

Chapter 6

An Overview of Vocational Education and Training (VET) in Australia

THE VET SYSTEM IN 2007

The VET system is of critical importance to employers because of its contribution towards the development of skills. Employers require skilled workers to supply the labour necessary to produce goods and services.

Skills required by employers include academic and vocational skills and employability skills. They vary from industry to industry but the need for employability skills is ubiquitous for all sizes of businesses and across all industry categories. This is discussed more fully in Chapter 12.

While all skills are important, practical skills gained through studying VET and the ability to learn them in the workplace are particularly important to employers. Skilled labour can assist employers in expanding business operations, directions and opportunities. It assists employers and employees in utilising technology and competing in global markets.

Employers see themselves as a major client of the VET system and much of the policy in this blueprint is based on the client/provider relationship and the desire for client customer service.

The role of the VET system in meeting employer needs revolves around providing qualifications that have industry endorsement, providing entry level skills so that individuals can enter the workforce, updating the skills of the existing workforce, developing new skills to meet emerging needs and providing a pathway to further education.

The system is founded on a partnership between governments and industry. A key feature is that employers and industry play a central and critical role in determining training policies and priorities, and in developing training qualifications to deliver the skills employers need.

Australian business has been given a stronger voice in national planning and priority setting, through:

- formal structures such as the National Industry Skills Committee (NISC) and the National Quality Council (NQC);
- less formal arrangements such as working groups and

consultation on individual programmes and activities; and

- establishment and operation of Australian Technical Colleges (ATC) and the Institute for Trade Skills Excellence (ITSE), which provides industry with the capacity to identify, acknowledge, reward and promote excellence in trade skills development and training.

ACCI proposes that:

- this engagement should continue and grow.

MAIN FEATURES

IN 2007, a Productivity Commission report, *Report of Government Services* identified the key aspects of the VET system:

In 2005, 1.6 million people participated in VET delivered at 9698 delivery locations across Australia. Of these students, 1.2 million participated in programs funded by government recurrent expenditure through state and territory agencies. These government funded students completed over 286.6 million hours of VET programs, delivered at 8842 locations. Of these locations, 1129 were TAFE and other government provider locations.

Government recurrent expenditure on VET totalled \$4.1 billion in 2005 — a real increase of 2.2 per cent from 2004.

Of the TAFE graduates who were unemployed prior to their course and took the course for employment related reasons, 51 per cent indicated they were employed after the course.

82 per cent of TAFE graduates undertaking a course for employment related reasons indicated gaining at least one work-related benefit from completing their course.

79 per cent of employers were satisfied with apprenticeships/traineeships as a way of providing employees with skills required for the job in 2005.¹

These facts indicate that overall Australia has an effective VET system with high levels of satisfaction,

particularly with nationally accredited training, noting that apprenticeships/traineeships are only one of the nationally accredited pathways available for gaining VET skills. However, there is clearly room for improvement, especially in gaining employment outcomes after a vocational course is completed.

Further detail will be outlined in this Chapter.

FEDERAL STATE RELATIONSHIPS

Federal arrangements apply in training. That is, the delivery of training across Australia is primarily the responsibility of the States and Territories although the Commonwealth plays a significant role in ensuring the system is responsive to emerging national economic and social priorities.²

State and Territories are responsible both for the administration and major funding of vocational education and training. In discussing a national approach and issues around national consistency, it is important to remember that delivery of VET is the constitutional and major financial responsibility of the States and Territories and their individual and collective support are essential in ensuring national strategic directions and goals can be met.

VET is currently delivered by TAFE institutes, multi-sector higher education institutions, registered community providers and registered private providers.

Current funding and resourcing for the VET sector is drawn from a number of sources. The greatest contribution comes from the States (see Figure 6.2), with the majority of this funding going directly to the TAFE system in each State.

