracking VET participation over the past two decades in the context of the introduced and evolving VET policy over this period. This research includes particular reference to the extension of the apprenticeship and traineeship system and the opening-up of the training market.

This narrative is usefully illustrated by three specific policy case studies — incentive payments for employers of apprentices and trainees, accelerated apprenticeships and student entitlement models. In addition, we look at the high-level trends in government-funded VET participation and the labour market, with data drawn from NCVER’s National VET Provider, Apprenticeships and Traineeships and Finance collections, along with labour force data from the Australian Bureau of Statistics.

The paper contributes to the discussion and understanding of the development of VET policy — past, present and future — including how providers and consumers adapt to policy changes and how these changes are reflected in VET participation trends.

Dr Craig Fowler  
Managing Director, NCVER

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# P:\PublicationComponents\Icons\ExecutiveSummary.emfIntroduction

The vocational education and training (VET) sector is the largest education sector in Australia, with recent data on total VET activity (TVA) estimating that an estimated 4.2 million working-age Australians (15—64 years) undertook some form of VET in 2015. VET features strongly in the nation’s history, with Australia showing an early commitment to vocational training through apprenticeships and institutional training as imported from Great Britain (Beddie 2010; Knight 2012). While vocational education has featured as a major mechanism for meeting the skills needs of Australia, there has always been a further dimension of VET’s role in assisting in social inclusion. The aim is to support participation in training as a point of labour market entry or as a result of industry restructure. This is often targeted to the less advantaged population, particularly post-schooling age groups. Over the years, policy-makers have aimed to strengthen the VET sector to ensure that it is responsive to the labour market and meets the skills needs of individuals, employers and the wider economy.

This paper examines the key trends in VET policy development and VET participation over the past two decades and how policy and economic conditions have influenced changes in VET participation. This process includes identifying participation patterns in the data; understanding the prevailing economic and labour market conditions; and examining the key policy developments in VET over this period.

The Australian VET system is characterised by two complementary approaches to skills training. The first is the broader VET system of institution-based education and training for young people, a significant part of which is the employment-linked apprenticeship and traineeship system. The second is the provision of skills for existing workers, offered on a full- and part-time basis. Our initial discussion focuses on the high-level changes to these two complementary approaches to VET.

The apprenticeship and traineeship system has been a long-running and enduring approach to training in Australia. Most changes to the system over the past few decades have been intended to broaden its appeal to apprentices and employers and to improve the system’s responsiveness to the labour market. Despite steady increases in participation during this period, largely due to the rise of traineeships in the mid-1990s, in more recent years apprenticeships, and in particular traineeships, have been in decline.

The broader VET system has been transformed by the move towards contestable training markets via entitlement models and income-contingent loan schemes and increasing student and employer choice between private and public providers.

Our general analysis is therefore usefully illustrated in more detail by a closer examination of three specific policies as case studies, these being: incentive payments to employers of apprentices and trainees; accelerated completion of apprenticeships; and training entitlement models and how they are designed to meet skills needs. The paper concludes with some reflections on the competing aims and tensions in the training sector and how policy influences participation. In undertaking this task, we reflect on general policy developments over the last 20 years or so and make high-level observations on trends in participation over this period.[[1]](#footnote-1) The paper is a deliberately retrospective view, as the current and future view can now be seen through the wider national VET collection and the recent publications about total VET activity, available on the National Centre for Vocational Education Research (NCVER) website.

# P:\PublicationComponents\Icons\StatisticalResources_green.emfUnderstanding the policy, funding and economic landscape

This chapter provides an overview of VET policy and funding arrangements over the past few decades. It also considers other education policy, as well as the economic landscape, highlighting the key trends and directions. The chapter aims to provide some background to inform the later discussions on the policy case studies.

## Policy trends in VET over the last 20 years

By developing the skills of the workforce, the VET sector plays an important role in meeting Australia’s skills needs. That role makes valuable contributions to workforce participation, productivity levels and the life chances of individuals, as well as to economic and social development (Noonan 2016). Over time, ongoing policy initiatives have attempted to strengthen VET’s ability to develop skills responsive to the labour market. As Ryan (2011) argues, not all policy is successful, nor are the intended outcomes realised. Indeed, he suggests that VET policy is often left to ‘drain quietly into the sands’ rather than be subjected to systematic evaluation or review. While this paper does not evaluate in detail specific policy initiatives and their impacts on VET participation, it tracks and describes at a more macro-level policy trends and links between VET participation and the labour market.

### A national system implemented by the jurisdictions

Traditionally and in large part constitutionally, the states and territories have had responsibility for VET provision; the jurisdictional approach to funding and delivering VET enables the system to respond to local and regional skills and labour market needs. However, since the 1960s and 1970s a key trend has been the increasing involvement of the federal government, in terms of infrastructure development, curriculum development, research, financial contributions and programs, overarching policy directions and the regulation of the sector (Department of Prime Minister and Cabinet [DPMC] 2014; Bowman & McKenna 2016). In more recent times, this trend culminated in the Council of Australian Governments’ (COAG) National Agreement for Skills and Workforce Development and the National Partnership on Skills Reform. More information on the development of the nationally directed, jurisdictionally implemented and industry-driven system can be found in appendix A. For a more comprehensive discussion on the history of VET in Australia, particularly policy developments in the latter half of the twentieth century, see Goozee (2001), Ray (2001), Ryan (2011), Knight (2012), Department of Prime Minister and Cabinet (2014), Bowman and McKenna (2016) and Noonan (2016).

Over the 20-year period being considered, two of the most significant nationally agreed and jurisdictionally implemented policy decisions impacting on VET participation were the broadening of the apprenticeship system and the opening-up of the provider training market. The latter then led to a related third significant change, one based on a policy of ‘market design’, which prompted the development of the more recent entitlement-based, ‘demand-driven’ policy and the funding changes inherent in national VET agreements, as well as a number of public provider/TAFE (technical and further education) institutional changes.

The aims of broadening the national apprenticeship system and opening up the provider training market are similar, in that both seek to improve VET’s responsiveness to the labour market and the sector’s capacity to target areas of skills shortages, as well as meet and better align the sometimes potentially competing needs of various players, including students and employers. Additional discussion on the broadening of the apprenticeship and traineeship system and the opening-up of the training market is located in appendix A.

## Broader contextual issues influencing participation

A number of broader contextual issues need to be considered, in terms of their influence on VET participation trends over the last 20 years or so. The three examined here are the funding arrangements for VET, changes to higher education policy and economic conditions, as reflected in particular by labour market trends.

### VET funding arrangements

The change in VET funding arrangements can be tracked in much of the federal and state and territory legislative basis of relations and funding. Between 1992 and 2005, the Australian National Training Authority (ANTA) administered Australian Government funding for VET through the framework of the ANTA multi-lateral intergovernmental agreement. Under this framework, ANTA and state and territory governments allocated funds under detailed funding arrangements (Ball 2005). This gave way to the *Skilling Australia Act 2005*, after the demise of ANTA. Under the current Intergovernmental Agreement on Federal Financial Relations, funding agreements exist for the present National Agreement for Skills and Workforce Development and the National Partnership on Skills Reform.

Funding for vocational education has grown since the early 1990s, although since 2012 the sector has begun to experience a decline in funding (see figure 1). A recent analysis by Noonan (2016) shows that over this period there has been a significant increase in the federal government’s share of funding. He argues that this growth falls into four broad phases:

* the initial phase of growth funding under the ANTA Agreement (1991—97)
* a period of static funding (1997—2006)
* a further growth in funding (2007—12)
* a further period of static funding, with increases in federal government outlays offset by declines in state and territory outlays (2012—14).

Figure 1 National total operating revenue and total operating expenditure in constant prices, 2005–14

Note: A GDP chain price deflator was used to convert the nominal revenue and expenditure into constant prices. The source for this was ABS (2015, table 3).

Source: NCVER VET Finance Collection 2004–16, unpublished data.

Figure 1 shows total government expenditure and revenue for VET from 2004 to 2014 in constant prices. While expenditure increased steadily until 2012, there was a decline in spending between 2012 and 2014. This trend appears to parallel the trends in VET participation, as identified in figure 9 (p.20). As noted above, Noonan (2016) summarises funding across the time period 1991—2014. He points to an increase in state funding in more recent years, from 2010 to 2012, followed by a decline in state funding from then on, which was offset by increases in federal funding. This has resulted in static funding since 2012.

Despite the overall growth in funding over the past few decades and the more recent decline in expenditure (seen in figure 1), the shared funding arrangement between the federal government and states and territories has its weaknesses, which continue to surface and have been magnified under the national partnerships (Noonan 2016). One weakness is the difficulty of applying a specific federal government funding arrangement across different jurisdictions with different budgetary needs and priorities. With the jurisdictions setting their own course pricing and eligibility criteria, this has led to differences between the states and territories, contributing to the variation in participation levels and qualification outcomes. Other argued weaknesses include the federal government tendency to fund VET directly outside the agreement to achieve specific outcomes and the extent to which both levels of government benefit from the reduced costs associated with increased efficiency in delivery (Noonan 2016).

While it is relatively clear how much governments spend directly on vocational education, questions remain about other financial contributions to VET. Burke (2016) looks at gaps in the collection of financial data about VET, specifically the extent to which employers, individual students and international students fund VET, and how much government-funded support is provided to VET students (such as youth allowance) and employers (such as incentive payments). He argues that information about these types of financial contributions to VET should be captured to get a clearer picture of how VET is funded and a better understanding of the full cost of training.

### Higher education policy factors influencing VET

#### Expansion of higher education

A significant external policy impact has been the recent reforms in higher education. In 2008, the Bradley Review proposed opening up the higher education system to increase the proportion of the population with higher-level education. In 2009, in response to the review, a demand-driven system was introduced, and since that time we have seen a steady growth in participation rates in higher education (see figure 2).

Indeed, there has been a definite increase in the rate of participation in higher education. After being steady, at a rate of 5.3—5.4% between 2001 and 2008, the rate has increased gradually since 2009, to be at 6.6% of the 15 to 64-year-old population in 2014. Unlike VET, there was no decrease in the rate post-2012. Females participate in higher education at substantially higher rates than males: as of 2014 the rate was 7.6% for females compared with 5.5% for males. (In 2008 the rate was 6.2% for females and 4.5% for males.)

Figure 2 Participation in higher education and VET as a proportion of the 15 to 64-year-old population

Source: NCVER National VET Provider Collection; Australian Department of Education and Training (2016).

The expansion of the higher education system has provided the impetus for alternative education options, a situation that has potentially drawn students away from a VET pathway towards a higher education pathway.

While the two systems are fundamentally different in their approach to regulation and funding arrangements, the move towards a demand-driven approach to higher education — as outlined by Bradley et al. (2008) — helped to underpin the argument that VET should also be demand-driven, although the implementation of a demand-driven model in VET differs markedly. (Refer to entitlement models in VET funding below.)

