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Reform of the Federation

WHITE PAPER



Roles and responsibilities in education

**PART B: VOCATIONAL EDUCATION AND TRAINING AND
HIGHER EDUCATION**

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Getting involved and having your say

The Australian Government would like as many people as possible to be thinking about how our federal system of government can be improved, particularly in relation to roles and responsibilities in education.

A Green Paper setting out options for reform will be published in the second half of 2015, ahead of the publication of the White Paper in 2016.

The Green Paper will allow the public the opportunity to make written submissions on the proposals put forward.

For more information, please visit the website www.federation.dpmc.gov.au.

Introduction

Education, from early childhood to higher education, is a lifelong continuum.

At its most fundamental level, it is about people and the knowledge, skills, capabilities and qualifications they need to fulfil the life chances they aspire to and participate effectively in society and in the economy.

This issues paper examines the current arrangements put in place by governments to support our educational attainment: in child care and early learning and schooling (Part A); and post-school, in vocational education and training (VET) and higher education (Part B).

More specifically and consistent with the White Paper's Terms of Reference, it considers how the current split of roles and responsibilities, and the overlap and duplication inherent in them, is contributing to pressures on the efficiency and effectiveness of our education system, and governments' capacity to deliver better services and educational outcomes for their citizens.

Looking at the education sector and through this lens, Australians would probably identify the following as some of the major problems with the current arrangements:

- child care is becoming increasingly expensive and hard to access. Costs continue to rise and there continues to be fierce competition for quality child care places, the supply of which does not always meet the demands of today's flexible workforce;
- despite all the attention schools funding and policy has received over recent years, student outcomes continue to be mixed and quite poor for our most disadvantaged students. We continue to slip behind our international competitors on a range of educational outcomes. While the recent moves to needs-based funding should help, there is still more that can be done to improve outcomes; and
- the current VET arrangements are messy and have resulted in eight different systems which still fail to meet the needs of business and students. The design of the market for VET qualifications is not providing the training needed to prepare a skilled and mobile workforce for an economy in transition to new global economic realities, and there continues to be unacceptably low completion rates for those undertaking qualifications.

Not all of these problems are caused by the current allocation of roles and responsibilities between the Commonwealth and the States and Territories, and not all of them can be fixed by any reallocation. But the current arrangements have also undoubtedly blurred the lines of accountability to the general public; in the education sector, Australians now do not know who to hold to account for what.

The level of Commonwealth involvement in education, traditionally a State and Territory responsibility, has increased markedly since the Federation came into being. It also varies in degree and type across the sectors. Over recent years, the Commonwealth has increased its involvement in most aspects of the child care and early learning and schooling sectors, and now plays a key role in setting national policy and providing funding, despite these clearly being State and Territory responsibilities under the Constitution.

Similarly, the arrangements between the Commonwealth and the States and Territories across policy, funding, and regulation in the VET sector have also seen the Commonwealth's

involvement increase. The sector where the division of roles and responsibilities is most clear is the higher education sector, where the Commonwealth is clearly recognised and understood to be the major player.

While the current arrangements have largely come about through shared arrangements, and in some cases deliberate system design, which are negotiated and agreed between the Commonwealth and the States and Territories, they are contributing to a system that is less efficient, effective and equitable than it could be in terms of delivering outcomes for all Australians.

While the paper treats each sector separately, it is important to keep in mind the system as a whole, and to note that the downsides of the current arrangements are most obvious at the juncture points in the system, especially between preschools and schools, schools and VET, and VET and higher education. Here, policies are usually designed by different policy makers from different departments across different levels of government. This pursuit of different policy objectives has resulted in arrangements that are not always conducive to achieving enduring reforms and improvements in outcomes. The aspiration of achieving cleaner lines of responsibility and better public accountability should not come at the cost of proper policy coherence.

Consequently, there are legitimate questions to be asked as to whether these arrangements are functional and rational, and should continue, and what the appropriate role for the Commonwealth should be.

Advocates of Commonwealth involvement will point to national interest considerations, and the benefits that can be achieved for Australians through nationally harmonised or uniform approaches. However, others will argue these benefits may come at the expense of diversity, innovation and competition, and sometimes choice, among and within the States and Territories, and that the national interest can be progressed with, or without, the Commonwealth's involvement, or through re-conceiving the Commonwealth's involvement.

The principles outlined in the Terms of Reference — accountability, subsidiarity, national interest considerations, equity, efficiency and effectiveness of service delivery, durability and fiscal sustainability — provide a useful tool in guiding these considerations.

To encourage discussion and debate this paper asks questions about the nature of current arrangements.

This paper does not propose specific reform options or solutions. Instead, the Green Paper to be published in the second half of 2015 will consider the application of the principles to future arrangements and set out possible reform options. The Green Paper will invite the public to make written submissions, ahead of the publication of the White Paper in 2016. Further details on how to get involved and have your say are at page iii of this paper.

VOCATIONAL EDUCATION AND TRAINING

3.1 Introduction

The vocational education and training (VET) system plays a vital role in delivering trained individuals that have skills needed by the labour market for Australia's economic development.

While this provides significant benefits to employers and the economy, more importantly, it provides significant benefits to individuals that have obtained the skills, both in terms of their social inclusion and participation in society, but also their own future employment prospects and earning potential.

VET offers students and learners the opportunity to (1) attain nationally-recognised qualifications¹ for a wide range of jobs, from entry-level occupations through to highly technical para-professions; (2) gather the skills necessary to meet regulatory or licensing requirements for many trades and occupations; and (3) pursue an educational pathway that suits their needs, either to learn basic or foundation skills to prepare for higher level qualifications or to enter the workforce, or to move on to higher education.

The training system encompasses Certificate I through to a Graduate Diploma (see Appendix A). Certificate III is the central qualification for trade training, and Certificate IV generally introduces managerial competencies. However, some people choose to undertake only part of a VET qualification (known as a skill set) in order to acquire specific skills that may help them specialise or progress in the workplace.

Around 3 million students a year study VET, with 1.5 million students in government-subsidised training places, including around 400,000 apprentices and trainees.² In 2013, around 240,000 students did VET courses as part of their secondary schooling (VET in schools) which helps many of them move from school to work. VET is also an important part of Australia's international education market with 135,000 overseas students in 2013.

Training is provided by more than 4,600³ public, private and community providers.⁴ In 2013, about half of all government-subsidised training was provided through Technical and Further Education (TAFE) institutes and other government providers. The rest of the subsidised training is delivered by around 2,000⁵ registered training organisations that include a mix of private for-profit colleges, not-for-profit organisations such as community colleges and schools, and enterprises delivering accredited in-house training. There are around 80 education providers that are registered to deliver both VET and higher education courses, including 11 TAFE

¹ The Australian Qualifications Framework is the policy for nationally recognised qualifications in all education and training sectors i.e. schools, VET and higher education.

² Australian Government, *Total Vocational Education and Training (VET) Activity Data Collection – COAG Decision RIS*, 2014, updated in 2014 by the Department of Industry to reflect latest data available.

³ Training.gov.au (TGA), *RTO Count*, December 2014.

⁴ Registered Training Organisations (RTOs) are those training providers registered by the Australian Skills Quality Authority (ASQA) (or, in some cases, a State regulator) to deliver VET services. RTOs are recognised providers of quality assured and nationally recognised training and qualifications. ASQA, *About RTOs*, 2014, viewed October 2014, <<http://www.asqa.gov.au/about-vet/about-rtos/about-rtos.html>>

⁵ NCVET, *Students and Courses 2013*, 2014, Table 14.

institutes and 15 universities. In addition, there is a significant amount of non-accredited training conducted each year with around 8 million Australian workers undertaking some form of adult learning.

In 2014-15, governments will provide an estimated \$5.9 billion in funding for subsidised training (31 per cent of which will come from the Commonwealth). The recent opening up of government-subsidised places to private providers has seen their share of the subsidised training market increase to around one third Australia-wide, compared to about 20 per cent in 2009.