Funding continues to increase from all sources, growing by around 2- 3% annually from 2001 - 2004. 2004 to 2005 saw an strong increase of approximately 6%, from \$4,678.5 million in 2004 to \$4,957.3 million in 2005. In 2005, the Commonwealth Government and State and Territory governments were the primary sources of recurrent revenues, accounting for 77.6% of total recurrent revenues of that, the States and Territories provided \$2,619.4 million, more than half (55.6%) of total revenue.

The Commonwealth Government contributed \$1,049.3 million (22.2%). Other revenues were: fee for service \$534.3 million (11.3%); ancillary trading and other \$294.7 million (6.2%); and student fees and charges \$233.7 million (4.9%) (see Figure 6.3).

Of the total, only 8% of Federal and State and Territory funding went to non-government training providers for training delivery.³

The vast majority of expenditure in VET goes towards training delivery services accounting for 64.8% of total VET expenditure in 2005. Employee costs for both training staff and support staff (wages, on-costs etc) accounted for 60.4% of total VET expenditure in 2005 and supplies and services accounted for 24.2%.⁴

Compared to the schooling sector, the amount of money contributed to VET is comparatively small (see Figures 6.4, 6.5 and 6.6).⁵

NUMBERS OF STUDENTS UNDERTAKING VET

The most recently published data from the Australian Bureau of Statistics,⁶ shows there were 1.6 million students enrolled in a publicly-funded VET course in 2005 (see Figure 6.7).

The data shows that Australian youth are no longer the only significant group consuming VET. While their numbers still dominate, large numbers of men and women in their 30s and 40s are studying VET courses and there is a significant spread into the mature age cohort.

Also of note is that of this group 389,000, or approximately one quarter, were apprentices and trainees.⁷

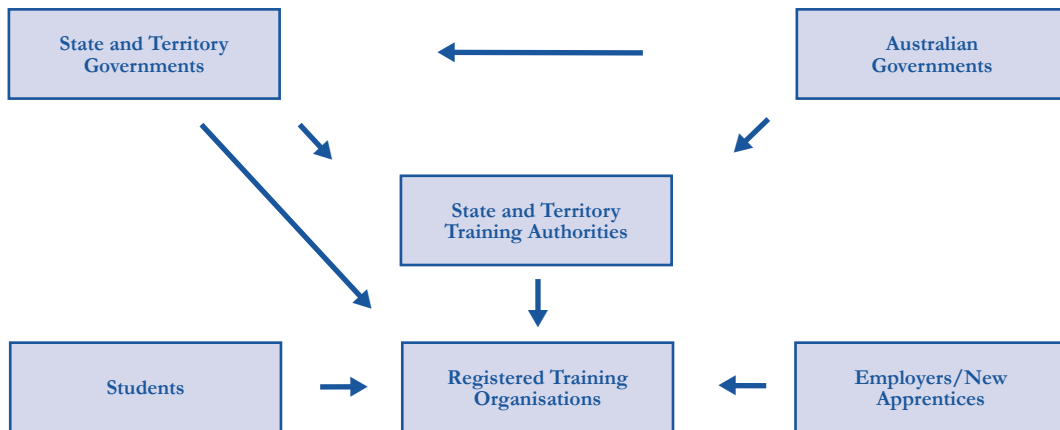
AQF III and IV level qualifications continue to attract the lion's share of VET enrollments and delivery hours, with 73.7% of new Australian Apprenticeship enrollments at AQF III and 10.8% at level IV.⁸ AQF III and IV level qualifications accounted for approximately 50% of the total VET qualifications awarded in 2005 (see Figure 6.8).