#### Income-contingent loans for VET diplomas and advanced diplomas

The Bradley Review (2008) also recommended the expansion of income-contingent loans to VET. In 2009, concurrent with the introduction of student entitlement funding models, income-contingent loans were made available to higher-level VET students through the introduction of VET FEE-HELP. Funded by the Australian Government, these loans are for eligible diploma and advanced diploma VET students at any registered training organisation (RTO) approved to deliver VET FEE-HELP eligible courses. With VET FEE-HELP loans, which are not subject to income or assets tests, students can defer all of their tuition fees or pay some of the tuition fees upfront and defer the balance. The aim of the loan scheme is to reduce upfront costs for students and promote the take-up of higher-level VET qualifications.

There has been significant growth in VET FEE-HELP loans since 2009, when the scheme commenced, with provision mainly going to private RTOs. Public borrowing for VET FEE-HELP increased from $26 million in 2009 to $2.9 billion in 2015 (Australian Government 2016). An analysis undertaken by NCVER shows that students training with private providers have made most use of the loans, with almost 75% (approximately $2 billion) of the total loan amount for the five-year period going to students training with private providers, compared with 25% (approximately $800 million) going to students training with public providers (NCVER 2015b; NCVER forthcoming).

But while the scheme has been incredibly popular, it has been subject to exploitation, with providers signing up students who were not always aware of what they were committing to; charging high fees; and not always delivering quality training. There are also a number of cases where RTOs lost their registration, with students subsequently stripped of their qualifications. In late 2015 the Senate Committee for Education and Employment Legislation found the surge in enrolments was driven by:

opportunistic and unscrupulous VET FEE-HELP providers … the characteristics of this pattern of unscrupulous behaviour are aggressive marketing, inappropriate targeting of vulnerable people, and widespread use of inducements.

(Education and Employment Legislation Committee 2015, p.2)

The committee also suggested that this defrauding of the system had been exacerbated by an inadequate regulatory regime, one unable to control and regulate the behaviour of the providers.

Throughout 2015, the Australian Government introduced measures to rein in the scheme, with amendments to the scheme passed in parliament at the end of 2015. Some of the changes from January 2016 included strengthening the assessment criteria for registered training organisations; ensuring increased protection for students; establishing minimum prerequisite and prior education qualifications; freezing loan limits; introducing new entry requirements for RTOs; and pausing payments to providers for new enrolments where there are concerns about performance. These measures are in place until the scheme has been completely redesigned, for 2017. The issues associated with the VET FEE-HELP program, the legislative responses to date and the options for its redesign have been comprehensively covered in the public discussion paper on options for program redesign (Australian Government 2016). Being targeted to diploma and above (with some certificate IV trials), the scheme has apparently driven greater participation at these Australian Qualifications Framework (AQF) levels in the VET system.

### Economic and labour market conditions

Over the past 20 years the 15 to 64-year-old labour force has grown in absolute terms, from 8.9 million in 1996 to 12.0 million in 2015, an increase of 35% (ABS 2016). While the labour market continued to grow following the Global Financial Crisis (GFC) of 2008, the crisis still impacted on the composition of the labour force and, as will be seen below, particularly in terms of a decrease in the proportion of people in full-time employment and increases in part-time employment and unemployment. The effects were greater for young people.

To some extent, the impacts of the GFC contributed to the notion of the provision of training guarantees and training entitlements to young people and redundant workers, the aim being to reskill and/or increase their education levels and improve their employment prospects. It also influenced the move towards the uncapped demand-driven system in higher education.

More generally, vocational education (and the rest of the tertiary education sector) is linked to the labour market through its supply of current and future labour and skills (see Cully 2008; Knight & Mlotkowski 2009). In turn, the labour market provides indicators to VET on the type and amount of skills needed. How the sector responds to this is where policy plays a role, both at system-wide and institutional levels.

Karmel (2009) points out however that these links are loose, given the generally low level of matches between the area of training and the jobs that graduates get (apart from some areas of trade training). Indeed, an analysis has been conducted on skills matches and mismatches between the education and training that people receive and their jobs. For example, Wibrow (2014) found that the stronger matches between training area and jobs in the VET sector were in the trades and highly regulated industries such as electro-technology. Courses that related to a more ‘generalist’ set of skills had lower matches. It has also been highlighted that, although people may not always work in the occupational area of their training, substantial proportions still find the training relevant to their work.

In the Australian labour market, there have been structural changes to industry and occupations in the past 20 years. Unemployment rates have fluctuated over the period, with a general trend for decreased rates in full-time employment and increased rates of part-time employment. The trends are more pronounced for the younger age group and are discussed in more detail below.

It is important to distinguish the employment trends of younger people from those applying to the rest of the labour market, as younger people are in a more precarious position in the market. Figures 3 and 4 show employment trends over the period 1996—2015 for younger people (aged 24 years and under) and for those aged 25 years and over. The figures show that, while employment trends were relatively stable over the period for people aged 25 years and over, they were much more subject to change for those aged 24 years and younger. In particular, full-time employment-to-population rates declined (from 36.7% in 1996 to 26.2% in 2015) and part-time employment-to-population rates increased (from 22.9% in 1996 to 30.3% in 2015). Additionally, unemployment rates declined for the younger age group from 1996 to 2008, reaching a low of 7.4% and then jumping to 11.3% in 2009. Despite the overall economy’s recovery from the Global Financial Crisis, youth unemployment has not declined. Females are less likely to be employed full-time and more likely to be employed part-time.

For young people, the decline in employment is also related to increases in educational participation, apart perhaps from trade apprenticeship training, which is particularly sensitive to economic conditions. This sensitivity is demonstrated in figure 5, where it appears that there is some ‘mirror’ relationship between the numbers of trade apprentices in training and the unemployment rate. We see, for example, as the unemployment rate climbed following the 2008 GFC (an indicator of more difficult economic conditions), so the proportion of the trades workforce who were apprentices declined.

Young females are more likely to participate in education and training than young males. Research by Karmel and Lui (2011) found that, for females, going on to university following Year 12 is the best pathway for a successful outcome.

Figure 3 Employment trends, 15 to 24-year-olds, 1996–2015 (%)

Note: Population is civilian population aged 15–24 years.

Source: ABS Labour force Australia, detailed electronic delivery, cat.no.6291.0.55.001, January 2016, cube LM1.

Figure 4 Employment trends, 25 years and over (%)

Note: Population is civilian population aged 25 years and over.

Source: ABS Labour force Australia, detailed electronic delivery, cat.no.6291.0.55.001, January 2016, cube LM1.

Figure 5 Trades apprentices in training as a proportion of the trades labour force and unemployment rate 1996–2015

Source: NCVER National Apprentice and Trainee Collection 1996–2015; ABS Labour force Australia, January 2016, cat.no.6202.0 (table 1).

More fundamentally, the shifts in the structure of the labour market have implications for the VET sector. There has been much discussion about the decline in manufacturing in Australia and the increase in service-related industries. (See, for example, Australian Workforce and Productivity Agency 2014; Asialink Business 2015.) The occupational structure of the labour market has also changed, mainly as a result of technological change, with a general trend towards occupations at higher skills levels. Figures 6 and 7 show changes in industry composition and in the occupational structure of the labour market over the two decades since 1996. The industry sectors and occupational groups are shown in terms of the proportion they comprise of all industry sectors or occupational groups across two time periods, 1996 and 2015.

Figure 6 Change in industry structure 1996–2015, August figures, trend data (%)

Source: ABS Labour force Australia, detailed quarterly, cat.no.6291.0.55.003, November 2015.

Figure 6 shows that, while the three largest industries in terms of employment in 1996 were manufacturing (12.9% of all employment), retail trade (11.3%) and health care and social assistance (9.2%), in 2015 the three largest industries were health care (12.7%), retail trade (10.6%) and construction (8.8%). The largest decreases in terms of share of total employment between 1996 and 2015 were in manufacturing (5.4 percentage points), agriculture (2.3 percentage points) and wholesale trade (1.6 percentage points). The largest increases have been in health care and social assistance (3.6 percentage points), professional (2.5 percentage points), and construction (1.7 percentage points). In addition, employment in the service industries generally increased over this time. While service industries accounted for 67.8% of employment in 1996, they accounted for 72.9% of employment in 2015.

Furthermore, if we look at the Department of Employment’s industry employment projections to 2020, the largest contributors to employment growth are expected to be health care and social assistance; professional, scientific and technical services; and education and training. In contrast, declines in employment are expected for agriculture, forestry and fishing; mining; and manufacturing (Department of Employment 2016).

As noted above, the occupational structure of the labour market has changed as well, with a shift towards higher-level skills in the economy.

Figure 7 Change in occupational structure 1996–2015, ANZSCO, August figures (%)

Source: ABS Labour force Australia, detailed quarterly, cat.no.6291.0.55.003, November 2015.

Figure 7 shows the shift to higher-skill jobs, in particular, professional occupations, which have increased their share by 5.8 percentage points over the period. Most (although not all) of the jobs in the professionals and managers classifications fall out of the purview of VET. However, many community and personal service worker occupations require VET-level qualifications, and this occupational group increased its share by 3.0 percentage points over the period 1996—2015. This occupational group also, more than any other, is composed of occupations of different skills levels (from low to high).

To see whether these changes are reflected in the composition of VET courses over time, the changes in the numbers of students by field of education and by training package are examined.[[2]](#footnote-2)

Figure 8 Students by field of education

Note: Data by field of education and sub-field have only been readily available since 2003.

Source: NCVER National VET Provider Collection 2003–15.

As figure 8 shows, while engineering and related technologies, and management and commerce still remain the largest fields (17.1% and 16.1% of students respectively), the biggest increases in shares over the period (apart from other) have been in education (2.4 percentage points), architecture and building (an increase of 2.3 percentage points), and society and culture (1.5 percentage points), with the biggest decreases in management and commerce (5.9 percentage points),information technology (2.3 percentage points), and creative arts (1.5 percentage points). If we look at society and culture more closely, the sub-field that has increased its share most of all is human welfare studies and services. While this sub-field constituted 5.0% of all enrolments in the publicly funded VET system in 2003, this had risen to 9.1% in 2015. These changes in student numbers by field of education reflect to some degree the industry and occupational changes in the labour market.

This is also reflected in the composition of training packages over time. In 2003 the largest training packages in terms of student numbers were, in order of size: Business Services; Tourism, Hospitality and Events; Telecommunications; and Community Services. In 2014, however, they were Community Services; Business Services; Construction, Plumbing and Services; and Tourism, Hospitality and Events. The Community Services Training Package largely deals with courses related to the human welfare studies sub-field of education. Also, notably, the proportion of non-training package-accredited qualifications dropped from 53.0% in 2003 to 23.6% in 2015.

Given this context we now examine some of the trends in VET participation over the last 20 years.