3.2 Evolution of our vocational education and training arrangements

Federation to 1970s: Limited Commonwealth involvement

At the time of Federation there were a number of technical education⁶ institutions throughout the six colonies. Some technical institutes were independent of government control; others were established by Acts of Parliament to be partly public and subscription-funded organisations.⁷ However, unlike the other education sectors, technical education remained the exclusive domain of the States until the 1970s (except for brief interventions by the Commonwealth during the first and second world wars) mostly to provide a workforce to support the war effort and post-war reconstruction.

Despite its actions during the wars, the Commonwealth did not maintain its interest in technical education beyond this period and focussed mainly on other education sectors. The 1946 amendment to the Constitution which gave the Commonwealth the power to legislate for the benefit of students was not used for VET until the introduction of the Commonwealth Technical Scholarship Scheme in 1964.⁸

1970s to 1980s: Commonwealth support increases

By the beginning of the 1970s there was increasing pressure on the Commonwealth to improve funding for technical education. A number of Commonwealth inquiries over this period recognised the importance of TAFE as a vehicle for implementing economic and social change.⁹

In response to the 1974 Commonwealth report, *TAFE in Australia: a report on needs in technical and further education* (the Kangan Report), the Commonwealth provided significant funding to TAFE¹⁰ for new buildings and libraries, staff development, curriculum development and

⁶ The terminology for VET has changed over time. During this period it is often referred to as 'technical education'.

⁷ C Spooner and B Bell, *A selective chronology of the State Library of South Australia and its forerunners*. No date.

⁸ In 1964 the Commonwealth Government introduced the Commonwealth Technical Scholarship Scheme under which it made available 2,500 new awards annually to assist students to take approved technical courses. Most of these courses were at certificate level in technical colleges. Commonwealth Bureau of Census and Statistics, *Official Year Book of the Commonwealth of Australia*, No. 57, Canberra, Australia, 1971, p. 656.

⁹ The Australian Committee on Technical and Further Education (Kangan Committee) in 1973; the Committee of Inquiry into Technical Change (Myer Committee) in 1978; the Committee Inquiry into Education and Training (Williams Committee) in 1979; the Committee of Inquiry into Labour Market Programs (Kirby Committee) in 1983; and the Review of TAFE Funding in 1986.

¹⁰ Productivity Commission, *The VET Workforce*, Canberra, 2011, p. 10.

research.¹¹ The Commonwealth also introduced a number of labour market programmes which purchased training at TAFE institutes on a fee-for-service basis to address growing concern about youth unemployment.¹²

Criticisms of the apprenticeships system, along with concerns about skill shortages in tradespeople, also prompted the Commonwealth to become involved for the first time in 1963, through the National Apprenticeship Assistance Scheme.¹³ It provided financial assistance to encourage employers to take on first-year apprentices, and living away from home allowances to apprentices from country areas.¹⁴

By the late 1980s all governments recognised the role VET could play in responding to economic challenges, especially youth unemployment. This led to a period of significant change for the sector, and in 1990,¹⁵ the Commonwealth and States and Territories agreed on a national approach to VET with shared responsibility, which included:

- nationally recognised competency-based training (on- and off- the-job) based on occupational standards developed by industry and underpinned by an Australia-wide standards framework;
- recognition of an individual's prior learning regardless of where and how it was acquired;
- a role for industry in driving the system;¹⁶ and
- the development of a more open national training market.

Many of these features underpin the current arrangements.

This period also marked the beginning of a national governance system of VET, with the establishment of the National Training Board¹⁷ (a company owned by the Commonwealth and the States and Territories) which was responsible for national skills standards. It helped industry develop and endorse national competency standards for industry occupations and classifications, enterprise awards and agreements.

¹¹ G Goozee, *The development of TAFE in Australia*, 3rd Edition NCVER, Leabrook (Australia), 2001, p. 27.

¹² P Kirby, *Report of the Committee of Inquiry into Labour Market Programs*, 1985, p. 6.

¹³ OECD, *Pathways and Participation in Vocational and Technical Education and Training*, Paris. 1998

¹⁴ Productivity Commission, *The VET Workforce*, Canberra, 2011, p. 11.

¹⁵ The Commonwealth Minister, John Dawkins, convened a ministerial conference in November 1990 to discuss the recommendations of the Training Costs Review Committee (Deveson) report.

¹⁶ Industry's role in VET includes the provision of advice and information to government on industry trends and future skill needs and training requirements. Industry also supports the development, implementation and continuous improvement of nationally recognised training products and services (including national industry training packages). Industry input is also sought at the local level by VET institutions.

¹⁷ The National Training Board (NTB) was responsible for ratifying vocational competency standards. The NTB amalgamated with the Australian Committee for Training Curriculum (ACTRAC) to form the Standards and Curriculum Council (SCC), which was subsequently replaced by Australian National Training Authority's (ANTA's) National Training Framework Committee.

The 1990s: A national VET system

In 1992, the Commonwealth put forward a new economic strategy to generate growth and jobs, *One Nation*, that included an offer to assume full funding responsibility for TAFE.¹⁸ The Commonwealth's offer was premised on the view that, for reasons of both efficiency and educational effectiveness, responsibility for all post-secondary education and training should be vested in the one level of government rather than divided between the Commonwealth and the States, in markedly different ways to higher education.¹⁹ The offer was rejected by the States and Territories who regarded the sector as integral to their economic interests and consequently wanted to maintain local control of their systems.²⁰

However, agreement was reached to establish a national VET system with joint responsibility for funding under the auspices of the Australian National Training Authority (ANTA), a Commonwealth statutory body, which commenced operation in 1994.²¹ It was agreed that ANTA would facilitate the joint investment in VET by the Commonwealth and States through a coordinated, national approach to planning and funding. This was formalised through a ministerial agreement between the Commonwealth, state and territory governments (the ANTA Agreement) that provided the basis for joint partnerships between governments and industry in the development and refinement of a national VET system. The creation of ANTA marked the beginning of a period of increased public investment in VET and national training reform.

ANTA assumed responsibility for the administration of Commonwealth funding to the States for VET as well as a range of programmes that had previously been administered by the federal education department. These included recurrent and capital funding under the *Vocational Education and Training Funding Act 1992* (which enabled the Commonwealth to provide funding to the States through ANTA) ; National Projects; Skills Centres; Training Needs Curriculum and Materials; Innovative Projects; funding for the Industry Training Advisory Bodies; Workskill Australia; Adult and Community Education; Group Training Arrangements and Support for Traineeships.²² The Commonwealth also agreed to meet ANTA's running costs. However, the Commonwealth did not transfer the administration of funding for its labour market programs (approximately \$880 million per annum to purchase training for various categories of unemployed people).²³

Under the ANTA Agreement, the Commonwealth agreed to provide an additional \$70 million per annum for three years (1993-1995) to the States and Territories to expand the system and the States and Territories agreed in return to maintain their existing levels of funding on VET.²⁴ All government training funding was to be pooled with ANTA and then allocated according to

¹⁸ P Keating, *One nation: statement by the Prime Minister the Honourable P J Keating, MP, 26 February*. Australian Government Publishing Service, Canberra, 1992, p. 55.

¹⁹ Commonwealth Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, Australian Government Publishing Service, Canberra, 1993, p. 137.

²⁰ G Goozee, *The development of TAFE in Australia*, 3rd Edition NCVER, Leabrook (Australia), 2001, p. 84.

²¹ R Ryan, *How VET responds: a historical policy perspective*, NCVER, 2011, p. 12.

²² G Goozee, *The development of TAFE in Australia*, 3rd Edition NCVER, Leabrook (Australia), 2001, p. 86.

²³ T Dumbrell, *Resourcing vocational education and training in Australia*, NCVER, 2004, p. 11.

²⁴ G Goozee, *The development of TAFE in Australia*, 3rd Edition NCVER, Leabrook (Australia), 2001, p. 86.

national economic priorities. However, the States and Territories did not agree to the model and failed to meet their ANTA Agreement obligations to transfer VET funding to a central treasury.²⁵

Major features of a national training system were introduced during this period. This included the Australian Qualifications Framework (AQF) in 1995, which brought together the quality-assured qualifications available in Australia across schools, VET and higher education (Appendix A).