STUDENT PARTICIPATION IN VET

The number of students participating in VET has increased steadily since the mid 1990s. 2004 saw a slight decrease in student numbers (see Figure 6.9) with a resurgence in 2005. The same is true for the total number of hours of training undertaken in VET for the same period, although 2005 peaked higher than in previous years and a growth of 2.9% over 2004. Participation rates remain strong, with around 12% of the Australian working age population (15 – 64) engaging in VET.⁹

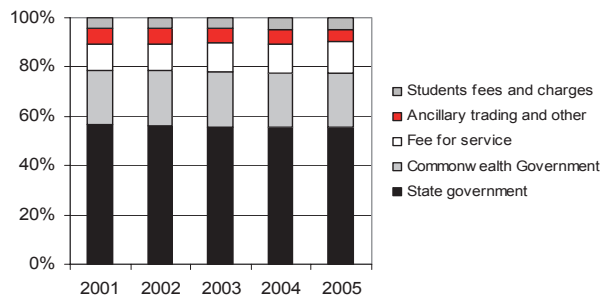
The majority of students (70.8% in 2005) engaged in VET

Figure 6.1
Funding Flows within the VET System



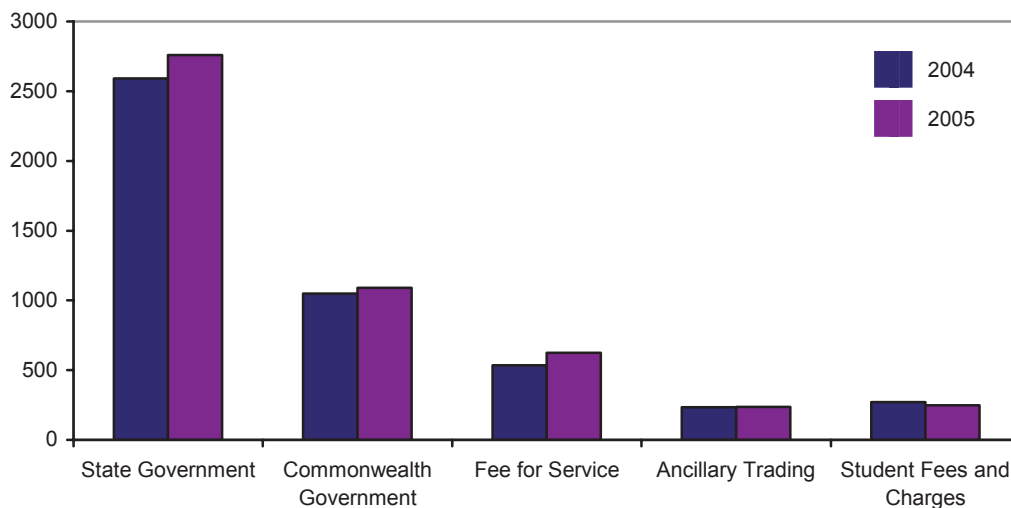
Source: Review of Government Services Provision.

Figure 6.2
Recurrent Revenue as a Proportion of the Total VET Revenues



Source: NCVET 2005.

Figure 6.3
Recurrent Revenues by Source



Source: NCVET 2007.

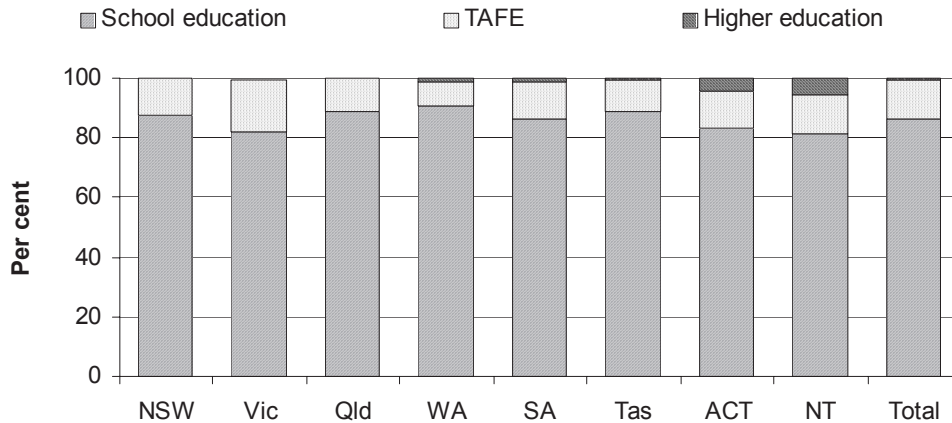
are in government funded programs, with fee for service training accounting for 25.1% (see Figure 6.10).