# P:\PublicationComponents\Icons\TeacherAtBoardWithStudentsPurple.emfUnderstanding VET participation

## Participation trends in VET over the last 20 years

The VET sector is the largest education sector in Australia. If we look at all VET provision (including private), we can see that in 2015 there were 4.5 million students, with about 1.6 million students in the publicly funded system (NCVER 2016a, 2016b). Vocational education is undertaken by people of all ages, although a large proportion is aged 24 years or under (35% in total VET activity[[3]](#footnote-3)). In addition to on-campus and online training, a major feature of the system is apprenticeships and traineeships, with 278 600 students in training as at December 2015 (NCVER 2016c).

While the numbers of students participating in vocational education and training have increased during the past 20 years, leading to general growth in overall numbers until recently, participation has been more stagnant when expressed as a proportion of the 15 to 64-year-old population. The reasons for the general growth include governments’ push to increase the education levels of Australians, the aim being to increase productivity and to ensure a more competitive position in the global economy. (See, for example, the various COAG targets regarding education.[[4]](#footnote-4)) In particular there has been a substantial increase in the educational participation and attainment of young people (Skujins & Lim 2015) due to the explicit policy aimed at this group. (See, for example, the COAG National Partnership on Youth Attainment and Transitions, which ran from 2009 to 2013.) Moreover, the more difficult labour market conditions that young people faced after the Global Financial Crisis in 2008 meant that many chose to stay in education rather than attempt to enter the labour market. Industry demand for tertiary qualifications (VET and higher education) is expected to continue to increase at a minimum of 3% annually to 2025, with the demand for certificates III and IV between 3.1% and 4.5% (Australian Workplace Productivity Agency 2013; Department of Prime Minister and Cabinet 2014).

The figures that follow focus on participation in the publicly funded VET sector, with figure 9 showing that there has been an overall increase in the number of students participating in publicly funded VET in the last 20 years or so (until 2012). However, as noted, if this is examined in terms of the 15 to 64-year-old population, the trend in participation has been flatter. Figure 10 shows that there have been increases and decreases in the rates at various periods since 1996. In particular, there was an increase between 1996 and 2000, a decrease between 2001 and 2004, with a ‘flat period’ until 2009. After 2009 the rate increased again until 2012, to be followed by decreases since then. From the 1990s the general expansion of the VET system resulted in an increase in student participation rates.

While it is difficult to determine all of the reasons for changes in trends, since 2012 entitlement models, with subsequent changes, have been introduced in the various states and territories and more static funding of public VET. It needs to be noted however that there are large numbers of students attending private VET providers. We know from the first collection of TVA data that in 2014 close to 60% of students were with private providers; however, we do not have back-cast time series data on this to identify whether there has been any shift between public and private provision of VET over time. ACIL Allen Consulting (2015a) notes that in Victoria the growth in the private market was not necessarily at the expense of TAFE from 2011 to 2013, although in 2014 it may have been. An additional reason for the decrease in the rates of participation in VET is that there are more people going to university due to the uncapping of university places.

From figure 10 it can also be seen that over the period there has been, to various degrees, a greater rate of participation among males than females in publicly funded VET.

Figure 9 Participation in VET (’000 students), 1996–2015

Source: NCVER Historical time series of government-funded VET 1996–2015.

Figure 10 Rates of participation in VET, 1996–2015 (%)

Note: The rate is expressed as students as a proportion of the 15 to 64-year-old population.

Source: NCVER Historical time series of government-funded VET 1996–2015; ABS demographic statistics, cat.no.3101.0, September 2015.

Figure 11 shows the numbers of students by qualification level, divided into lower-level (certificates I/II) and higher-level (certificate III and above) qualifications.[[5]](#footnote-5) The main policy emphasis since the late 2000s has been on increasing participation in higher-level VET qualifications and providing lower levels of funding for certificate I/II qualifications. Examples of the former include the targets in the COAG National Agreement for Skills and Workforce Development for the proportions of Australians with certificate III and above qualifications and also for doubling the number of diploma/advanced diploma completions. Another example is VET FEE-HELP, which is aimed at diploma/advanced diploma level courses.

It is quite clear from figure 11 that increases in participation rates have occurred at the certificate III level and higher (until 2012), with the rate for lower-level certificates declining slightly since the mid-2000s and a continuous decline in non-AQF qualifications.

Figure 11 Rates of participation in VET by qualification level, 1996–2015 (%)

Notes: The rate is expressed as students as a proportion of the 15 to 64-year-old population.

Source: NCVER Historical time series of government-funded VET 1996–2015; ABS Demographic statistics, cat.no.3101.0, September 2015.

Vocational education and training plays a significant role as a pathway to employment for young people, as well as in skilling and reskilling for all age groups. For example, VET has a definite role to play in reskilling workers in the declining manufacturing sector and particularly at the moment with the closure of the car manufacturing industry. However, many of the policies are specifically aimed at young people (such as the prior COAG National Partnership on Youth Attainment and Transitions). Figure 12 therefore examines the rates of participation in vocational education by younger students (that is, those at labour market entrant age, aged 24 years and under), and those aged 25 years and over.

Figure 12 Rates of participation in VET by age, 1996–2015 (%)

Note: The rate is expressed as students as a proportion of the 15 to 64-year-old population.

Source: NCVER Historical time series of government-funded VET 1996–2015; ABS Demographic statistics, cat.no.3101.0, September 2015.

It is worth noting that students aged 24 years and under form a substantial proportion of all students (43% of all students in the public VET system), demonstrating that younger people participate in VET at higher rates than those over the age of 25 years. But, interestingly, the rate of decline in student numbers since 2012 is more pronounced among 15 to 24-year-olds. The reasons for this are not entirely straightforward but likely include: the effects of the labour market on apprenticeship commencements; the effect of the youth compact in terms of increased Year 12 completions for 15 to 19-year-olds; increased rates of participation in higher education; and the effects of the entitlement models.

Because of VET’s vocational nature and consequent links to the labour market, it is of interest to examine trends in participation by attendance mode (that is, full-time or part-time mode). Figure 13 shows that the large majority of publicly funded VET students have attended part-time over the period in question, although this has decreased over the years probably because a significant proportion of them are in some kind of employment arrangement. There would however be a proportion who are attending part-time for other reasons.

Figure 13 Percentage of part-time participation in VET, 1996–2015 (%)

Source: NCVER Historical time series of government-funded VET 1996–2015.

One of the roles of vocational education is to facilitate social inclusion, such that all people can access the education system. Particular equity groups are often monitored in terms of their engagement with the sector. The six main equity groups of interest are Indigenous Australians, people with a disability, women, people from a culturally and linguistically diverse background (CALD), people living in remote areas and people from low socioeconomic backgrounds. In addition, there are other equity groups who can be termed ‘second chance’ learners, such as people with below Year 12 or an equivalent level of education. (See National VET Equity Advisory Council 2011.) Table 1 shows VET participation for the six main groups, as well as for those without Year 12 or equivalent. The table is not shown in terms of the trend over time, as in earlier years there were high proportions of unknown status in each of these equity groups, making comparisons over time difficult and unreliable.

Table 1 Participation of equity groups in VET as a percentage of all VET students

|  |  |
| --- | --- |
| Stated equity group | 2015 rate (%) |
| Indigenous Australians | 5.4 |
| Disability | 7.7 |
| Women | 47.1 |
| Non-English speaking background | 19.2 |
| Remote/very remote locations | 3.5 |
| Low SES (Lowest quintile) | 23.1 |
| Highest prior level of education Year 11 or lower | 32.9 |

Source: National VET Provider Collection 2003–15.

Against this backdrop, in the next section we examine in more detail three policy directions that have influenced vocational education and training in recent times.

# P:\PublicationComponents\Icons\Clipboard-ltblue.emfSelected policy case studies

This chapter will discuss three areas of policy innovation and their impact on VET participation trends over the past two decades. Two of them — apprenticeship and traineeship incentive payments and accelerated apprenticeships — are related to the apprenticeship system. The third area is entitlement models of VET funding. These case studies have been selected because of their policy significance and their apparent influence on trends in VET participation. Apprenticeship incentives have a longer history, whereas the accelerated apprenticeship initiative and the entitlement models are relatively recent.

Each policy initiative in its respective way aims to make the VET system more responsive to the labour market and to ensure that training subsidised by governments meets several requirements; namely, that: individuals are supported to gain qualifications; the training is flexible enough to adapt to changing labour markets; and the skills needs of the nation are met through the system.

## Apprenticeships and traineeships

An important part of the VET system is apprenticeships and traineeships. As was seen (and as will be described further in this chapter), policies have been implemented that are explicitly aimed at the engagement of people in the apprenticeship and traineeship system.

Figure 14 shows trends in the rates of apprentice trade and non-trade commencements since 1996.[[6]](#footnote-6) From figure 14, it is noticeable that the non-trade apprenticeships increased at a much faster rate than the trade apprenticeships until about 2003, before levelling off. There are several explanations for this, which include the opening-up of the apprenticeship system, the effects of incentive payments and the generally shorter duration of the non-trade apprenticeships. Also noticeable are the peaks and troughs, particularly for non-trade apprenticeships. As will be discussed later, non-trade commencements are sensitive to incentive payments, but also to economic conditions. For example, commencements in the non-trades have dropped dramatically since 2012, when incentives were withdrawn for occupations not on the National Skills Needs List (NSNL).

Figure 14 Apprenticeship commencement rates by trade/non-trade occupations,   
1996–2015 (%)

Note: Commencements are based on financial year starting from July 1995 to June 1996 and ending with July 2014 to June 2015. The rate is expressed as commencements as a proportion of the 15 to 64-year-old labour force.

Source: NCVER National Apprentice and Trainee Collection 1996–2015; ABS Labour force Australia cat.no.6291.0.55.001, cube LM1.

### Employer incentive payments

Australian governments — the Australian Government and the states and territories — have shown a long commitment to supporting apprenticeships and traineeships. One way by which governments have provided support is through financial subsidies to employers of apprentices and trainees. These incentive payments are an enduring feature of the Australian apprenticeship system. The argument for incentive payments is that they encourage employers to take on apprentices by subsidising their cost to employers. However, the incentive payment scheme has undergone considerable change in recent years, with moves towards targeting specific areas of skills need. This shift has had consequences for participation levels in apprenticeships and, more specifically, traineeships.

#### What are incentive payments?

Incentive payments to employers are designed to support successful completion of apprenticeships and traineeships, particularly at the certificate III and above levels, and in certain skills and occupations. In this way the various incentive initiatives to employers have attempted to ensure the system is responsive to the labour market and encourages apprentice completion. The economic rationale for these payments to employers is that they offset the wages and other costs associated with apprenticeships and encourage employers to provide more training places (Knight 2012).

While some states and territories provide employer incentives, the more substantial payments are paid to employers as part of the Australian Government’s Australian Apprenticeship Incentives Programme, as it is currently named.