Other features were progressively introduced. Ministers agreed to the introduction of a new National Training Framework (NTF) in 1996 as part of the implementation of an industry-driven system. The NTF included nationally-consistent training packages²⁶ developed by industry (a key feature of the Australian VET system) and the Australian Recognition Framework (ARF). The ARF was replaced by the Australian Quality Training Framework (AQTF), a nationally agreed quality framework for the Australian VET system developed by the National Training Quality Council in 2001. The AQTF was aimed at providing the basis for a nationally consistent, high quality VET system and included regulatory standards for registered training organisations and State and Territory accrediting bodies.²⁷

The apprenticeship model was extended to a much wider range of occupations, mainly non-trade, and industries in response to the report from the Kirby committee of inquiry on labour market programs in 1985.²⁸ The Australian Traineeship System (ATS) was introduced in 1986 and promoted as a training option for jobs in the service industries.²⁹ These traineeships were slow to take off until the Commonwealth injected significant incentive payments to employers in the mid-1990s.³⁰ Other factors that contributed to this growth were the introduction of the National Training Wage in 1994 and the New Apprenticeship system in 1998 that included User Choice funding,³¹ part-time and school-based apprenticeships and traineeships, and the widening of scope of eligibility for incentive payments.³² From 1995 to 2002 the number of traineeships grew at an annual rate of 40 per cent³³ (see Figure 3.1) and currently there are approximately 180,000 apprentices/trainees in non-trade courses. Traineeships revolutionised

²⁵ R Ryan, *How VET responds: a historical policy perspective*, NCVET, 2011, p. 15.

²⁶ A training package is a nationally endorsed, integrated set of competency standards, assessment guidelines and Australian Qualifications Framework qualifications for a specific industry, industry sector or enterprise. These qualifications are delivered via competency-based training.

²⁷ New regulatory Standards for Training Providers and Regulators were agreed by Ministers at the COAG Industry and Skills Council on 26 September 2014. The AQTF will remain in place for those training providers regulated by the Victorian Registration and Qualifications Authority (VRQA) or the Training Accreditation Council Western Australia (WA TAC), or those applying to VRQA or WA TAC to become a registered training organisation until such time as Victoria and Western Australia can transition to the arrangements for the new Standards.

²⁸ Committee of Inquiry into Labour Market Programs, *Report of the committee of inquiry*, Australian Government Publishing Service, Canberra, 1985.

²⁹ J Ray, *Apprenticeship in Australia: An historical snapshot*, NCVET, Leabrook (Australia), 2001, p. 25.

³⁰ B Knight, *Evolution of apprenticeships and traineeships in Australia: an unfinished history*, NCVET, Adelaide, 2012.

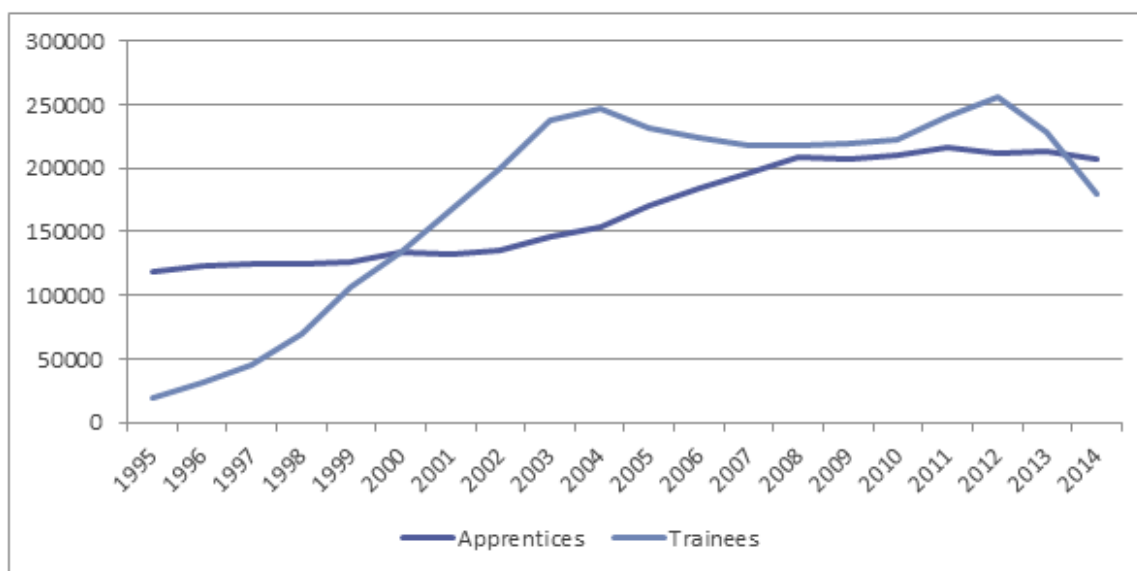
³¹ The reforms included the introduction of limited user choice of training provider, between TAFE and private providers with the aim of making training more responsive to industry and firms.

³² M Cully, *Kirby comes of age: the birth, difficult adolescence, and future prospects of traineeships*, Group Training Australia and Dusseldorp Skills Forum, Traineeship Roundtable, 2005, p. 6.

³³ M Cully, *Youth wages, training wages and productivity: the economic anatomy of traineeships*, Australian Fair Pay Commission, Melbourne, 2008, p. 268.

training with new sectors using the nationally accredited training system for the first time – the most popular fields were in retail, hospitality and clerical areas.³⁴

Figure 3.1 Apprentices and trainees in-training, 1995-2014



Source: Department of Industry (produced using data from NCVER Apprentices and Trainees Collection).

Key reforms to State and Territory VET systems included a change in the Victorian Government's role in funding from an owner-provider model to a purchaser-provider model from the mid 1990s. As a result the Victorian Government purchased a capped number of places that were delivered through TAFE institutes based on anticipated changes to historical demand for places.

2000 to 2012: Focus on the demand side of education and training

During this period governments continued to develop a national VET system, with a stronger emphasis on ensuring education offerings were responsive to student demand and needs, as well as the needs of industry.

In 2004, the Commonwealth abolished ANTA and transferred its responsibilities to a Commonwealth department, with a Ministerial Council on VET³⁵ established to ensure continued harmonisation of the national system. The policy reform agenda on skills and workforce development subsequently became a COAG priority.

The Commonwealth increased its involvement in VET during this period with the establishment of Australian Technical Colleges; scholarships for apprentices in skill shortage areas and the provision of toolkits (Tools for Your Trade) for apprentices in skill shortages areas. The Commonwealth provided funding to the States and Territories to deliver 450,000 new training places aimed at higher level qualifications which specifically responded to skills needs through the Productivity Places Program from 2008. The Commonwealth also provided more support for

³⁴ J Ray, *Apprenticeship in Australia: An historical snapshot*, NCVER, Leabrook (Australia), 2001, p. 25.

³⁵ The Ministerial Council for Vocational and Technical Education was established in November 2005.

apprenticeships through a range of programs that were aimed at increasing Australian Apprenticeships using group training arrangements, to address a need for more training in the trades. The range of programs increased the overlap and confusion in funding for the sector.

In 2009, as part of the new Intergovernmental Agreement on Federal Financial Arrangements (IGA FFR), the *National Agreement for Skills and Workforce Development* (National Agreement) and its associated SPP came into effect. The agreement was updated in 2012, and a new *National Partnership Agreement on Skills Reform* (Skills Reform NP) was agreed to drive reforms of the national training system, including the introduction of demand-driven contestable market funding and a national training entitlement.

In 2009, the Commonwealth introduced its income contingent loan³⁶ scheme (VET FEE-HELP) to VET students in Diploma and Advanced Diploma full-fee qualifications (previously loans had only been available for higher education students). As part of the Skills Reform NP in 2012, the Commonwealth expanded access to income contingent loans for subsidised higher level courses and is trialling the scheme for specified Certificate IV level courses.