Participation in VET is stronger in the younger age group, with the 15 – 19 years group at 34.5% in 2005 and the 20

– 24 group at 21.7% (see Figure 6.11).

These figures highlight the importance of User Choice¹⁰ funding as a means of resourcing VET and why there is a need to focus on this area (see Figure 6.12).

Figure 6.4
State and Territory (including Local) Government Expenditure
2004-05 ^{a, b, c, d}



^a Except where footnotes indicate otherwise, 'school education' includes expenditure for primary and secondary, preschool, special education and other education not definable by level (including transportation of students and education not elsewhere classified). The latter is defined as: adult education courses that are essentially non-vocational, other than those offered by TAFE institutes; migrant education programs; and other educational programs not definable by level.

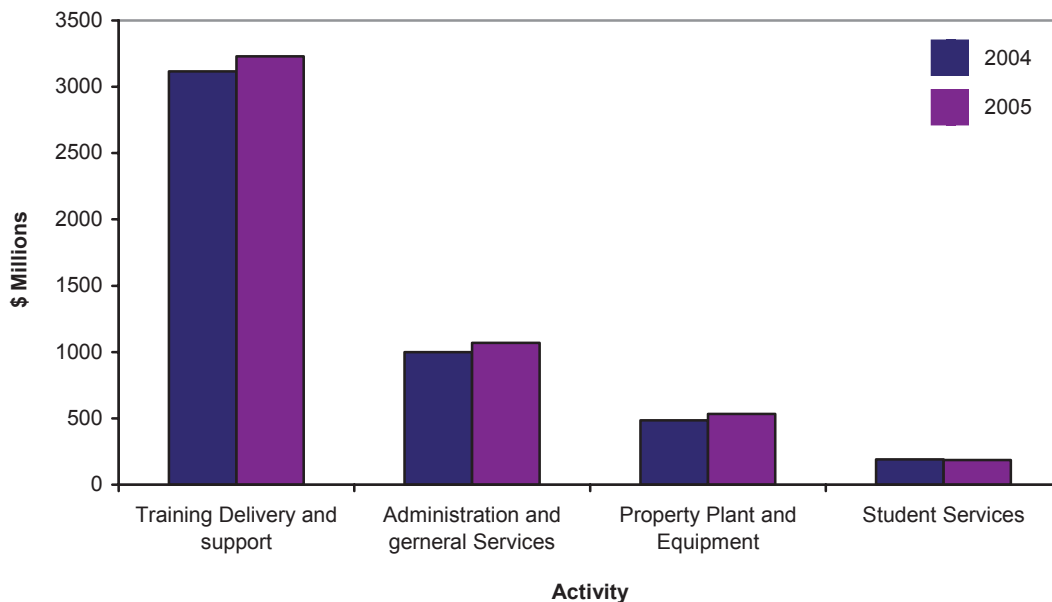
^b Most expenditure for preschool education in NSW is contained in other budget areas and is therefore not included. NSW 'primary and secondary' expenditure includes: some special education expenditure for preschool students; all special education expenditure for school students; and higher education expenditure.

^c Expenditure for preschool education in Victoria is contained in other budget areas and is therefore not included.

^d Totals may not add to 100 as a result of rounding.

Source: ABS (2006a); table BA.3.

Figure 6.5
Recurrent Expenditure on VET by Activity



Source: NCVET 2007.