Incentive payments to employers for apprenticeships were first introduced in 1973 through the National Apprenticeship Assistance Scheme (NAAS). In 1985 the report of the Committee of Inquiry into Labour Market Programs (Kirby Review; 1985) recommended the introduction of traineeships, which acted as a labour market program for disadvantaged early school leavers (Knight 2012). This extended the apprenticeship model to a much wider range of occupations and industries. As Knight (2012) argues, traineeships were slow to take off, until the injection of significant Australian Government incentive payments to employers in the mid-1990s. Over this time, the incentives generally consisted of a commencement payment and completion payment.

Other incentive-type payments by governments have included progression incentives, group training organisation (GTO) incentives, temporary bonuses following the Global Financial Crisis, incentives for occupations and regions facing skills shortages, and incentives for apprentices from drought-affected regions. There has also been a range of incentives for specific sub-sets of apprentices, including women in non-traditional areas, those with a disability and older apprentices.

The value of incentives ranges from $750 to $4000 for each apprentice, subject to completion. According to the Australian Apprenticeships Incentives Programme Summary[[7]](#footnote-7), the maximum incentive payable for an apprenticeship or traineeship at certificate III level or higher has remained fixed at $4000. Progression incentives have been discontinued and the proportion of the total payable on completion has increased from 37.5% to 62.5%. This has the effect of decreasing the value of the incentives to employers whose apprentices and trainees have below-average completion rates (NCVER 2011).

According to an NCVER analysis (2011), the incentives payments accounted for nearly a quarter of the government expense per apprentice or trainee, indicating that they have been a considerable cost to the government.

#### Have incentives influenced participation?

The two-decade evidence showing trends in commencements and completions for both trade and non-trade apprentices is shown in figures 15 and 16 respectively. Figure 15 shows that there has been a gradual increase in apprenticeship and traineeship commencements over the past few decades, which coincides with the general broadening of the system and the injection of incentives payments to employers in the mid-1990s. Of particular interest is the sharp rise in non-trade apprenticeships (traineeships) for both males and females in the 1990s. This aligns with the consolidation of the apprenticeship and traineeship system and the introduction of the current Australian Apprenticeships Incentives Programme, in 1998. Since their inception, incentive payments have undergone various changes and amendments over the years. (See NCVER 2011 for a list of changes to incentives up to 2010.)

However, as the various reviews and analyses discussed below have shown, paying incentives does not necessarily lead to increased completion, prompting the federal government to redesign the scheme over the past few years.

Since 2012, there have been several reductions in the incentives paid to employers, which appear to have had an effect on the commencements and completions of apprenticeships and traineeships in recent years. The first reduction occurred in mid-2012 when the commencement and recommencement incentive for some qualifications not on the National Skills Needs List was abolished.[[8]](#footnote-8) In anticipation of these changes, employers were urged to make the most of the scheme before changes were implemented. Figure 15 shows there was a sharp increase in commencements of non-trade apprenticeships for both males and females in 2011, prior to the incentives ending in 2012. This is followed by a very sharp decrease from 2012 onwards, coinciding with the termination of incentive payments. Further announcements were made in mid-2013, with the completion incentives abolished for occupations not on the National Skills Needs List. As figure 15 shows, the decrease in non-trade apprenticeships continued.

Typically, skills on the National Skills Needs List are generally trades, while non-NSNL skills tend to be non-trades, which is why we see traineeships affected by the changes to incentive payments more than trade apprenticeships. The implication of the removal of incentive payments for completions of non-trade apprenticeships follows a similar pattern to commencements (see figure 16). In contrast, the completions for male trade occupations have increased (apart from the last year and 2012-2013), which is an interesting trend, given that a review conducted by Deloitte Access Economics found that, in the main, incentive payments had a negative effect on completions (Deloitte Access Economics 2012).

Figure 15 Trade and non-trade apprenticeship commencements to labour force rates by sex, 1996–2015 (%)

Withdrawal of incentives

Change to incentives

Notes: Commencements are based on financial year starting from July 1995 to June 1996 and ending with July 2014 to June 2015. The rate is expressed as commencements as a proportion of the 15 to 64-year-old labour force.

Source: NCVER Apprentice and Trainee Collection 1995–2015; ABS Labour force Australia cat.no.6291.0.55.001, cube LM1.

Figure 16 Trade and non-trade apprenticeship completions to labour force rates, 1996–2015 (%)

Notes: Completions are based on financial year starting from July 1995 to June 1996 and ending with July 2014 to June 2015. The rate is expressed as completions as a proportion of the 15 to 64-year-old labour force

Source: NCVER Apprentice and Trainee Collection 1995–2015; ABS Labour force Australia cat.no.6291.0.55.001, cube LM1.

#### What are the merits of incentive payments?

While clearly employers value incentive payments, there are alternative views about the merits of such payments. Their existence has been argued as not necessarily having an impact on the recruitment decisions of employers (Curtin University, Centre for Labour Market Research 1997). A 2008 economic analysis of the apprenticeship and traineeship system showed that the cost of the standard incentives is a concern because there is little evidence that these have significantly increased the number of apprentices. The analysis found that the take-up rate of commencement incentives is reasonably high, at around 75%, and the take-up rate of completion incentives is over 90%. A little over one-third of Australian Apprenticeship Incentives Programme (AAIP) payments went to skills shortage areas (Karmel et al. 2008).

The analysis by Karmel et al. (2008) came to the view that the incentive model of the time was expensive for trades training from an employer perspective and that incentive payments do little to mitigate the costs.

In light of NCVER’s (2011) economic analysis of incentive payments, the Apprenticeships for the 21st Century Expert Panel (2011, p.14) in its review of Australian apprenticeships recommended that the Australian Government:

redirect employer incentives to provide structured support services to eligible apprentices and trainees and their employers in occupations that are priorities for the Australian economy.

In response, the Australian Government commissioned an econometric review of the Australian Apprenticeships Incentives Programme to determine its effectiveness and agreed to reform the incentives program to simplify and better target the payments to more effectively support Australia’s skills needs.

The econometric review of the program, undertaken by Deloitte Access Economics (2012), found that the incentive payments have had a positive effect on commencement and have been successful in encouraging the uptake of apprenticeships. However, the review also found that incentives are largely ineffective in producing qualified workers, as they are associated with an increase in the likelihood of cancelling an apprenticeship or traineeship, as well as a decrease in completing an apprenticeship or traineeship, contrary to what might be expected (Deloitte Access Economics 2012). There are a couple of exceptions, which show that certain targeted incentives are more successful. Specific incentive payments, such as those aimed at disadvantaged apprentices (namely, Indigenous people and those with a disability), those encouraging uptake by older apprentices, or those available in the case of a financial crisis, appear to be more effective (Deloitte Access Economics 2012; NCVER 2011).

### Accelerated apprenticeships

The potential for more rapid completion has always existed under the competency-based system (CBT) — as opposed to a curriculum-based time-serving system. For apprenticeships this was not formalised until the Australian Government’s Accelerated Australian Apprenticeships (AAA) Initiative. This policy has been chosen for discussion because it was the first attempt to facilitate apprenticeship completion in shorter timeframes. The policy rhetoric associated with accelerated apprenticeships, as well as specific policy initiatives like AAA, has coincided with an increase in the proportion of apprenticeships and traineeships being completed in a shorter period of time.

#### The Accelerated Australian Apprenticeship Initiative

The Accelerated Australian Apprenticeships Initiative was announced in 2011 by the Australian Government as part of the Apprenticeships Reform element of the Building Australia’s Future Workforce package and as an initial response to the recommendations of the Apprenticeships for the 21st Century Expert Panel. It built on previous commitments by COAG to strengthen the models that enabled earlier apprenticeship completion. The overarching aim of the Accelerated Australian Apprenticeships Initiative was to support a systemic shift to competency-based progression and completion in VET, with a focus on apprenticeships. The initiative intended to achieve this by encouraging industry to develop and introduce strategies that embed and further strengthen the use of competency-based progression in training, thereby facilitating accelerated apprenticeships. The initiative enabled industry skills councils, peak industry bodies, large employers and businesses to undertake or participate in large-scale projects that support a shift to competency-based progression and completions. Approximately $53 million in funding was made available from 2011 to 2016 to support these multi-jurisdictional and sector-wide partnerships. The program’s end was announced in the 2014—15 Budget, with the remaining industry projects expected to be completed in 2016.

#### What is an accelerated apprenticeship?

The traditional apprenticeship model is associated with completion in a nominal time period, generally ranging from three to four years. While this model of apprenticeship is still well regarded and is not failing, it does, as Callan (2008) argues, need to evolve to remain useful and relevant. There is pressure from some sections of industry to reduce the time taken to complete an apprenticeship to ensure the system stays responsive to industry’s needs ([Australian](http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE_CONTENT/Publications/Reports/2010/9151_faster_smarter_higher_trade_outcomes_project_web.pdf) Industry Group 2010). A widely held view is that if completion time can be reduced, then the system can be more responsive to changes in the demand for skilled trades. The Australian apprenticeship system contains a number of features and alternative models which now facilitate faster progression and earlier completion. However, while all jurisdictions embrace the principles of accelerated completion, the extent of their uptake and the approach to their implementation have varied across jurisdictions and industries (Hargreaves & Blomberg 2015).

#### What is the benefit of accelerated apprenticeships?

In addition to making qualifications more responsive to the labour market, accelerated apprenticeships offer benefits to individual apprentices. For example, they can play an important role in enabling adult apprentices to complete their qualifications more quickly. Hargreaves and Blomberg (2015) show that the number of adult apprentices (25 years and over) commencing a trade is increasing. In particular, more existing workers with skills and no prior education are commencing a trade. Accelerated apprenticeships may be particularly beneficial for individuals who have experienced retrenchment in declining industries: they may take advantage of alternative and accelerated pathways in their efforts to reskill and find employment in a different or complementary trade (Hargreaves & Blomberg 2015).

#### Approaches to enabling accelerated completion

As explained above, a key feature of the Australian apprenticeship system is competency-based training, whereby progression and completion of training is based on an assessment of observable competencies against the occupational standards developed by industry. In the case of apprenticeships, CBT supports individuals who have the capability to complete their apprenticeship earlier than the traditional time-served model. The aim of competency-based progression and completion is to remove the artificial time construct of an apprenticeship. The emphasis is placed instead on the skills developed and the work performance, recognising an apprentice’s achievements and contributions not the time served (Dickie, McDonald & Pedic 2011; Clayton et al. 2015).

Competency-based progression and completion is generally considered to produce qualified tradespeople more quickly, as it allows completion at or before the contract of training has reached its specified finish date and at the point at which the apprentice is deemed fully competent. Conversely, this approach also allows full competence to be achieved beyond the specified time, if there are factors impeding competency attainment.

While CBT has been a feature of the Australian VET system since the late 1980s, in 2006 the Council of Australian Governments more explicitly formalised support for CBT progression. Despite this widespread support across all levels of government, CBT has not been as widely adopted as hoped (Australian Government 2011; Clayton et al. 2015; Hargreaves & Blomberg 2015).

Some of the more specific approaches that enable accelerated apprenticeships are described below.