The Commonwealth also increased its regulatory presence by establishing the Australian Skills Quality Authority (ASQA) as the national regulator (with the agreement of all States and Territories except Victoria and Western Australia). Up until 2011, State and Territory authorities were responsible for regulation in their jurisdictions. However, the expansion of competitive funding for VET led to a much greater diversity of providers entering the market, which was challenging the different regulatory systems that had been designed to regulate traditional providers. The desire to maintain the quality reputation of VET led to a national agreement to establish ASQA. Under this agreement, all States and Territories, except Victoria and Western Australia, have referred their regulatory powers to the Commonwealth. However, the national regulator is responsible for providers in those jurisdictions which enrol international students and/or also operate in referring jurisdictions. This has created a complex regulatory system in VET which will be discussed in the following section.

The States and Territories also introduced reforms to their VET systems during this period. Starting in 2008 with the establishment of the Victorian Training Guarantee (VTG), Victoria's government funded training became demand-driven. Funding for training places was no longer allocated on anticipated demand. Instead eligible individuals are now able to exercise their funding entitlement at their choice of accredited course at their choice of provider (that holds a government contract). All contracted providers receive the same funding rate and the level of funding for different courses varies based on the relative public and private benefits.

The Queensland Government also outlined a plan for the State's skills system with the release of the Queensland Skills Plan in 2006, which was subsequently updated in 2008. Its reforms to the User Choice Program from 2010 made funding for apprenticeships and traineeships the State's first fully demand-driven funding program. This provided industry with more say over where public training dollars were spent than ever before.

³⁶ An income contingent loan is a loan for which repayments are not required unless a person's income reaches a certain threshold and with repayments that vary according to income above that threshold.

Current reforms

The preceding chronology highlights the fact that there has been a significant amount of reform activity undertaken by the States in recent years. Currently, the Commonwealth, States and Territories are considering further reforms to ensure industry has the skilled workforce and operating environment it needs to boost Australia's productivity and increase international competitiveness.³⁷ This responds to criticisms that VET has not been a national priority and the system has failed to deliver graduates that are sufficiently equipped or highly-skilled enough for the workforce.³⁸

The introduction of contestable markets has raised concerns about the future of TAFE institutes and their ability to compete with private providers. For example, the Victorian Government is reviewing its VET funding system to develop a more sustainable funding model for public and private providers which recognises its commitment to funding TAFE institutes to deliver community service obligations.

3.3 Pressures on current VET arrangements

The States and Territories are largely responsible for VET in their jurisdictions. However, developments over the last 40 years have resulted in the Commonwealth playing a much greater role, especially in terms of ensuring there is a skilled, national workforce.

Responsibility for areas where there is a significant need for national consistency (e.g. regulation, standards, training packages, data and research) are jointly and collaboratively shared by the Commonwealth and States and Territories through the COAG Industry and Skills Council.

The current arrangement of shared responsibility has worked well from the point of view of a national framework for policy, regulation and products, while implemented by States and Territories to address local economic priorities. The involvement of both levels of government provides a balance in policy settings, for example, the Commonwealth seeks to establish governance structures that focus on industry, while the States and Territories tend to focus on a broader range of stakeholders. However, there are a number of pressures on the system that have emerged, especially for users of the system which suggests it is timely to reconsider the shared arrangements. These include:

- qualifications which may not be providing the training and skills that will be required for a future workforce, and the unacceptably low completion rates of those undertaking qualifications;
- ensuring that learners (including those doing VET courses at school) have a high quality learning experience and are receiving high quality qualifications that industry needs;

³⁷ COAG Industry and Skills Council, Communiqué 3 April 2014, viewed October 2014 <http://www.natese.gov.au/_data/assets/pdf_file/0005/80519/COAG_Industry_and_Skills_Council_-_Communique_-_3_Apr_2014.pdf>.

³⁸ J Westacott, *Swinburne University 2014 Chancellor's Lecture: Redefining Vocational Learning in the Global Economy*, viewed June 2014 <<http://www.bca.com.au/newsroom/swinburne-university-2014-chancellors-lecture-by-bca-ceo-jennifer-westacott>>.

- trying to make the system easy for users to understand and navigate so they are choosing the qualification that will equip them with the skills they are seeking, or need;
- trying to balance the national and local learning needs and priorities of different levels of government that influence both the funding and training that is offered to individuals in different jurisdictions; and
- VET not being considered a priority for funding by governments working in tight fiscal environments which has meant funding has been largely static or in decline in most jurisdictions.

Policy

Currently, VET policy is a shared responsibility between the Commonwealth and the States and Territories. All skills ministers, through the COAG Industry and Skills Council, are jointly responsible for the operation of the system, its policy direction and design, and the regulation of content and training providers. This has led to a national training system operating with consistent qualifications recognised across borders while at the same time allowing the diversity of eight different approaches at the local level. A key question for the White Paper is whether the diversity of approaches is in the national interest.

As noted above, cooperation between Australian governments has resulted in nationally recognised and industry-informed VET qualifications based on skills competencies. But there are questions about whether those qualifications remain relevant to the needs of individuals and employers, particularly in light of the low completion rates in VET and the changing needs of industry, especially given the need for a skilled and mobile workforce for an economy in transition to new global economic realities.

However, it is recognised that low completion rates, to a limited extent, could be reflective of a user's choice or need for just part of a qualification (or skills set). Completing a qualification may be advantageous in many circumstances, but in others a selection of modules may be all an individual or employer needs to fulfil a role or skill. This approach can be more efficient, quicker and cheaper for individuals and/or employers. Current funding policies favour full qualifications, however, the Commonwealth review of training packages and accredited courses is considering improvements to the national recognition of skill sets.³⁹

Governments have worked to improve the quality and regulation of the VET system, but users need better information to help them decide which qualifications will best suit their needs and help them get a job.

Balancing national and local needs and priorities

Balancing a jurisdiction-wide interest in shaping national training policy and a coherent approach to the national labour market with local interests and priorities is one of the key pressures on the current VET system.

³⁹ Commonwealth Department of Industry, *Review of Training Packages and Accredited Courses – Discussion Paper*, October 2014.

The Commonwealth provides funding to the States and Territories to support the VET system through the *National Skills and Workforce Development (SPP)* and the *National Partnership for Skills Reform (Skills Reform NP)*. The Skills Reform NP is aimed at driving reforms of the national training system, including the introduction of demand-driven contestable market funding and a national training entitlement.

The Commonwealth and States and Territories share roles in supporting apprenticeships and traineeships in recognition of the importance of trade training for the national and local economies. The Commonwealth provides a range of support services to both apprentices and employers, in addition to providing financial incentives to employers to take on apprentices. In addition to regulatory responsibility, State and Territories also provide support for apprentices and trainees through support programs and/or financial incentives.

The Commonwealth and State and Territory governments also have a shared role in national policy leadership for VET in schools which can expose students to the possibility and potential of a skills-based career. However, State and Territory governments make decisions about what is delivered in their schools (either vocational training and/or accredited VET qualification).

The current arrangements give the Commonwealth the ability to influence VET policy to support the national economy and national labour force, while allowing the States and Territories the flexibility to manage the arrangements in their own jurisdictions. However, the Commonwealth's capacity to directly address national needs and priorities is limited as a result of the different state-based systems. While the Commonwealth can identify broad priorities under the Skills NP, the States and Territories decide what training they will fund and deliver within their jurisdictions, aligned with particular economic and skill priorities.

In order to secure training to address national priorities, the Commonwealth has previously provided additional funding to the States and Territories through specific agreements. For instance, the Commonwealth provided funding to the States from 2009-10 to 2013-14 through the *National Partnership on TAFE fee waivers for childcare qualifications* to help develop the workforce needed for this priority area.⁴⁰ Commentators have suggested that the needs of national markets or national skills imperatives may be better met through programmes and funding which operate on a consistent basis across jurisdictions.⁴¹

In addition to supporting the state-based VET systems, the Commonwealth directly helps businesses develop the highly skilled workforces they need to adapt to structural change in the economy, rapid technological change and new business opportunities. The Commonwealth's Industry Innovation and Competitiveness Agenda, for instance, recognises the importance of VET in promoting national competitiveness and productivity and the \$476 million Industry Skills Fund is aimed at addressing workforce capability issues for Australian small and medium enterprises.

