

## **CHAPTER 3**

### **VOCATIONAL EDUCATION AND TRAINING IN AUSTRALIA**

3.1 The Committee believes that an understanding of the development of vocational education and training in Australia, and its current nature and scope is necessary to provide a context in which to examine its effectiveness and the quality of outcomes.

#### **Characteristics of the VET system**

3.2 The vocational education and training sector is critical to the ways in which Australians gain the skills needed to enter the workforce for the first time, to re-enter the workforce, to retrain for a new job and to upgrade skills for an existing job.

3.3 Within publicly-funded vocational education and training in Australia (including a small amount of fee-for-service activity within public providers), some 1.65 million students undertook vocational programs during 1999. This represents an estimated increase of 111,900 (7.3 per cent) since 1998.

3.4 Of Australia's working age population (15-64 year olds), 11.4 per cent participated in VET in 1999. From 1996 to 1999, the number of students in vocational programs has increased by 22.5 per cent.

3.5 Of all VET students in 1999, 51.0 per cent were male and 49.0 per cent were female.

3.6 The VET sector provides training for a diverse range of individuals, groups and industries. VET programs are undertaken by students of both sexes, from all age groups, and from a diversity of backgrounds. These backgrounds include Aboriginal and Torres Strait Islander students, students born overseas, students whose main language is not English, students with a disability, students who are employed, unemployed or who are not in the labour force, and students from the full range of prior-education levels.

3.7 A small but increasing number of VET students undertake VET while still attending secondary school, either as part of their secondary school program (known as 'VET in Schools') or by undertaking VET subjects independently of their secondary school studies. Of those still attending secondary school, 12 per cent were undertaking TAFE accredited subjects.

3.8 As at June 1999, approximately 255,600 (approximately 20 per cent) of VET students are apprentices and trainees undertaking the formal component of their training program.<sup>1</sup>

3.9 Many of the student groups identified in the data collection are the focus of access and equity programs by providers, state and territory governments, the Commonwealth, and the Australian National Training Authority (ANTA).

3.10 Students in the public VET system come from the full range of socioeconomic backgrounds. The Australian Bureau of Statistics' *Education and Training Experience Australia 1997* survey shows that participation in training varies markedly according to labour force status. Of those who were marginally attached to employment, 21 per cent were participating in study or training courses in contrast to 55 per cent of persons who were wage or salary earners.<sup>2</sup> Marked variations in the use of training also occur with respect to employment sector. At the time of the survey, 74 per cent of people employed in the public sector had undertaken study or training courses in contrast to 44 per cent of those in the private sector.<sup>3</sup>

3.11 The vocational education and training sector includes both publicly and privately funded vocational education and training delivered through a wide range of institutions and enterprises, and via various pathways including online and flexible delivery.. The majority of students (75 per cent) are enrolled in the TAFE system.

3.12 VET programs range from basic adult education to New Apprenticeships, and advanced technical and business diplomas. Clients study on a full-time and part-time basis. Around half of VET clients undertake relatively short programmes of training, while others undertake more extended programs, leading to qualifications under the Australian Qualifications Framework.

3.13 The estimated total level of investment in vocational education and training from public and private sources in 1998 is \$8.5 billion. This considerable investment in vocational education and training provides a diverse range of training opportunities for individuals and employers. In 1998 the operating expenditures of the Government-funded component of vocational education and training totalled \$4.01 billion.

3.14 Students within the vocational education and training sector engage in a wide range of training experiences within different types of providers, across various disciplines or areas of learning, and at differing levels of skill acquisition. The length of time that individuals spend in training also varies considerably.

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1 National Centre for Vocational Education Research, *Australian Apprentice and Trainee Statistics January-March 2000*, p.6

2 Australian Bureau of Statistics 1998, *Education and Training Experience Australia 1997*, p.6

3 Australian Bureau of Statistics 1998, *Education and Training Experience Australia 1997*

## **Roles and Responsibilities**

### *ANTA structures and arrangements*

3.15 The structures of the Australian National Training Authority (ANTA) include the ANTA Ministerial Council (known as ANTA MINCO), the ANTA Board, the ANTA office and a network of committees, sub-committees, and working groups.

3.16 The ANTA Ministerial Council (MINCO), comprising ministers from the states and territories and chaired by the Commonwealth minister, is the primary national decision-making body for the VET system. Under the terms of the ANTA Agreement, the ANTA Ministerial Council sets national goals, objectives and priorities for the system.

3.17 The ANTA Board's role is to advise MINCO and support it in all its functions. With members drawn largely from employers, its composition is intended to ensure that MINCO receives high-level formal advice on employer VET needs, and also to provide employers with a key role in providing leadership and advice.

### *ANTA Chief Executive Officers Committee*

3.18 The ANTA Chief Executive Officers (CEOs) Committee, consisting of the CEOs of the Commonwealth, state and territory departments and agencies with responsibility for the administration of VET, and the ANTA CEO, does not have a formal role in the ANTA arrangements. The CEOs Committee considers the implications for states and territories of proposals under consideration by the ANTA Board. The CEOs are in a pivotal policy position, being individually responsible for advising their own ministers who are members of MINCO, and having the collective task of securing cooperation between systems in the implementation of policy.