ACCI INVOLVEMENT IN VET

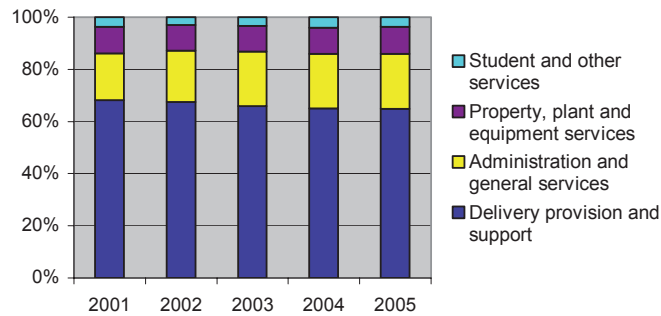
In 1997 ACCI contributed to national policy developments that led to reforms to the national system which were largely successful in:

- shifting the focus from off-the-job training to a combination of off- and on-the-job training through

the establishment of New Apprenticeships (now called Australian Apprenticeships);

- introducing nationally recognised, industry-developed training across all sectors of the economy, particularly those with limited formally recognised training;
- introducing some choice of provider to employers in

Figure 6.6
Recurrent Expenditures by Activity as a Proportion of Total
Recurrent Expenditure, 2001 to 2005



Source: NCVER 2007.

Figure 6.7
VET Students (a), Vocational and Preparatory Courses (b)
2005

Age Group (Years)	Males '000	Females '000	Persons (c) '000
19 or under	215.1	169.1	384.2
20 – 24	157.0	115.6	272.9
25 – 29	88.0	74.3	162.5
30 – 39	150.6	146.6	297.7
40 – 49	118.2	147.0	265.8
50 – 59	73.0	83.2	156.5
60 and over	28.9	31.0	60.1
Not stated	17.0	22.7	41.6
Total Students	847.7	789.5	1,641.3

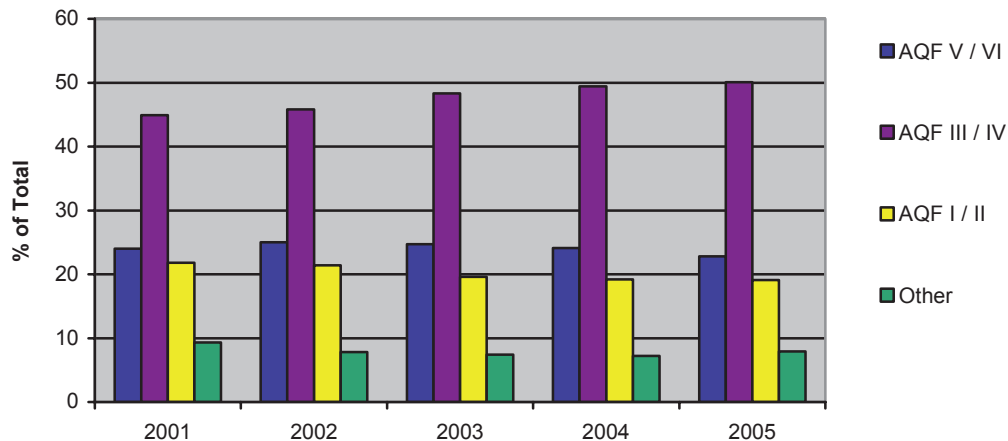
a: Includes all VET delivery by TAFE and other government providers, multi-sector higher education institutions, registered community providers and publicly-funded delivery by private providers. Fee-for-service VET delivery by private providers has been excluded. School students undertaking VET in schools have also been excluded. A student is an individual who was enrolled in a subject or completed a qualification at any time in 2005.

b: Courses leading to a vocational award.

c: Includes 'sex not stated'.