⁴⁰ The Commonwealth committed to reimburse States for their costs in relation to eligible child care courses (estimated to be \$107 million) between 2009-10 and 2013-14 in the *National Partnership on TAFE fee waivers for childcare qualifications*. This National Partnership removed fees for the Diploma and Advanced Diploma of Children's Services courses delivered at TAFE institutions, or by other government VET providers. This agreement assisted people, including existing child care educators, gain a VET qualification in early childhood education.

⁴¹ V FitzGerald and P Noonan, 'Case study of reform in the Federation – Vocational Education and Training', in Committee for Economic Development of Australia (CEDA) *A Federation for the 21st Century*, October 2014, p. 174.

The Commonwealth's focus on ensuring the VET system is employer-driven, however, does not always ensure the funding is well spent. Commonwealth funding and programmes do not reflect State economic development goals and, therefore, are not targeted to the skills needed in those local economies.

While the VET system needs to be able to deliver the skills the country needs at the national level, it is important that it is also highly responsive to local labour market and economic pressures, and sensitive to the local community and student demographic. These pressures are not homogenous across Australia. The economic drivers and labour market pressures, as well as demographic composition of local areas, differ markedly both across and within jurisdictions. The VET market must therefore be flexible and tailored to local conditions, with delivery closely linked to particular geographies and economies.

The States and Territories have also instigated changes to their VET systems to improve their responsiveness and, as the purchasers of training, directly influence the market in terms of government investment towards local skills priorities and intervene in areas where there is evidence of market failure.

For instance, in June 2013, significant changes to key elements of Queensland's training system were outlined in *Great skills. Real opportunities*, the Queensland Government reform action plan for further education and training. The action plan delivers key outcomes of the Skills Reform NP including an entitlement to a government-subsidised training place; public provider reform, including separating the training assets from the training function to improve public access and capacity utilisation and making the public provider subject to competition; improving consumer information; and implementation of state based criteria for access to public subsidy funding. The most significant reform is the shift to a demand-driven system where government subsidies focus on qualifications linked to skills priorities. Queensland also introduced a framework for apprenticeships and traineeships in 1 July 2014 with the implementation of the *Further Education and Training Act 2014* (Qld). The Act reintroduced permanent transfers, and has ensured that industrial relation matters are dealt with under the relevant industrial provisions as for all other employees.

Eight different VET systems

There is currently a lack of consensus (either nationally or internationally) on the most optimal system design in VET for users of the system. States and Territories have experimented and developed their own systems which has supported the generation of an evidence base on best practice approaches. In this way the eight systems have supported policy diversity, innovation and competition which is consistent with federalism.

However, under the shared national reform agenda most jurisdictions have been moving towards a market-based model based on contestable services and competitive funding arrangements. Under this model government providers (e.g. TAFE institutes) have to compete with private providers to receive government subsidies to deliver training (sometimes described as contestable markets). As a result the State and Territory governments' roles are changing from being both the owner and provider of services, to separate roles as the purchaser of services and owner. However, there can be difficulties in achieving full contestability in the VET sector in regional and remote markets where some form of transparent government intervention is required to address thin, or non-existent, markets.

This has led to demand-driven government funding, with funding following the student rather than being directly allocated by government to individual training organisations. The intention of these choice-based reforms is to stimulate competition between training providers to offer the highest quality training to students and employers. In addition, the reforms are designed to provide greater transparency and information to prospective students to inform their training decisions. These reforms have also helped demand to influence the mix of courses provided.

However, this has resulted in eight increasingly divergent State and Territory-based VET systems with different fees, different rules for accessing government-subsidised places, differences in implementation of the 'national entitlement' to a training place and different regulatory systems in Victoria and Western Australia to the rest of Australia.

Jennifer Westacott, Chief Executive Officer of the Business Council of Australia, has argued that the "consequences of state-based systems diverging further from one another are real, and have significant national economic and personal consequences."⁴²

Small and medium enterprises (SMEs) may prefer a VET system that is tailored to local conditions, especially if that makes it also more nimble and flexible so that courses can be redesigned to meet changing local demand. However, these different systems do not work well for national labour markets or national firms which need a national training solution and training providers operating across borders.⁴³ Under current arrangements, national firms need to engage with different providers and different funding regimes in each State and Territory to meet their training needs. As a consequence of these arrangements, "national providers and firms must continue to transact different contractual requirements, pricing and even course duration requirements in each jurisdiction."⁴⁴ Training providers have reported that the current VET system is more fragmented than ever and have called for more uniform funding arrangements in VET.⁴⁵

Meeting the needs of a future workforce

Industry demand for post-school qualifications in the future is projected to be high. The Australian Workforce Productivity Agency estimated that the need for tertiary education qualifications (i.e. VET and higher education) will increase at a minimum of 3 per cent annually to 2025, in order to meet industry demand for skills and qualifications. Demand for Certificate III and IV qualifications is expected to increase between 3.1 per cent and 4.5 per cent. On the other hand, demand for Certificate I and II qualifications, is expected to be low.⁴⁶

The Commonwealth and States and Territories have sought to increase enrolments in higher-level VET qualifications through additional support for diploma and advanced diploma

⁴² J Westacott, *Swinburne University 2014 Chancellor's Lecture: Redefining Vocational Learning in the Global Economy*, viewed June 2014 < <http://www.bca.com.au/newsroom/swinburne-university-2014-chancellors-lecture-by-bca-ceo-jennifer-westacott>>.

⁴³ V FitzGerald and P Noonan, 'Case study of reform in the Federation – Vocational Education and Training', in Committee for Economic Development of Australia (CEDA) *A Federation for the 21st Century*, October 2014.

⁴⁴ V FitzGerald and P Noonan, 'Case study of reform in the Federation – Vocational Education and Training', in Committee for Economic Development of Australia (CEDA) *A Federation for the 21st Century*, October 2014.

⁴⁵ T Dodd, 'Align the states, say providers', *Australian Financial Review*, 1 September 2014, p. 36.

⁴⁶ AWP, *Future focus: 2013 National Workforce Development Strategy*, March 2013.

qualifications. The Commonwealth provides income contingent loans (VET FEE-HELP) to these students and a trial is taking place at the Certificate IV level as part of the Skills Reform NP.

Under the Skills Reform NP, States and Territories agreed to create a more accessible and equitable training system by introducing and strengthening a national entitlement to a minimum of a Certificate III level. However, State and Territory governments may respond to priorities by determining which courses are subsidised, including Certificate IV, diploma and advanced diploma qualifications depending on skills priorities. These skills priorities are based on industry consultation and labour market research.

The States and Territories receive advice on skills priorities through various industry bodies. Queensland, for example, established the Ministerial Industry Commission to engage industry and employers in a genuine partnership with government to ensure a more direct match between training and employment outcomes. The Commission provides advice to Government about skills priorities through the development of Annual Skills Priority Reports which inform Government's investment in training and sets funding priorities. In addition, Queensland's Industry Partnership Strategy provides an opportunity for industry and employers to work with government to develop their existing or future workforce, and to address specific skills priorities are not effectively delivered through the demand-driven training market. In Tasmania all levels of qualification receive some subsidy, with the level of subsidy based on student characteristics, the priority the qualification has to Tasmanian industry and on the level of public benefit a qualification delivers versus private benefit.