3.19 A number of other committees advise the ANTA Board and MINCO on issues like indigenous VET, research and evaluation, New Apprenticeships and performance. The ANTA secretariat, whose CEO is the principal adviser to the ANTA Board, has a liaison and policy advisory role.

### *The Commonwealth role*

3.20 The establishment of ANTA occurred largely as a result of the Commonwealth's drive to improve VET in Australia by establishing a more nationally consistent system. The Commonwealth has also initiated many of the more significant policy proposals subsequently adopted by ANTA. The financial power of the Commonwealth provides it with substantial leverage in the determination of policy at the national level even though it has no jurisdictional responsibility for or control over VET or VET providers in the states and territories.

### *The states and territories*

3.21 The administrative structures providing for vocational education and training in the states and territories vary considerably. Each state has its own legislation

governing VET and regulating TAFE institutes and private providers, as well as industrial relations legislation and apprenticeship legislation and regulations.

3.22 The structure of VET management across states is, however, broadly similar. Each has a state training board and, or, authority, being a statutory body answerable to a state minister. The placement of VET within portfolio structures varies from state to state. In Queensland, for example, training lies within a portfolio which also has responsibility for employment and industrial relations. In New South Wales and Victoria it is linked with education.

3.23 The states and territories are responsible for the regulation and management of their own systems. This includes state-level policy and planning for VET and the apprenticeship and traineeship system, the regulation of training providers, the allocation of funds to individual providers, and the management of TAFE. The states and territories join with the Commonwealth and employers in national policy setting through the ANTA structures and arrangements.

### **Planning and Accountability Arrangements**

3.24 The major planning and accountability instruments for the national VET system are the National Strategy, Annual National Priorities and state and territory Annual VET Plans.

3.25 *A Bridge to the Future*, endorsed in May 1998 by ANTA MINCO is the National Strategy for VET for the period 1998-2003. It sets out the medium term strategy for the sector as a whole and is framed around the national objectives of:

- equipping Australians for the world of work
- enhancing labour mobility
- achieving equitable outcomes in VET
- increasing investment in training
- maximising the value of public VET expenditure.

3.26 The National Strategy identifies New Apprenticeships as a key strategy for improving and expanding school leavers' vocational education and training options and employment prospects.

3.27 Within the framework of the National Strategy, ANTA MINCO agrees on Annual National Priorities for the year ahead. The Annual National Priorities for 2000 are:

- consolidation of national training arrangements
- achieving diversity and flexibility to meet the needs of all
- value for money

- changing attitudes to training.

3.28 New Apprenticeships have been accorded a high priority in both the 1999 and 2000 Annual National Priorities.

3.29 Each state and territory is required to prepare an annual VET plan that responds to the Annual National Priorities, reports on progress against the National Strategy and provides an activity table that shows the total amount of training to be provided from combined Commonwealth and state-sourced funds (by industry sector and level).

## **VET Funding**

### *Funding sources*

3.30 While publicly funded vocational education and training is constitutionally a state responsibility, contribution to the cost of VET are made by the states, the Commonwealth, employers and individuals. According to ANTA figures, an estimated \$8.545 billion was spent on VET in 1998. The Commonwealth and state governments collectively contributed 44 per cent (\$3.740 billion), 45 percent (\$3.886 billion) is estimated to have been spent by private enterprises and 11 per cent (\$0.919 billion) came from individuals. Of the government spending, 62 per cent (\$2.304 billion) was provided by the states and territories, and 37 per cent (\$1.356 billion) by the Commonwealth.

### Operating expenditure on VET for 2000

3.31 Table 3.1 provided by ANTA shows planned operating expenditure on vocational education and training for 2000 (in accrual accounting terms).

Table 3.1: *Summary of planned operating expenditure for 2000, \$m*

### **Expenditure (\$m)**

New South Wales	1282.600
Victoria	793.100
Queensland	661.600
South Australia	266.800
Western Australia	339.400
Tasmania	87.600
Northern Territory	60.400
Australian Capital Territory	74.900
VET in Schools	20.000
National Projects	23.700
Publication of VET Statistics	0.212
<b>TOTAL</b>	<b>3610.312</b>

Source: Australian National Training Authority, *Vocational Education and Training - Directions and Resource Allocations for 2000, Report to the Ministerial Council*, November 1999, p.55

Note: In Table 3.1 estimates of accrual expenditure have been based on the AVETMISS Standard for VET Financial Data. Figures cited are based on total operating expenditure. Figures include ANTA Agreement Commonwealth and state recurrent funds, depreciation of buildings and equipment and other non-cash revenue and expenses used in the production process. Figures specifically exclude fee for service revenue, revenue from Commonwealth specific purpose funds, VET in schools and redundancies as agreed. Estimates have been adjusted to 2000 prices based on the Commonwealth Treasury estimate of price movements as measured by the gross non-farm product deflator.