**Shortened nominal durations and ‘early sign off’**

Another approach to facilitating earlier completion has been to shorten the nominal durations of apprenticeships and traineeships. To achieve this, programs have been redesigned in consultation with industry, with a significant increase in the off-the-job component of training occurring upfront (Knight & Karmel 2011; Hargreaves & Blomberg 2015).

Early sign-off enables apprentices to have their contracts of training signed off early if they have completed all of their off-the-job training and 75% of their contract term (Karmel & Misko 2009; Hargreaves & Blomberg 2015). The concept of early sign-off has been introduced in some industries, particularly those that may have experienced problems retaining apprentices during times of economic downturn.

**Recognition of prior learning (RPL)**

Another option includes the use of recognition of prior learning or current skills to acknowledge the skills an existing worker may have gained from experience in a trade or from other informal learning. RPL is used in combination with tailored gap training (generally skills sets) to enable an apprentice to complete a trade qualification or certificate (usually referred to as ‘advanced entry adult apprentices’) (Hargreaves & Blomberg 2015). According to Hargreaves and Blomberg (2015), an RPL-granted subject outcome for adult trade apprentices (25 years and older) increased from 3.5% in 2009 to 7% in 2013. Despite the slight growth, the RPL levels for adult trade apprentices are considerably lower than peer-age students who either have no training contract or who have a traineeship. In 2013 this group had RPL-granted outcomes of 78%. This shows that RPL is less common among adult trade apprentices, compared with other VET students or trainees in the same age group.

#### Barriers to accelerated completion

Hargreaves and Blomberg (2015) argue that, although there has been widespread support for accelerated apprenticeships models, uptake has been limited. While the data do not identify the reasons behind the early completions that do occur or highlight the approach used, they confirm that the numbers of apprenticeships of shorter duration are growing, especially for adult apprentices, with well over half completing within two years. Despite general support for accelerated completion, a range of barriers continue to limit its uptake.

While some sections of industry would like to see a reduction in the time taken to complete an apprenticeship, there is also evidence that some employers see the time-based models of apprenticeship as ‘the norm’. Looking at three trade occupations, Clayton et al. (2015) found that one of the key factors adversely affecting the uptake of competency-based progression is employer attitudes. Some employers may prefer a time-based model because they are accustomed to it. There is arguably less incentive for employers to support an accelerated option, since the perception is that the primary benefits (particularly wage benefits) lie with the individual rather than the employer (Hargreaves & Blomberg 2015).

Other barriers to early completion identified by Clayton et al. (2015) include a lack of provider flexibility in adopting the administrative, teaching and assessment approaches that facilitate progression and completion and a general lack of knowledge of how competency progression and completion work in practice. Poor communication between employers and trainers and assessors can also inhibit CBT.

#### Is the duration of apprenticeships and traineeships becoming shorter?

Figures 17 and 18 show the trends in trade apprentice completions for the period 1996—2014. As figure 17 shows, over the past few decades there has been a gradual trend towards trade completions of shorter duration (two years or less). Since about 2008 onwards there has been a gradual decrease in trade apprenticeships taking three years or longer to complete. These trends coincide with the Australian Accelerated Apprenticeship program, which ran from 2011 to 2016, as well as the wider sectoral promotion of competency-based training, RPL and other mechanisms for enabling quicker completion.

Figure 17 Trade completions by duration 1996–2015 (%)

Note: Completions are based on financial year starting from July 1995 to June 1996 and ending with July 2014 to June 2015.

Source: NCVER Apprentice and Trainee Collection 1995–2015.

It would be expected that apprenticeships of shorter duration are taken up to a greater extent by older apprentices; that is, those who already have some work experience, as opposed to new entrants. (See, for example, Hargreaves & Blomberg 2015.) As Hargreaves and Blomberg (2015) argue, it is perhaps the push from COAG to promote accelerated apprenticeships that has led to a much higher proportion of adult apprentices completing their apprenticeship within two years, compared with the rate of ten years earlier. They find that over half (56.2%) of certificate III or higher apprenticeships in 2013 were completed within two years for the 25 to 44-year-old age group. This is in contrast to 42% in 2004. Just over 80% of apprentices aged 45 years and over are now completing a certificate III or higher apprenticeship within two years, compared with around 65% in 2004. Figure 18 indicates this trend over the past two decades and confirms the proportion of all apprenticeship completions of two years duration or fewer. This proportion has increased markedly for those aged 25 years and over since about 2008 (39.0% of completions in 2008 to 59.8% of completions in 2015, noting a drop however for the last 12 months).

Figure 18 Trade completions by age by duration of two years or less 1996–2015 (%)

Note: Completions are based on financial year starting from July 1995 to June 1996 and ending with July 2014 to June 2015.

Source: NCVER Apprentice and Trainee Collection 1995–2015.

How much of this trend towards a shorter duration of training is linked to the Accelerated Australian Apprenticeships program is unclear as it had a limited remit. However, it is evident that the various efforts to promote accelerated apprenticeship completions have had an impact on the duration of trade apprenticeships since the late 1990s. It is particularly noticeable from 2008 onwards, whereby we see sharper increases in the proportion of trade training taking two years or fewer. These trends are particularly prominent for adult apprentices aged 25 years and over, who may be better placed to take up early completion options.

Despite the reduced length of apprenticeships and traineeships over the past few decades and despite the policy trend towards a more flexible and responsive system, there remains concern within the sector that these approaches are not being utilised as much as they could be (Clayton et al. 2015; Hargreaves & Blomberg 2015; Australian Industry Group 2016).

### Summary of impacts and learnings

The two policies discussed in this section — the introduction and removal of incentive payments for employers and the move towards accelerated apprenticeships — have had a significant influence on participation trends for apprenticeships and traineeships. The effort to promote accelerated apprenticeship completions has led to the gradual shortening of trade apprenticeships since the late 1990s, but is particularly noticeable from 2008 onwards. The removal of the incentive payments appears to have contributed to the decrease in apprenticeship and traineeship commencements and completions, particularly in the non-trades.

The state of the labour market, of course, has an influence on apprenticeship numbers, particularly in the trades. However, it is important to remember that there are other policy factors that need to be considered, factors which would need to be investigated more comprehensively to reveal the extent of their impact on participation. Some of these factors are national, whereas others have jurisdictional influences; some represent forms of support directed at employers, whereas others are directed towards individual apprentices and trainees. These influential factors can include:

* the state and territory policies of payroll tax exemptions that have operated at various times across the last 20 years, and similarly any state-based Work Cover insurance levy deductions or remissions/rebates
* jurisdictional ad hoc support, such as drought support packages targeted to regional employers
* apprentice and trainee wages and the complexities of the Modern Awards administered by the Fair Work Ombudsman, which may impact on employers’ willingness to employ apprentices and trainees and support their participation, in the absence of other cost offset incentives (see, for example, Oliver 2010)
* significant cuts in funding in 2015 for group training organisations. GTOs employ apprentices and trainees and place them with host employers and are responsible for ensuring the quality and continuity of the training requirements. Given that many of the host employers are small to medium enterprises (SMEs), these changes may impact on SMEs and the apprentices they employ
* supporting apprentices through grants and more recently loans[[9]](#footnote-9)
* increasing the focus on targeted support, and supporting apprenticeships and traineeships and their employers at the ‘front end’ of their course. This relates to the evidence that apprentices and trainees most need support when it comes to initially choosing their career pathway and in the early part of their training. This includes pre-vocational and pre-apprenticeships programs, but also targeted support strategies to enable the better matching of employers and apprentices through the Australian Apprenticeship Support Network.

Some of this support and the incentives listed above are directed to individual apprentices, namely, the Living Away from Home Allowance and Trade Support Loans. Other support mechanisms are directed towards employers, including incentives paid under the Australian Apprenticeships Incentives Programme for apprentices and trainees undertaking a qualification on the National Skills Needs List. Additional support is available to employers for hiring for adult apprentices, apprentices with a disability and Indigenous apprentices, while tax exemptions, insurance levy reductions and other jurisdictional mechanisms are also available. Support is also available through the Australian Apprenticeship Support Network.

With apprentice and trainee numbers continuing to decline, these factors and their influence on apprenticeship and traineeship commencement and completion figures are worthy of greater consideration and analysis.

## Entitlement models to VET funding

As discussed earlier, the past five years have seen the rise of the entitlement model approach to funding vocational education and training. While there has long been an emphasis on making the training market more competitive, the introduction of entitlement models for funding VET has been a main focus in recent years. Although some states and territories have been moving in this direction for some time, the commitment to the implementation of entitlement models was formalised in 2012, when the Australian Government and state and territory governments agreed to implement a student training entitlement within the national training system as part of the National Partnership Agreement on Skills Reform 2012—2016. While the application of entitlement models is still relatively new for most states and territories, in those instances where they have been in operation for a number of years (namely, Victoria and South Australia), we can see a definite impact on VET participation. For this reason entitlement models have been included as a policy case study.

### What are entitlement models?

The purpose of the entitlement is to create a more accessible and equitable training system by ensuring that all Australians have access to government-subsidised training up to a first certificate III level qualification (as a minimum). With changing expectations around skills levels, demand for certificate III level qualifications is expected to increase.

The entitlement models of many of the jurisdictions have been fine-tuned such that subsidies are tied to the skills and occupations needed in each jurisdiction. Jurisdictions regularly review their lists of entitlement courses to ensure they are responsive to the skills requirements of the labour market and to optimise a public benefit from government-subsidised VET and the efficient use of public money. An entitlement to VET funding is therefore a mechanism for ensuring that Australia’s skills needs are met.

Another key purpose of the entitlement model is to allow greater student choice in training, which has had the effect of opening up the training market, as it facilitates a demand-driven approach to funding within a contestable training market environment. However, the details of the model are implemented differently across the jurisdictions. Jurisdictions in general have extended the entitlement beyond the minimum requirement in the agreement, but not in the same way. These differences in who is eligible for an entitlement and for how much and which courses are eligible are important because they lead to the differential treatment of students across the country.

All jurisdictions provide public information about entitlement eligibility, the courses, and their fees and subsidies; however, Bowman, McKenna and Griffin (2016) argue that students need more information, and better information, to make informed choices about providers and courses.

### State and territory approaches

While the National Agreement for Skills Reform commenced in 2012, as table 2 shows, the states and territories introduced entitlement models at different times. Given that most jurisdictions introduced entitlement models from 2014 onwards, the impact of the entitlement model may not yet be evident in the available data. As such, the commentary will focus on Victoria and South Australia, states with entitlement models in place for some years.

Table 2 Jurisdictional student training entitlements by time of first implementation

|  |  |
| --- | --- |
| Jurisdiction | Timing |
| Victoria | From 2009 |
| South Australia | From 2012 |
| Queensland | From July 2013 |
| Western Australia | From 2014 |
| Tasmania | From 2014 |
| Northern Territory | From 2014 |
| Australian Capital Territory | From 2015 |
| New South Wales | From 2015 |

Source: Bowman & McKenna (2016).