While the Australian VET system is recognised internationally as having considerable strengths, including its framework for nationally recognised and industry-informed qualifications, some stakeholders have suggested there is scope to improve the industry-relevance of the qualifications to deliver a better match of skills required for today's workplace.⁴⁷ In addition, the demands for higher level skills and the need to ensure workers have the ability to adapt and learn new skills over their careers as skills requirements change, have also raised questions about current training packages and qualifications. Declining industry and employer satisfaction with VET graduate skills and low completion rates in most States and Territories suggest there is room for improvement in the design and delivery of VET qualifications.⁴⁸ Ministers of the COAG Industry and Skills Council have instigated a review of training packages and accredited courses to address these issues.⁴⁹

Consumer information

Similarly, information to support student and learners' choices is limited and varies across jurisdictions. While the national *MySkills* website has brought some of the necessary information together for the first time, it is still limited in terms of providing comparable data on a range of factors such as the quality of providers, prices, government support (including subsidies) and

⁴⁷ Commonwealth Department of Industry, *Review of Training Packages and Accredited Courses – Discussion Paper*, 2014.

⁴⁸ NCVER, *Employers' Use and Views of the VET System 2013*, 2013 the VET System 2013, 2013; NCVER, *The Likelihood of Completing a VET Qualification 2009-12*, 2014.

⁴⁹ Commonwealth Department of Industry, *Review of Training Packages and Accredited Courses*, Discussion Paper, Canberra, 2014.

labour market information across jurisdictions. This kind of information is especially important in contestable markets as it allows users to make informed choices between the training being offered by different providers.

States and Territories also provide information for consumers in their jurisdictions. The release of the Queensland *Skills Gateway* in July 2014 allows Queenslanders to access comprehensive information on career pathways, VET courses available in Queensland and the training providers that can deliver them. The Queensland Government also publishes government contribution towards the costs of training for all subsidised qualifications or skill sets. Providers of government subsidised training are also required to publish information relating to fees.

Victoria has also invested significantly in the provision of consumer information, including through the Victorian *Skills Gateway* website. Requirements are also placed on providers to publish certain information to provide access to transparent and comparable consumer information.

Policy coherence and interaction with other service systems

The state and territories' VET systems interact with a range of other service systems, the majority of which are currently the primary responsibility of the Commonwealth (e.g. employment services, income support and welfare, and higher education). These systems are all linked by a common objective of supporting individuals to get employment, while using different approaches to achieving this. The employment services system connects people with jobs, and employers with employees. The VET and higher education systems provide individuals with the skills and knowledge they need to do jobs. The income support and welfare system provides individuals with financial support and other support services, including while they are searching for a job and undertaking some forms of training.

Given the common objective and close interactions between the different systems, government policy settings and incentive structures have the potential to create unintended consequences in across systems. For example, incentives for employment services providers to get their clients into training or a job could result in job seekers undertaking training that does not improve their employability over their lifetime; funding differentials between the VET system and the higher education system could result in individuals choosing one form of education over another based on cost and funding support; and concessions policies which support access to education may be impacted by changes to welfare arrangements and income support payments.

Funding

Funding for VET is also shared, with States being the majority funders. The Commonwealth contributes approximately 30 per cent of the cost of training subsidies⁵⁰ (estimated to be around \$5.9 billion in 2014-15) through payments to the states and territories (see Figure 3.2).

However, there are a number of pressures arising from these shared funding arrangements, namely:

⁵⁰ Commonwealth administrative data and NCVET Finance Collection 2013

- (1) the level of funding to support the system from the Commonwealth and States and Territories and how this level of investment can influence the behaviour of the other level of government;
- (2) the growing divergence in how different jurisdictions fund their contributions to the VET system;⁵¹ and
- (3) the impact it may have on choices taken by students and employers.

Level of government funding of the VET system

The Commonwealth will provide \$1.8 billion in 2014-15 to support the VET system through the National Skills and Workforce Development SPP and the Skills Reform NP. The Skills Reform NP expires on 30 June 2017. In addition the Commonwealth provides the following:

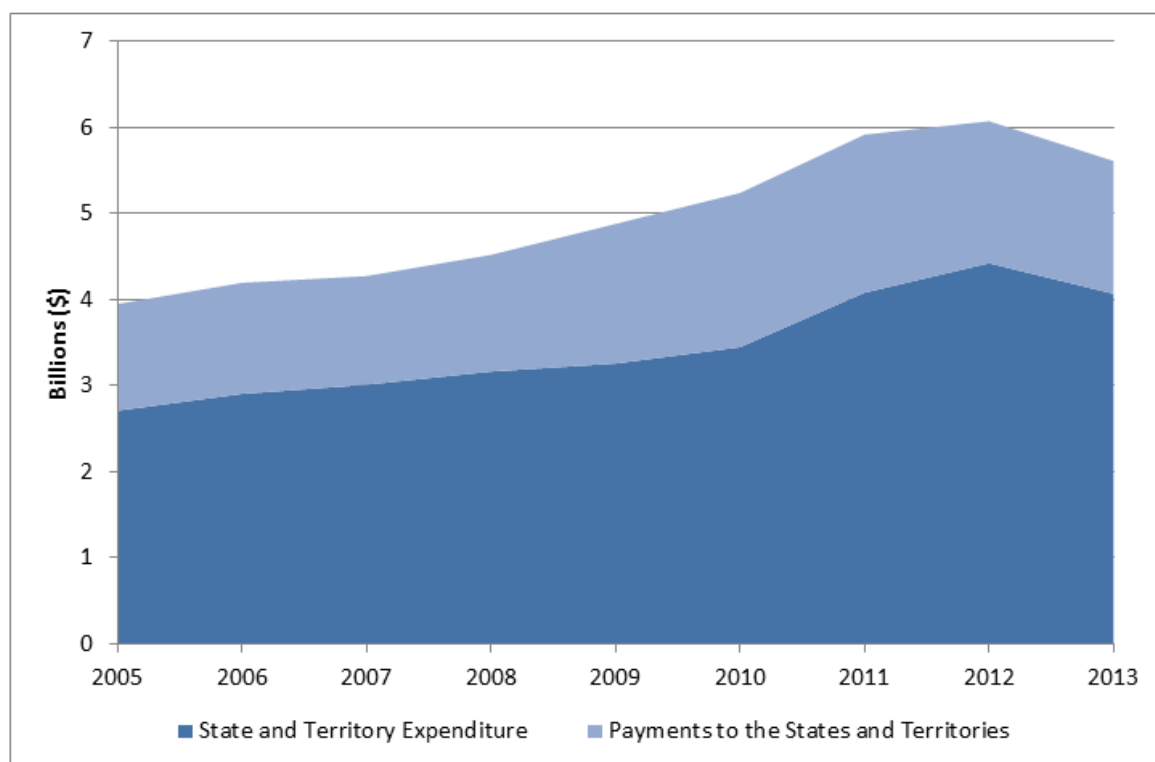
- direct funding of VET through its own programmes (\$1.4 billion in 2014-15): the majority of which are incentive payments for the apprenticeship system, language, literacy and numeracy skills programs, and funding for employers to purchase training on a co-contribution basis;
- income contingent loans (with an estimated loan value of \$1.2 billion in 2014-15) to support students in diploma and advanced diploma qualifications and some Certificate IVs (through VET FEE-HELP) and apprentices (through Trade Support Loans).
- direct financial assistance to support eligible students and apprentices in the VET sector through student payments (Youth Allowance(student), Austudy and ABSTUDY – around \$0.5 billion in 2014-15) and through other working age payments such as Youth Allowance and Newstart.

The States and Territories will provide an estimated \$5.9 billion⁵² in VET subsidies systems in 2014-15. This includes the \$1.8 billion the Commonwealth provides through the National Skills and Workforce Development SPP and Skills Reform NP.

⁵¹ P Noonan, 'Renewing Federalism: our tertiary education system needs a rethink', The Conversation, 2014, viewed 18 September 2014 < <http://theconversation.com/renewing-federalism-our-tertiary-education-system-needs-a-rethink-31370>>.

⁵² 2014/15 Commonwealth Funding and estimate based on NCVET 2013 Finance collection.