### *Commonwealth contribution*

#### Recurrent and capital

3.32 The Commonwealth provides funding under the *Vocational Education and Training Funding Act 1992* for allocation by ANTA to the states and territories. MINCO decides on the split of this funding for payment to the states and territories, primarily on a population share basis. In 2000 the Commonwealth will provide \$918 million (subject to indexation) to ANTA. These funds are released following MINCO consideration of, and agreement to state and territory annual VET plans.

For 2000, the Ministerial Council has decided to allocate funds as follows:

	Recurrent	Infrastructure
	(\$m)	(\$m)
New South Wales	239.350	59.160
Victoria	172.366	42.500
Queensland	118.020	28.900
South Australia	56.448	13.600
Western Australia	65.938	15.300
Tasmania	20.061	4.420
Northern Territory	8.052	5.244
Australian Capital Territory	14.205	2.720
Publications of TAFE Statistics	0.212	
Industry Based Skill Centres		7.000
Skill Centres for School Students		4.000
Aboriginal and Torres Strait Islander Facilities		4.000
National Project for New Technologies		15.000
National Projects		23.7
<b>Sub-TOTAL</b>	<b>694.652</b>	<b>201.844</b>
<b>TOTAL</b>		<b>920.1968</b>

Includes \$1.844 million carry forward

Source: Australian National Training Authority, *Vocational Education and Training - Directions and Resource Allocations for 2000, Report to the Ministerial Council*, November 1999, p.59-60

#### Other Commonwealth funding for VET

3.33 The Commonwealth also provides funding for National Projects developed within the framework of the National Strategy that support the implementation of agreed national reforms and national priority areas. Funding is also provided through the annual Appropriation Acts for National Programs such as Group Training Schemes, Training Package Development, Equity Development & Training Innovation, Industry Training Advisory Bodies. The full cost of ANTA's operations are met by the Commonwealth through annual appropriations.

3.34 The largest allocation of Commonwealth funding outside of recurrent and capital funding is provided for financial incentives to employers who take on new entrants to the workforce and some categories of existing workers under the New Apprenticeships arrangements. The Government has allocated \$354 million for employer incentives in 1999-2000. This includes support for 134,000 New Apprenticeships commencements. This funding is available for employer incentives and personal benefits for New Apprentices (such as Living Away from Home Allowance) and represents a 20 per cent increase over 1998-99 funding.

#### *State-sourced funding*

3.35 States and territories provide capital funding, the bulk of recurrent funding for VET, and funding through a range of programs including labour market programs and incentives employers. According to ANTA, in 2000, the states and territories collectively will provide an estimated \$2.3 billion, approximately two-thirds of total government funding for the delivery of VET.

3.36 The states and territories are responsible for allocating funds to individual providers on the basis of direct payments, open tendering and user choice, the latter being arrangements aimed at encouraging greater competition and an open training market.

3.37 ANTA Directions and Resource Allocation reports indicate the following amounts allocated through competitive tendering and User Choice:

1995	\$21m (30 per cent of Commonwealth growth funds)
1996	\$65m
1997*	\$153m
1998	\$198m (\$339.3m including user choice implementation)
1999	\$396.3m (including user choice)
2000	\$440.9m (including user choice)

(\*Data for 1997 onwards is in accrual accounting format and thus not completely comparable with earlier years)

3.38 New Apprenticeships are accorded priority under the National Strategy for VET. Funding for New Apprenticeships is estimated to account for nearly 25 per cent of total public VET expenditure, although the NCVER advises that current data collection arrangements do not separate operating expenditures on VET provision generally from expenditures on apprentices and trainees.

#### *TAFE fee-for-service activities*

3.39 Fee-for-service activities provide a small but increasing proportion of VET funding. In 1997 there were 243.6 million Annual Hours Curriculum (AHC) funded

under the ANTA Agreement, while public providers generated an estimated 37.3 million AHC in fee for service activity.<sup>4</sup>

3.40 Arrangements vary between states as to whether all of fee-for-service revenue is retained by individual TAFE institutes for their own use, or a proportion of the total revenue is transmitted to the relevant state TAFE authority.

*Enterprise expenditure on training*

3.41 Enterprise expenditure on VET includes in-housing training, external training, training provided by equipment suppliers and manufacturers, other fee for service revenue and ancillary trading. Over 60 per cent of all employers offer some kind of training to their employees each year.<sup>5</sup> In total, private enterprises contribute an estimated 45 per cent (nearly \$4 billion) of the national expenditure on training.

*Individual expenditure on VET*

3.42 Individual expenditure on VET includes fees, charges, payments to private providers. ANTA reported estimated individual expenditure on VET as \$0.919 billion, or 11 per cent of the total estimated expenditure on VET in 1998 (including payments to private training providers).<sup>6</sup>

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4 ANTA quoted in Submission 110, Australian Education Union, vol.6, p.1656

5 Australian Bureau of Statistics, *Employer Training Practices, Australia*, February 1997, Catalogue No 6356.0

6 Australian National Training Authority, *Annual National Report 1998*, vol. 3 p.120