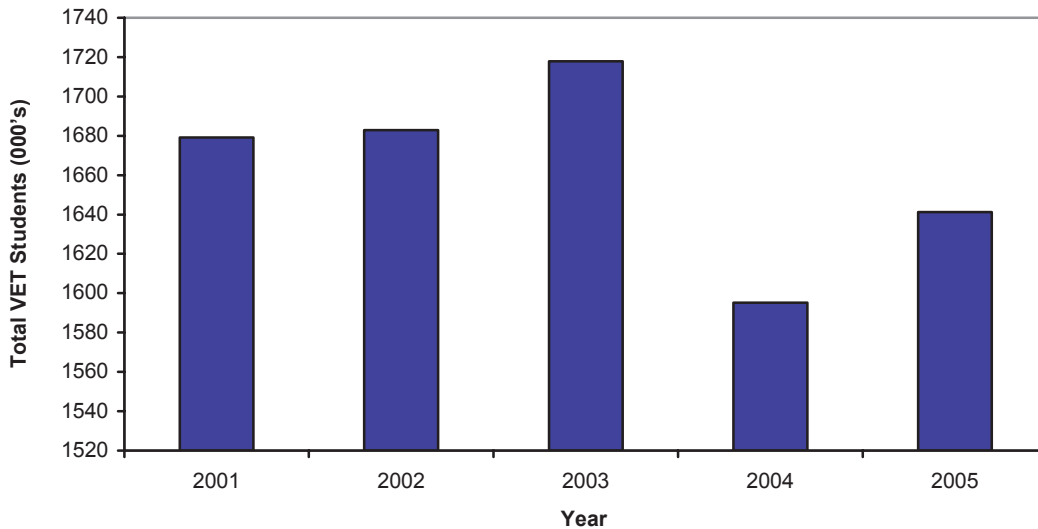
Source: NCVER, data available on request, 2005 VET Provider Collection.

Figure 6.8
VET Hours Undertaken by Course Level
2001 - 2005



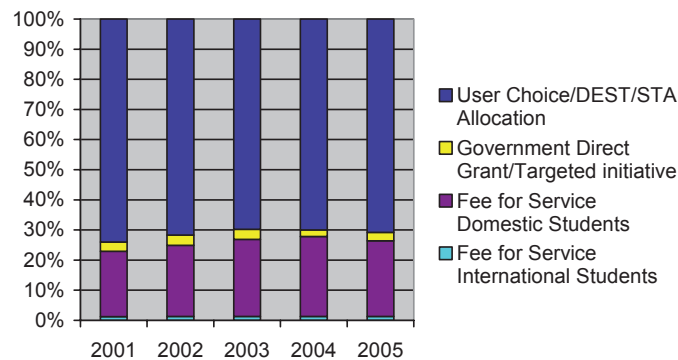
Source: DEST 2006.

Figure 6.9
Total Student Numbers in VET



Source: DEST 2006.

Figure 6.10
Students in VET by Funding Source
2001 - 2005



Source: DEST 2006.

the new training market to increase the effectiveness of taxpayers money;

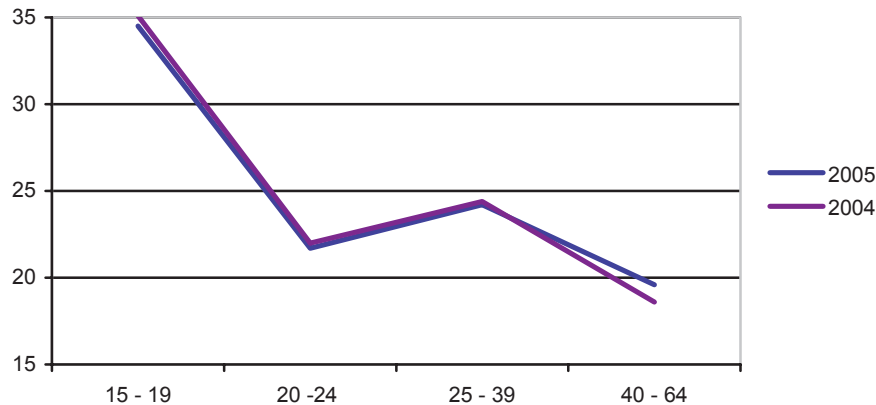
- establishing new and more responsive training products to engage small and medium sized enterprises (the bulk of ACCI membership) into formal training; and
- attempting to develop industry-led arrangements at national, State/Territory and regional levels.