Figure 3.2: Government funding of subsidised training



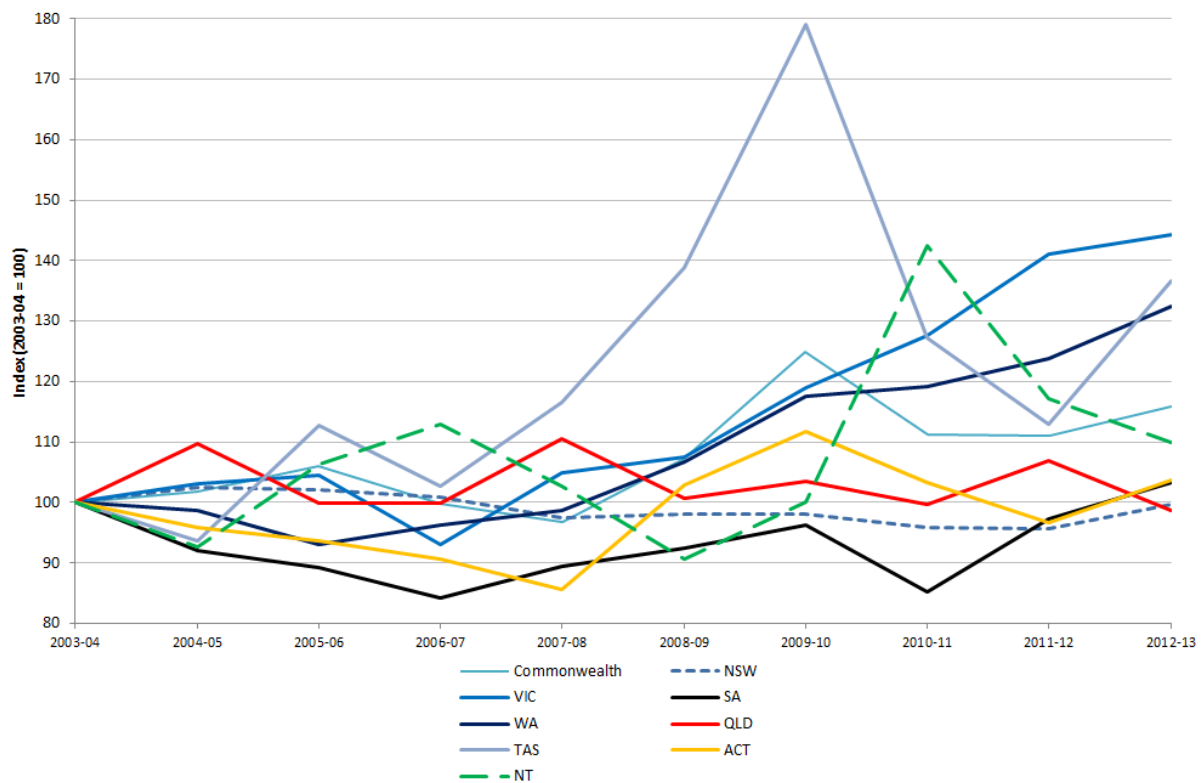
Source: Department of Industry administrative data

However, despite the potential for increased demand for a highly skilled workforce, overall public investment in VET has been declining since 2012 as governments juggle fiscal priorities and pressures. Most of the recent investment in education has tended to focus more on early childhood, schools and higher education. There is a trend to a greater sharing of the costs between students and taxpayers and, in VET, targeting of public subsidies. However, the public has expectations of access to high quality, but affordable, training.

The diversity of approach among States and Territories in VET is manifested in the degree to which expenditure on VET varies between jurisdictions (see Figure 3.4). For example, expenditure grew in Victoria by an average of 4.2 per cent per year over the 10 years to 2012-13. On the other hand, it was static or declined in New South Wales and Queensland over the same period.⁵³

⁵³ P Noonan, G Burke, A Wade and S Pilcher, *Expenditure on education and training in Australia. Analysis and background paper No. 01/2014*, Mitchell Institute, 2014, p. 3.

Figure 3.3: Growth in real VET expenditure across the federation 2003-04 to 2012-13

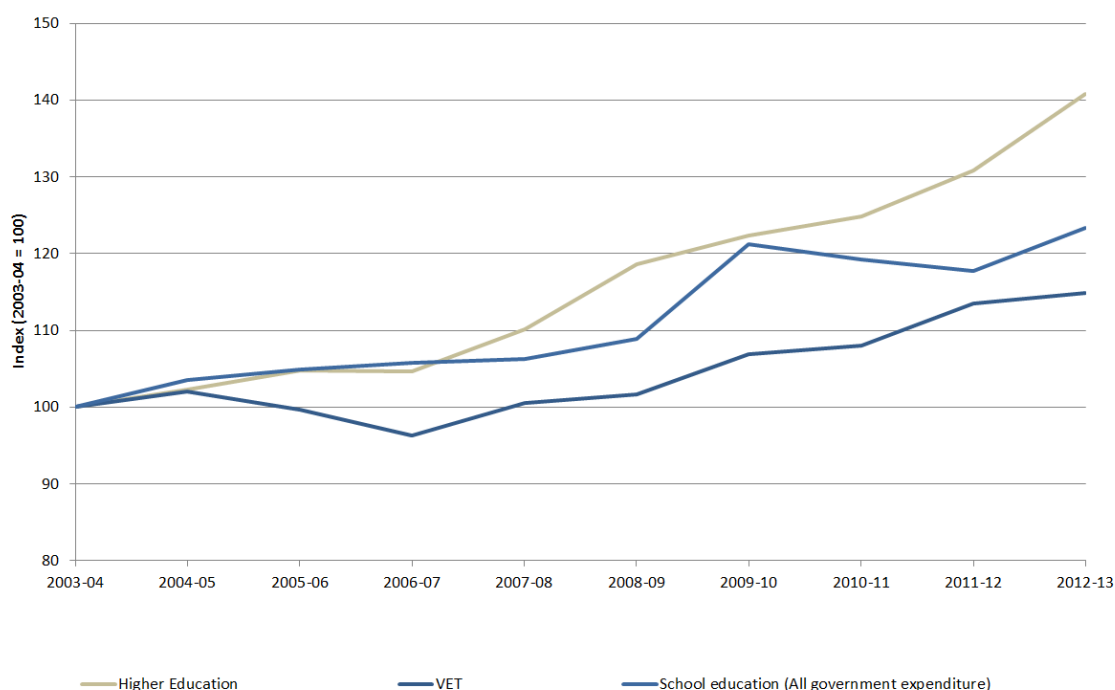


Source: ACIL Allen Consulting analysis based on Australian Bureau of Statistics data.

Further, while governments have increased investments in schools and universities over the last decade, there has been much slower growth in VET. Expenditure on higher education has increased by over 40 per cent in real terms over the last decade and there has been a significant investment in schools over the same period (see Figure 3.4).⁵⁴ As noted elsewhere in this paper, spending is estimated to continue to grow in all other education sectors.

⁵⁴ P Noonan, G Burke, A Wade and S Pilcher, *Expenditure on education and training in Australia. Analysis and background paper No. 01/2014*, Mitchell Institute, 2014, p. 5.

Figure 3.4: Growth in real expenditure on education by sector – 2003-04 to 2012-13



Source: ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

Differences in how jurisdictions fund the VET system

The States and Territories are responsible for determining fee policies in their jurisdictions and subsidising training according to their own priorities, in terms of skills priority lists. Fee concessions are often available for particular disadvantaged groups and courses. Some States chose to regulate fees, others to deregulate them. State subsidies generally cover part of the cost of a course, but it is up to the individual to pay the remainder of the fee, in recognition of the future benefits they will derive from being more highly-qualified and the commensurate future earning potential. In some instances, training delivery is funded at 100 per cent.

In Queensland fees for subsidised training are deregulated, allowing the market to determine the level of co-contribution by individuals and employers and fee deregulation for apprenticeship and traineeship training will also occur from 1 July 2015. In Victoria, subsidy levels vary for courses based on the relative public and private benefits. In particular, subsidy levels are set giving regard to whether the occupations are ‘in shortage’ or specialised; the projected future share of employment; the contribution to economic growth; and the level of investment necessary to assure supply and demand. Additional subsidy loadings are paid for low SES young people with low levels of prior educational attainment, Indigenous Victorians, and students undertaking training in regional and rural Victoria.