In their recent research, Bowman and McKenna (2016) provide a detailed overview of entitlement models as they are implemented by the different jurisdictions. It is important to note that this information is relevant as at March 2015, and given the evolving nature of the reforms is subject to ongoing change. Table 3 summaries the different types of entitlement models in place in each jurisdiction.

Table 3 Entitlement models by jurisdiction as at March 2015

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Jurisdiction | Student eligibility | Contestability and support | Subsidies | Fees | Prices | Budget control |
| Victoria – Victorian Training Guarantee | Post-school students aged under 20 years are eligible for any entitlement qualification and those aged over 20 years for a qualification higher than the one already held but with a ‘two commencements at level in a lifetime’ restriction | The entitlement is embedded in a single contestable funding model, in which public providers receive special base funding and then compete on equal grounds with private providers. | Variable – 5 bands | Fully deregulated | Variable | Subsidy adjustments |
| South Australia – Skills for All/ Work Ready | Post-school students, regardless of age and previous education level, to a total of two entitlement courses | The entitlement is embedded in a new single contestable funding model, one that provides higher subsidies to public providers than to private providers. | Variable | Tuition fixed, discretionary variable | Partly variable | Capped places |
| Queensland – Certificate 3 Guarantee | Post-school students who do not have a certificate III or higher and the entitlement applies to a first, and only one, certificate III | The entitlement is one discrete publicly subsidised program of several that complement each other within a new contestable funding model. Public providers receive special base funding and then compete on equal grounds with private providers. | Variable – 4 levels | Fully deregulated | Variable | Non-issue |
| Western Australia – Future Skills WA | Post-school students, regardless of age and previous education level, and to any number of entitlement courses | The student entitlement is embedded in a new single overall contestable funding model, in which higher subsidies are paid to public providers than to private providers. | Variable | Tuition fixed, discretionary variable | Partly variable | Non-issue |
| Tasmania | Post-school students who do not hold a previous certificate IV or higher and for a first certificate III or higher | The entitlement is embedded in a new contestable entitlement program open to approved private providers only and is also obtainable through the public provider and the uncontested training appropriations it receives from the government. | Variable | Tuition fixed, discretionary variable | Partly variable | Capped places |
| Northern Territory – NT Student Entitlement Model | Post-school students, regardless of age and previous education level, and to one entitlement course at a time | The entitlement is embedded in a new contestable entitlement program open to approved private providers only and is also obtainable through the public provider and the uncontested training appropriations it receives from the government. | Fully subsidised | Tuition fixed, discretionary variable | Partly variable | Capped places |
| Australian Capital Territory – Skilled Capital | Post-school students, regardless of age and previous education level, and to one entitlement course at a time | The entitlement is embedded in a new contestable entitlement program open to approved private providers only and is also obtainable through the public provider and the uncontested training appropriations it receives from the government. | Variable – 3 bands | Semi-deregulated | Variable | Capped places |
| New South Wales – Smart and Skilled | Post-school students not holding a previous certificate IV or higher and for a first certificate III, and a second certificate III or higher at a lower subsidy rate for those who already have a certificate III | The entitlement is one discrete publicly subsidised program of several that complement each other within a new contestable funding model. NSW TAFEs still receive uncontested training appropriations. | Variable | Fixed | Fixed | Capped places |

Source: Reproduced from Bowman, McKenna & Griffin (2016).

#### Victoria

In 2009 Victoria became the first state to introduce an entitlement model, called the Victorian Training Guarantee, with the aim of creating a more market-based system. The original entitlement model operated between July 2009 and January 2011 and consisted of broad student eligibility criteria, uncapped training places for those who were eligible, and a wide range of courses. While TAFEs were paid a higher rate per paid hour than other providers, there was full contestability between public and private RTOs and greater flexibility for all RTOs to set course fees (Bowman & McKenna 2016).

As the first ‘experimental’ model, the Victorian student demand-driven and competitive system led to rapid growth in VET enrolments (see figure 19). Leung et al. (2014) found that, between 2008 (pre-reform) and 2011 (post-reform), the Victorian Training Guarantee was estimated to have led to a 35-percentage-point growth in enrolments, an increase far greater than those occurring in other jurisdictions (figure 19), with much of this growth occurring in private providers. The rapid growth halted from 2012 onwards, when the initial model was reformed. This is also highlighted in figure 20, which shows trends in enrolments for certificate III/IV qualifications since 2009 (as a proportion of the labour force). The model is largely intended to increase participation in these qualification levels.

While the benefits of this growth included the capacity to address skills shortage areas and the creation of providers who are more responsive to students and employers, Bowman and McKenna (2016) argue there were also some unintended and detrimental consequences to these reforms. These include:

* budget over-runs as student demand and places outpaced available funds
* mismatch between growth in some areas of training and the actual skills needs of businesses
* issues with training providers who did not aspire to deliver high-quality training and manipulated the system for their own financial gain, delivering only limited benefits for students
* decreasing course subsidy rates and market share for TAFEs, resulting in TAFE job losses, course cuts and campus and facility closures.

To address these unintended consequences, Victoria has reformed the entitlement model over the past few years. This has included adjusting subsidies, altering the eligibility criteria of the courses students can undertake and tightening the contractual requirements for RTOs and the processes for their entry into the market.

More detailed information about the reform of Victorian Training Guarantee can be found in the Victorian Department of Education and Early Childhood Development (2013) publication and further analyses of the reforms can be found in Bowman and McKenna (2016).

More recently, in late 2015, the Victorian Government published a review of VET funding and quality assurance in Victoria’s VET system to help restore public confidence in the quality and value of VET (Mackenzie & Coulson 2015). The review recommended a range of strategies for stabilising the funding arrangements in the sector, ensuring quality in training and protecting students. The Victorian Government has agreed in principle to the recommendations and has made a commitment to implementing a more stable and sustainable funding system, with an emphasis on quality and on restoring the position and funding of TAFEs, with new measures introduced more recently in 2016.

#### South Australia

In July 2012 South Australia became the second state to introduce an entitlement model, called Skills for All. Under this model, students aged 16 years and older and not at school were entitled to foundation skills courses, certificate I and II qualifications and other priority area qualifications free of charge. RTOs could charge for higher-level qualifications. The aim of the model was to encourage people with low education levels to undertake an initial VET qualification. According to Bowman and McKenna (2016), the model led to a 60% increase in enrolments and a 44% growth in government funding for training in the first year. Not surprisingly, this led to budget over-runs. As in Victoria, South Australia was required to refine the entitlement model to prevent future budget blow-outs. Figures 19 and 20 show this increase in enrolments in South Australia, followed by a decrease from 2013 onwards, after the entitlement model had been tightened.

Thereview of the South Australian scheme, *Evaluation of Skills for All*, published in February 2015, identified principles for future reform. Some of these included: introducing measures to constrain expenditure; co-contributions through student and employer contributions; clear articulation of the role of the public provider, TAFE SA; and better monitoring of the market-driven system (ACIL Allen Consulting 2015c).

As at March 2015 the entitlement range of qualifications is quite broad; however, all eligible courses are limited to those on the Skills for All Funded Training List, a list linked to state-based employment opportunities. The subsidies vary for different courses, depending on their perceived public value. There are also more controls in place to prevent budget over-runs. The entitlements are paid to training providers who have attracted eligible students, and providers are able to set additional fees. The providers must meet the requirements of the National Standards for RTOs 2015 and are subject to a range of selection criteria.

In July 2015 Skills for All became Work Ready and the number of eligible courses was reduced. Around 90% of places were reserved for TAFE SA (Bowman & McKenna 2016). This new approach, whereby the training places were reserved for TAFE SA, was contentious because in strengthening the position of the public provider it challenges the notion of contestable training markets.

#### Other jurisdictions

Figures 19 and 20 show rates of participation in VET, with sudden increases for Victoria and South Australia, followed by just as sudden decreases, and considerable volatility in other jurisdictions.

In particular, decreases in VET participation rates in Queensland have been sustained since the early 2000s. However, with the introduction of the Certificate 3 Guarantee in July 2013, an increase in participation rates becomes evident. Similarly, from 2013 the Northern Territory showed an increase in VET participation rates, which may coincide with the introduction of the entitlement in 2013 (figure 19).

Tasmania, along with the Northern Territory and Victoria, has comparatively high VET participation rates. However, we have seen both sharp increases and decreases in the participation rate in recent years. An ‘entitlement’ has operated in Tasmania for many years, with government subsidies for all levels of qualifications going to the large public provider TasTAFE (Bowman & McKenna 2016). In response to the National Partnership Agreement on Skills Reform, Tasmania implemented an official entitlement model, which commenced in January 2014.

Figure 19 Rates of participation in VET by state 1996–2015 (%)

Note: The rate is expressed as students as a proportion of the 15 to 64-year-old population in each state and territory.

Source: NCVER Historical time series of government-funded VET 1996–2015; ABS demographic statistics, cat.no.3101.0, September 2015.

Figure 20 Rates of participation in VET by state for certificate III and IV qualifications 2009–15 (%)

Note: The rate is expressed as students as a proportion of the 15-64 year old population in each state and territory.

Source: NCVER National VET Provider Collection 2009–15; ABS demographic statistics, cat.no.3101.0, September 2015.

## Summary of impacts and learnings

It is evident that the early entitlement models introduced in Victoria and South Australia had a major impact on increasing participation rates, particularly at the certificate III and IV levels. The subsequent tightening of the models also led to sharp contractions in the participation rates in both states.

Overall, the trend in the number of government-funded VET students shows a national decline from a peak in 2011, broadly indicating a tightening of the ‘entitlement’ models, such that the system now represents a ‘managed demand’ system, one more targeted to priority training and job opportunities to optimise public value. This has likely influenced the development of models in other states and territories, as indicated by the most recent review of the models adopted in NSW (see Nous Group 2016).

Future policy developments and any subsequent changes in participation rates will depend on the influence of a range of factors, including:

* any renegotiation of the terms of the present National Partnership Agreement on Skills Reform and the associated funding arrangements
* the outcomes of the redesign of VET FEE-HELP
* changes to FEE-HELP and higher education funding arrangements and targets, especially with regard to the AQF level 6 advanced diploma/associate degree area.

In the future, VET participation under entitlement models will be shown as a component of total VET activity, providing a whole-of-VET-sector perspective, of which Commonwealth/state-funded training will be but one part.

# P:\PublicationComponents\Icons\LightBulb_CorpBlue.emfSome observations

We have discussed the considerable policy intervention in the VET sector over the past 20 years, some of which is reflected in VET participation rates. In this chapter we examine some of the common themes and tensions emerging from our investigation of policy trends and the policy case studies. Despite these policies arising from different contexts with different aims, it is evident that they share common themes.