Since 1997, ACCI, together with its members, has also been working on a range of projects with government that meet some other critical points that previous national reforms have not adequately addressed including:

- developing up-to-date careers materials for school students, teachers and parents on traditional trades and other priority industries;

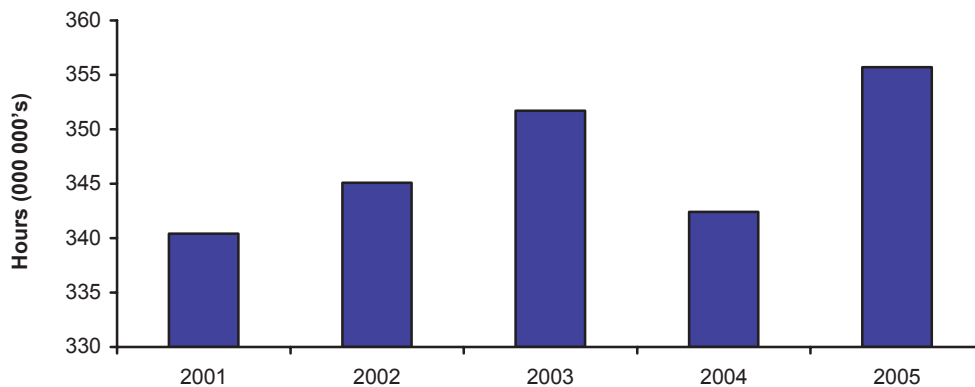
- investigating alternative pathways in some industries which, despite employer interest, have not been endorsed through the National Training Packages;
- exploring alternative sources of labour for industries which have had trouble attracting young people in some regions and developing different approaches for the ageing workforce;
- exploring ways to decrease the need to undertake full training if a person has clear competencies required for a qualification;
- working with some unions on reforming the National Training Wage and introducing Australian School Based Apprenticeships;
- working with a number of industries to identify people

Figure 6.11
Age Participation in VET
2004 - 2005



Source: DEST 2006.

Figure 6.12
Total VET Hours Undertaken



Source: DEST 2006.

- attracted to careers in those industries to allow them to more effectively target their recruitment practices; and
- developing ways of upgrading existing worker skills to enable them to work with new technology.

Thinking has evolved in the VET sector to acknowledge the importance of market forces, as the reality of globalisation increasingly determines Australia's position in the world. Together with the growth of markets in China and India and the subsequent resources boom, Australia is now precariously poised on the brink of an unprecedented period of continued economic growth and prosperity. A market led approach is not only desirable, it is essential if the benefits of the economic bounty are to be accessed.

Policy Questions Arising

- Does the VET system provide for the skills needs of employers?
- Should more people be trained?
- Who should pay for that training and what proportion of the costs should be borne by various stakeholders?
- Is the current funding mix right?

¹ <http://www.pc.gov.au/gsp/reports/rogs/2007/education/index.html>.

² Ibid, p 15.

³ NCVET 2007.

⁴ NCVET 2007

⁵ Productivity Commission, 2007, *Report on Government Services*, <http://www.pc.gov.au/gsp/reports/rogs/2007/education/index.html>.

⁶ ABS, 24 January 2007, 1301.0, *Year Book of Australia 2007*, <http://www.abs.gov.au/AUSTATS/>.

⁷ Ibid.

⁸ NCVET, 2007.

⁹ DEST, 2006.

¹⁰ 'User Choice' relates to funding arrangements. Money is provided by the Commonwealth to support the apprenticeship system.

Employers and employees choose the RTO which best meets their needs including key aspects such as where, how and when the training is provided. Although the money for User Choice is provided by the Commonwealth, it is administered by state and territory governments.