## The policy trends

In both apprenticeships and traineeships and in the wider VET system, we can see moves towards the opening-up of the sector to a broader group of people. This includes:

* the expansion of the apprenticeship system to include traineeships and a wider range of occupations and age groups over the past 20 years, although recently there has been a decline in traineeships
* the introduction of accelerated apprenticeships (both as a high-level policy initiative and a specific program), with the aim of attracting more people to complete an apprenticeship more quickly, particularly adult apprentices
* incentive payments specifically targeted to apprentices from disadvantaged groups, and other groups of people who have not traditionally undertaken apprenticeships
* the introduction of student entitlement models to the funding of VET, with the aim of assisting people with low levels of education to gain an initial qualification
* the introduction of targets for increasing the proportion of people with higher-level VET qualifications, despite static funding for the sector.

Overall, there has been an expansion of the sector in the last few decades, particularly at certificate III level and above. But the focus of policy has not been merely to get more people more qualified; there has also been an emphasis on empowering consumers by increasing their choice and providing them with more information on providers, courses and outcomes, with the aim of giving students and employers greater control over their training options. This includes:

* a move towards contestable training markets and enabling greater employer and student choice when it comes to selecting a provider
* the introduction of user choice in the mid-1990s for employers of apprentices and trainees
* the introduction of demand-driven models of funding, in which from 2009 onwards students have a training entitlement
* increased support services for apprentices and trainees, including various forms of financial assistance and particular programs or services
* within the context of a competency-based system, a more concerted effort to promote accelerated apprenticeships to facilitate earlier completion
* the development of MySkills and other forums for potential students to enable them to investigate their course of interest and employment and income outcomes (see appendix A).

Despite this emphasis on expanding the sector, the pressure to curb government spending on education and to prevent budget over-runs has also led to a more targeted approach to the allocation of funding. It would appear that funding is increasingly directed towards the skills and occupations needed in the labour market or to local employment outcomes at the state and territory or regional levels. As such, funding decisions are guided by various priority skills and occupations lists, at both the federal and state and territory levels. This more targeted approach to funding is particularly evident through:

* the re-engineering of employer incentive payments for apprenticeships and traineeships, such that financial incentives to employers are payable only in areas deemed to be experiencing skills shortage, as outlined in the Australian Government’s National Skills Needs List
* the reformed Victorian entitlement model, which now varies the subsidy levels of courses according to the perceived ‘public value’ of a course
* the reformed entitlement model in South Australia, which is now guided by the Funded Training List/Subsidised Training List, which is linked to local employment opportunities
* the varying subsidy levels and priority skills lists that have also been introduced in other states and territories according to the perceived public value and skills needs in the labour market
* the nature of the options made in the VET FEE-HELP redesign paper.

## Tensions in the system

In some regards there is now a tension in the system, given that it has become difficult to identify the factors that drive government investment in training. On the one hand there is a desire to have a more contestable training market, one predicated on concepts of user choice, student choice and a demand-driven system; on the other hand, that choice is limited, as it is partially constrained by pre-identified skills needs and various eligibility criteria, imposed to provide some guidance and control over the system. The tension between providing skills for the labour market and enabling student choice begs the question of how do governments mediate between demand for certain ‘popular’ qualifications and their actual occupational outcomes?

Related to this is the rise of the contestable VET system, which produces another tension. How can governments find a balance between the creation of contestable training markets and then appropriately regulate these markets?

Consecutive governments at both national and state levels have been actively establishing contestable training markets for some time, notably through user choice, student choice entitlement models and VET FEE-HELP. But the creation of contestable training markets has led to unintended consequences, including budget over-runs and multiple providers competing for both private and public funding, raising questions about whether the training market is overcrowded and the need for mechanisms to appropriately regulate the expanded training market.

The discussion shows that there are other inherent and interrelated tensions in the system. Bowman and McKenna (2016) also identified the issue of ensuring consistency and flexibility in the system. Consistency in the sector is achieved through the application of national frameworks for policy, regulation and products, frameworks that have evolved over the past few decades and continue to be reformed as governments change. However, this national system co-exists with jurisdictional approaches to funding and delivering VET. This is particularly pertinent to the introduction of entitlement models, which are state-based in their implementation. While this creates some flexibility within the sector, persistent challenges remain in finding a balance between the two.

Related to this is the tension created by federalism in the tertiary education system. The university system is centrally funded and regulated by the Australian Government, but the situation in the VET system is much more complex due to the involvement of the federal government *and* the states and territories. As discussed previously, states and territories have traditionally had responsibility for VET in their own jurisdictions, although the system has become more centralised over the past few decades, with greater input from the federal government, including:

* a move towards a national system of regulation, frameworks and standards and curriculum development
* complicated funding arrangements between federal and jurisdictional governments
* greater federal investment in and coordination of the apprenticeship and traineeship system
* the introduction of National Partnerships, which guide the direction of the states and territories
* the introduction of Australian Government-driven initiatives such as the Productivity Places Program from 2010 to 2012 and VET FEE-HELP.

The split between federal and state-based roles has led to a blurring of the boundaries when it comes to responsibility for VET, masking who is ultimately accountable for the sector and preventing a clear or coherent direction for the future. The tension between a centralised VET system and the state-based system was recently exacerbated by discussions and speculation about a federal takeover of VET, which was fuelled in February 2016 by a leaked COAG document. These are ultimately matters of national policy to be resolved by governments. All of these tensions can be seen as competing rather than contradictory. Although there is nothing inherently wrong with these tensions co-existing, some careful and skilful policy navigation is required. This is an ongoing challenge with a system that is fluid rather than static.

## Policy influencing participation

The policy activity of the past few decades has exerted an influence on participation trends. In particular, in the three case studies used in our analysis:

* The injection of incentives payments to employers has influenced the growth of apprenticeships and, in particular, traineeships. The removal of the incentives for occupations not on the National Skills Needs List has significantly impacted on participation in the non-trades.
* The introduction of entitlement models has affected participation trends, particularly in Victoria and South Australia, where we saw significant growth in commencements. The subsequent tightening of their entitlement models also impacted upon participation, leading to declines in student numbers. It is too early to discern clear trends in other jurisdictions.
* The policy focus on accelerated apprenticeships and traineeships appears to have had an influence on completions, with more trade apprenticeships and traineeships being completed in shorter durations, particularly among adult apprentices.

It is important to note that policy can take a while to be realised and may not become evident in participation trends for some time. Participation is also influenced by a range of factors, including, but not limited to, the labour market and the economic cycle, jurisdictional policy interventions, and policy interventions in the other education sectors.

## Final reflections

The policy trends and initiatives in the VET sector discussed in this paper have aimed to stimulate engagement in the sector and develop skills relevant for the labour market. Although participation rates are complex and nuanced, this has led to an overall expansion in the system. The collection of reliable data is integral for monitoring these trends, and research and analyses are vital for understanding them. In time, with the advent of total VET activity, we will have access to expanded data on how policy influences participation in the VET sector.

The sector faces a variety of challenges in the future, including contestable — and variable — training markets and ongoing tensions between federal and jurisdictional approaches to the funding, delivery and regulation of vocational education and training. It is evident that VET is a complex multi-faceted system supporting many players, so necessarily the approach to policy is not straightforward. It takes time for policy to be established, and adjusted where necessary, and it takes time for the providers and consumers to respond and adapt to policy changes. Realistically, we have to accept the nature of the system and its need to respond to the broader environment; we also have to understand that it is dynamic and evolving, with VET policy influenced by a myriad of pressures, including the political, economic and social philosophies and ideologies of the day. However, it is clear that the sector would benefit from some stability and coherence.

There is no one perfect policy to address the needs of the system. Ultimately, however, all policy needs to be mindful of a fundamental central tenet: VET exists to develop skills for the benefit of individuals, industry, the economy and society at large.

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# P:\PublicationComponents\Icons\PaperClip_Purple.emfAppendix A

## VET policy developments over the past 20 years: moving towards a nationally directed, jurisdictionally implemented and industry-driven system

Traditionally and in large part constitutionally, the states and territories have had responsibility for VET provision; the jurisdictional approach to funding and delivering VET enables the system to respond to local and regional skills and labour market needs. However, since the 1960s and 1970s a key trend has been the increasing involvement of the federal government in terms of infrastructure development, curriculum development, research, financial contributions and programs, overarching policy directions and the regulation of the sector (Department of Prime Minister and Cabinet 2014; Bowman & McKenna 2016). By the early 1990s, this had culminated in the federal and state and territory governments agreeing on a national approach to VET, which was embodied first in the National Training Board (NTB) in 1990, and subsequently with the establishment of the Australian National Training Authority (ANTA) in 1992. ANTA was abolished in 2005, and since that time the national approach to VET has been maintained through various national agreements and partnerships on VET. The current agreements are the COAG National Agreement for Skills and Workforce Development and the National Partnership on Skills Reform.

The move towards a national system has seen the recent creation of another national body, the Australian Skills Quality Authority (ASQA), which like the earlier national bodies — ANTA and the National Training Board — is responsible for overseeing the various national frameworks and standards. It is these national frameworks and standards that aim to deliver consistency and quality in the sector. ASQA, the National VET Regulator for the sector, seeks to ensure that the sector's quality is maintained through the regulation of VET providers, accredited VET courses and CRICOS[[10]](#footnote-10) providers. The regulatory approach taken by ASQA is based on risk assessment, and its functions include registration of providers and accreditation of VET courses by means of compliance audits. Despite being the national regulator, ASQA is quasi-national, as only six states and territories have transferred regulatory powers to the authority. Western Australia and Victoria maintain their own regulatory functions, although RTOs in Victoria or Western Australia providing courses to overseas students or in the other states are regulated by ASQA.

More recently, in May 2015, the national Australian Industry and Skills Committee (AISC) was established by the COAG Industry and Skills Council to give industry a formal expanded role in policy direction and decision-making for the VET sector (Department of Education and Training 2015).

As Bowman and McKenna (2016) argue, there is an inherent tension in Australia’s national approach, which aims to promote both consistency and flexibility in the training system. Consistency is important for ensuring the quality of RTOs in delivering outcomes, maintaining high standards across the country and enabling the portability of skills. Flexibility is important for the training market, as it is critical that public funding meets industry needs (at all levels), enables individuals’ choice when it comes to training and allows providers to be competitive.

In the context of consistency and flexibility, the nationwide system of national frameworks for policy, regulation and products is overseen by the federal government and implemented by the states and territories to ensure that the various regional requirements are accommodated (Department of Prime Minister and Cabinet 2014). This has led to arguments that Australia has eight different approaches, which reflect the nuances of the policies and funding conditions of each jurisdiction and the different views on public and private investment in vocational education. While this nationally driven system, implemented by numerous jurisdictions, has its benefits, it also has challenges. With the state and territory-based approaches to providing and funding VET, specifically the implementation of different funding models, fee policies, concessions and subsidies, and skills priority lists, the system as a whole is becoming increasingly divergent and fragmented. This can be complicated for providers, industry, employers and individual students, all of whom are operating in a system with different and constantly changing arrangements. The challenges associated with this complex and changing environment can be exacerbated by the limited provision of information for learners and providers; yet ironically information is critical for enabling consumers to make informed choices in a consumer-driven market (Department of Prime Minister and Cabinet 2014).

The national approach to VET in Australia is underpinned by particular features and arrangements, the majority of which have evolved over the past two decades. The system is based on competency-based training, the major manifestation of which is training packages, introduced in 1997. Another key feature of the Australian VET system is the evolution of the concept of the ‘industry-driven system’, which is characterised by industry-informed qualifications, predominantly developed through the industry-directed training packages, devised and managed by industry-led skills bodies. In April 2015, the Australian Government announced an overhaul of training package and training product development. This new approach saw the creation of ‘skills service organisations’ (SSOs), whose remit is to develop and manage training products, based on advice from the relevant industry reference committees (IRCs). Skills service organisations are commissioned by the Australian Industry and Skills Committee and are professional service organisations; they replace the former industry skills councils (ISCs). In addition to the development and management of training products, these organisations are also responsible for facilitating engagement across industry and the training sector and providing various support services to their relevant industry reference committees. The reference committees, which are comprised of people with experience, skills and knowledge of their particular industry sector, aim to ensure that training packages meet the needs of employers; they play a key advisory role in the industry-focused approach to training product development (Department of Education and Training 2015).

### Broadening the apprenticeship system

Considerable extension and broadening of the Australian apprenticeship system has occurred over the past few decades. Apprenticeships in Australia traditionally referred to trade qualifications; however, with the introduction of traineeships in 1985 as a result of the Kirby report (Committee of Inquiry into Labour Market Programs 1985), the system has expanded to include non-trade occupations.

Initially, apprenticeships tended to refer to higher-level qualifications, typically certificate III, and took three to four years to complete. In contrast, traineeships were generally shorter, at one to two years, and were lower-level qualifications (certificate I/II and some certificate III). However, over time the situation has become less straightforward.

Traineeships aimed to expand opportunities for work-based training beyond traditional apprenticeships, particularly for young people and those re-entering the labour market (Apprenticeships for the 21stCentury Expert Panel 2011). According to Knight (2012), traineeships were essentially a labour market program aimed at disadvantaged early school leavers, although it has been argued that, over time, traineeships have changed in their purpose and outcomes (Cully 2008).

For the first decade, the uptake of traineeships was particularly slow. However, uptake accelerated considerably from the mid-1990s, reflecting the introduction of a national training wage and the provision of employer incentives associated with apprentices (Apprenticeships for the 21stCentury Expert Panel 2011). Incentive payments to employers are designed to facilitate the successful completion of apprenticeships and traineeships, particularly at the certificate III and above levels. The economic rationale for incentive payments to employers is that they offset wages and the other costs associated with apprenticeships and encourage employers to provide more training places (Knight 2012). Due to their importance as a lever to stimulate employer demand for apprenticeships, the concept of incentive payments is discussed in more detail as one of the policy case studies in this paper.

The introduction of government incentive payments to employers was complemented by various forms of financial support to the apprentices themselves, including living-away-from-home allowances, assistance or loans for tools, and other types of travel, transport and accommodation assistance. Apprentices and their employers were also supported more widely through a number of programs and initiatives. The expansion of the apprenticeship and traineeship system also opened up new arrangements for part-time workers, existing workers, school-based apprenticeships and traineeships, pre-apprenticeships, and apprentices and trainees from disadvantaged backgrounds. The system attempted to move away from providing training mainly to ‘traditional’ apprentices (young males) to supporting and promoting participation by a wider range of learners across all age groups (Knight 2012; NCVER 2011). Adult apprentices (25 years and over) now represent an important component of all apprenticeships.

This broadening of the apprenticeship and traineeship system coincided with the increasing focus on competency-based training and accelerated apprenticeships. An accelerated apprenticeship enables apprentices, particularly older apprentices with existing industry experience, to be judged on their competency, potentially enabling them to complete their apprenticeships more quickly. Although overall there has been a trend towards apprenticeships being completed in shorter periods of time, there remains an emphasis on increasing the uptake of accelerated apprenticeship approaches in the sector.

### The opening-up of the training market

The second significant overarching policy trend over the past two decades has been the opening-up of the training market through more contestable funding arrangements and demand-driven consumer choice. The aim of the former is the establishment of a more efficient and integrated VET system, one which is more responsive to the needs of the consumers, the students and the employers (Ryan 2011; Bowman & McKenna 2016).

Until the early 1990s, TAFE delivered most of the publically funded VET training in Australia. But a desire for economic reform in the early 1990s, evidenced by various reports, including the Deveson report (1990) on the training costs of award restructuring and the Hilmer report (1993) on contestability and national competitiveness, saw successive governments send VET down a path towards increasingly contestable funding arrangements. The objective was to create a training market in which both public and private providers could access public funding. The rationale for contestable markets is that the introduction of private providers into the education space could introduce innovation, improve value for money, increase responsiveness to industry, and pressure public providers into becoming more efficient (Brown 2013, in Beddie, O’Connor & Curtin 2013). According to Brown, the two concepts of ‘contestability’ and ‘consumer choice’, which are used extensively in the sphere of VET reform, are allied.

The move towards contestability and consumer choice is characterised by a number of specific policy changes during the 1990s and 2000s. In the early 1990s measures to enable the contestability of funding included the promotion of fee-for-service courses, joint ventures, some tendering for government funds and the reintroduction of tuition fees for TAFE. This was followed in the mid-1990s by the introduction of competitive tendering and user choice, which directed public training funds to approved providers. This approach gave consumers, particularly employers of apprentices, more choice over their preferred provider and promoted the diversification of providers and training in the sector (Ryan 2011).

The trend towards opening up the system and having more contestable training markets and a consumer-driven system has continued with the 2012 COAG National Partnership Agreement on Skills Reform, with its introduction of a minimum training entitlement for students. The contemporary policy direction towards entitlement models is discussed in greater detail as the second case study in this paper. In summary, however, the entitlement is for a government-subsidised certificate III qualification (for those who do not currently have a qualification to this level), the aim being to improve VET participation and attainment by those with low skills levels. While there are set criteria, the initiative is flexible enough to allow for jurisdictional variability in its design and implementation (Bowman & McKenna 2016), but the jurisdictional application, implementation and funding of the entitlement have led to different approaches and outcomes across the states and territories (Noonan 2016). The National Partnership Agreement on Skills Reform was reviewed in late 2015, with the findings made public in April 2016 (ACIL Allen Consulting 2015b). With fewer than two years of the partnership remaining, the review was commissioned to determine the extent to which the reforms are delivering the intended outcomes. The review examined the progress of the reforms and the training outcomes, noting that the jurisdictions were at different stages of implementation and that implementation differed across the jurisdictions, leading to different outcomes. The review notes that further work is required to enable a better understanding of VET activity in each jurisdiction and to provide students and consumers with the information they need. But in order for this to be achieved, the review called for a well-articulated context, objectives and outcomes; highlighted the need for greater coherence between the different initiatives in the VET sector; and urged that the ‘good practices and conditions’ occurring in different jurisdictions are built upon.

The emphasis of the entitlement models is on creating a demand-driven system by enabling greater student choice, although the funding arrangements and subsidy levels can influence this choice and the options for learners. Hence we see a focus on funding higher-level qualifications, as mirrored in the participation trends, and the funding of particular priority skills.

Along with an emphasis on student choice, we also see a greater focus on ensuring that potential students have adequate information to assist them to make decisions about courses and providers, the result being the introduction of the MySkills website in 2013. MySkills is an Australian Government initiative designed to enable consumers to search for, and compare, VET courses and training providers. The website uses data on the labour market, apprenticeships, RTOs, student statistics, course outcome information from sources such as NCVER, the Australian Government Department of Employment, state and territory training authorities, and training.gov.au, the National Register of VET. MySkills was enhanced in mid-2015 with the intention of making it more user-friendly and easier for potential students and employers to locate and compare information. In addition to MySkills, the states and territories have their own information portals or skills gateways to provide state-based information to consumers on entitlement eligibility, fees and subsidies, RTOs, courses and outcomes.

Despite the online sources of information, Bowman and McKenna (2016) argue that information for students is basic and limited in many cases. They suggest that more needs to be done to assist students to have: a better understanding of the diverse sector; greater awareness of their entitlement; greater ability to judge quality providers and training; and a better understanding of the expected outcomes from the training. It is not just about ensuring that information is adequate and accessible; information for students also needs to be consistent across all of the sources and be relevant to students.

The consequence of creating a demand-driven system and opening up the system to student choice has been a growth in the number of, and amount of training provided by, private RTOs. The growth in the private RTO market was particularly high in the late 1990s, with the high number of registrations in 1998 (over 1600) due to the introduction of the Australian Recognition Framework. Between 2000 and 2010, the number of initial registrations each year steadied, to between 400 and 600. However, the number has declined in recent years, to between 200 and 400 each year. The proportion of private providers making up initial registrations has grown since the mid-1990s, and, as of 2014, they make up over 90% of initial registrations per year (Korbel & Misko 2016). The advent of TVA data collection in 2015 has shown that private RTOs account for over 60% of all providers who provided training in 2014, to nearly 60% of all students (NCVER 2015a). Forthcoming research by NCVER will be looking more closely at the growth in private RTOs. And as TVA becomes more robust over the next few years, further information will be available which, it is hoped, will shed more light on the private RTO training market.

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1. Noting that the participation trends are for government-funded VET only, as the total VET activity collection is only available for 2014 and 2015 activity. [↑](#footnote-ref-1)
2. Field of education is examined here rather than intended occupation of the course as it is more illuminating in terms of students’ course preferences. [↑](#footnote-ref-2)
3. Total VET activity includes information on all accredited training from public and private providers, including government-funded and fee-for-service training. [↑](#footnote-ref-3)
4. See for example COAG’s National Agreement for Skills and Workforce Development: <[www.coag.gov.au/skills\_and\_training](http://www.coag.gov.au/skills_and_training)>. [↑](#footnote-ref-4)
5. Certificate I and II level qualifications impart more basic or introductory level knowledge and skills than certificate III level or higher. [↑](#footnote-ref-5)
6. Trade and non-trade apprenticeships are coded using ANZSCO, with trade apprenticeships being coded to the trades and technicians major group and the non-trades to the other major groups. [↑](#footnote-ref-6)
7. See <<https://www.australianapprenticeships.gov.au/publications/summary-australian-government-australian-apprenticeships-incentives-programme>>. [↑](#footnote-ref-7)
8. The National Skills Needs List identifies traditional trades experiencing a national skills shortage. The list is based on detailed labour market research and analyses and is reviewed regularly. Under the Australian Apprenticeships Incentives Programme, an apprentice undertaking a certificate III or IV qualification that leads to an occupation listed on the National Skills Needs List may be eligible for employer incentives and personal support. [↑](#footnote-ref-8)
9. See for example, <https://www.australianapprenticeships.gov.au/content/trade-support-loans>. [↑](#footnote-ref-9)
10. Commonwealth Register of Institutions and Courses for Overseas Students. [↑](#footnote-ref-10)