Increasingly, access to government training subsidies is via contestable processes with greater transparency of subsidies for state-owned providers and for provision of training in more regional areas and disadvantaged learners who require more support.

Under the Skills Reform NP, States and Territories agreed to introduce and strengthen a national entitlement to a government-subsidised training place to a minimum of the first Certificate III

qualification, reflecting the importance of at least a Certificate III qualification for participation in the labour market. However, the delivery of this national entitlement has differed across the States and Territories. The Victorian Training Guarantee (VTG), for example, is an entitlement to a subsidised accredited training place for eligible individuals. Under the VTG, funded training places are generally available to all Victorians under 20 years of age and those over 20 who are entering training at a higher level than their existing qualification. This is an expansion of the commitments agreed as part of the Skills Reform NP, which is limited to an entitlement for qualifications up to Certificate III.

Given budget constraints, many jurisdictions have targeted subsidies to labour market priorities and reduced the extent of support. This may limit participation for those people who need to re-train at existing, or lower, levels than their current qualification. However, the rationing of the demand-driven systems and targeting funding to a first qualification safeguards against 'churn' in the system where students repeatedly undertake a number of lower-level qualifications that may not lead to employment.

Differences in how VET and higher education are funded and how this affects students

In contrast to the predominantly capped state-based VET systems, the higher education system is demand-driven. The Commonwealth subsidises all bachelor-level places at public universities as well as a number of sub-bachelor (diploma, advanced diploma and associate degree qualifications) and postgraduate qualifications.⁵⁵ Current reform proposals for higher education will extend this support to all bachelor, diploma, advanced diploma and associate degree qualification at all registered higher education institutions.

As noted above, the States and Territories determine how and what training they will fund. However, the differences in subsidies and support provided by governments between students studying VET and those studying higher education can have equity implications and distort student choice between the two sectors.

All domestic higher education students at approved institutions have access to an income contingent loan (either HECS-HELP or FEE-HELP) to assist them with the cost of their tuition fees. This means that no higher education student has to pay any fees up front. On the other hand, only some VET students have access to similar assistance with an income contingent loan.

The Commonwealth introduced the income contingent loan scheme to VET students (VET FEE-HELP) in diploma and advanced diploma full-fee qualifications in 2009 to give them similar support as higher education students. As part of the Skills Reform NP, in 2012 the Commonwealth expanded access to income contingent loans for subsidised higher level courses and are trialling the scheme at the Certificate IV level.

Nevertheless, as noted above, many VET students have to pay some fees up front. This is a significant equity issue as disadvantaged learners tend to be overrepresented in lower-level VET qualifications and underrepresented in higher-level VET and higher education.⁵⁶ Some students

⁵⁵ Note that the 2014-15 Budget proposal is to extend this support to all students studying diplomas, advanced diplomas and associate degrees, as well as those studying bachelor degrees, at all approved higher education institutions.

⁵⁶ T Griffen, *Disadvantaged learners and VET to higher education transitions*, NCVER, Adelaide, 2014, p. 7.

may choose not to undertake a VET qualification on the basis of short-term financial constraints.⁵⁷

However, the use of income contingent loans for students undertaking lower level VET qualifications needs to consider issues associated with the ability to repay the loan and the possible impact of having a HELP debt on these graduates. Research indicates that people with VET diploma or advanced diploma qualifications have less ability to repay HELP debt than higher education graduates.⁵⁸

The differences in eligibility for student entitlements between VET and higher education can influence student decisions about study options between the sectors when the courses are largely comparable at diploma or advanced diploma level.⁵⁹ Students who want to study a particular course may make their choice between doing a VET or higher education course based on cost and access to support rather than which one might best meet their needs or the needs of the labour market.⁶⁰

The Review of Australian Higher Education (the Bradley Review) recommended the introduction of a tertiary entitlement funding model across higher education and VET commencing with the upper levels of VET (diplomas and advanced diplomas) and progressing to other levels as soon as possible to address these issues.⁶¹

Delivery

The States and Territories have primary responsibility for administering training subsidies in their jurisdictions and managing their public providers, the TAFE institutes.

The Commonwealth directly funds a number of programmes such as Industry Skills Fund which, with co-investment from business, will purchase up to 200,000 training places and support services, including literacy and numeracy and mentoring. However, it acts more as a purchaser of training places, rather than as a provider or deliverer.

Regional delivery

VET has a strong presence in Australia's regions with approximately 37 per cent of VET students in regional, rural and remote Australia.⁶² However, regions vary in their capacity to provide training and there are a number of challenges around the provision of VET in regional areas, particularly those with small populations. Research indicates that there are various barriers to participation in some regional areas of Australia. Access can be limited as a result of remoteness, shortages of training places, tuition costs and poor attainment at school. There may be economic barriers such as high opportunity costs or low wage dividends at certain levels,

⁵⁷ B Chapman, M Rodrigues and C Ryan, *HECS for TAFE: The case for extending income contingent loans to the vocational education and training sector*, Treasury Working Paper, 2007-2, 2007, p. iii.

⁵⁸ A Norton, *Doubtful Debt. The rising cost of student loans*, Grattan Institute, April 2014, p. 21.

⁵⁹ D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian higher education: Final report*, Australian Government, Canberra, 2008.

⁶⁰ P Dawkins, *Reconceptualising tertiary education: and the case for re-crafting aspects of the Abbott Government's proposed higher education reforms*, Mitchell Institute Policy Lecture, 2014, p. 8.

⁶¹ D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian higher education: Final report*, Australian Government, Canberra, 2008.

⁶² NCVET, *Students and courses 2013*, 2014.

unemployment rates and industry structures in some regions. There can also be cultural barriers associated with social, racial and ethnic values and lifestyles.⁶³

Apprenticeships and traineeships

Both levels of government have roles in apprenticeships and traineeships. While States and Territories have regulatory responsibility for their respective apprentices/trainees systems, including administering training contracts, Commonwealth Australian Apprenticeship Centres (AACs) assist with the signing and variation of training contracts, interactions with employers, apprentices and training providers, the promotion of apprenticeship and traineeship pathways and the administration of incentive payments. There is therefore considerable interface between the national and state systems.

However, the differing roles of AAC versus State and Territory regulatory field officers can create confusion in the market and deter prospective apprentices and employers. Stakeholders have argued that current arrangements are too complex and costly, with the Australian Industry Group suggesting in 2013 that the lack of a “genuine national system” is frustrating to employers which may discourage them from taking on apprentices or trainees:

Apprenticeship arrangements are bedevilled by a lack of national consistency. Each jurisdiction has established its own arrangements which frustrate employers with a national footprint and those that overlap jurisdictional boundaries ... Commonwealth and State arrangements that compete within the training system have led to an unacceptable situation where the same qualification is an apprenticeship in one jurisdiction, yet a traineeship in another.⁶⁴

States and Territories have been working with the Commonwealth to resolve these issues and develop a one-stop arrangement where AACs can deliver both Commonwealth and State functions. In the Northern Territory there is a joint Northern Territory-Commonwealth contract for the provision of apprenticeship and traineeship support services. These arrangements provide a one-stop-shop for all employers and apprentices/trainees for both Northern Territory and Commonwealth services.

The Commonwealth announced in September 2014 that it would establish a new Australian Apprenticeship Support Network to commence on 1 July 2015. Service providers in the new network will be required to work collaboratively with jurisdictions to reduce duplication with existing State and Territory programmes or services and ensure that the services are tailored to meet local demand.

Stakeholders have also argued for a harmonised national system of apprenticeship and traineeship legislation based on a single legislative instrument, to achieve consistency and clarity for users.⁶⁵ This would include clarification of the rationale for which level of government funds which aspects of apprenticeships (including incentives and support services) and resolving jurisdictional differences on the declaration and regulation of apprenticeships. There

⁶³ A Walstab and S Lamb, *Participation in vocational education and training across Australia: A regional analysis*. NCVET, 2008.

⁶⁴ Australian Industry Group, *Apprenticeships: Achieving Excellence*, 2013, p. 7.

⁶⁵ AWP, *Future focus: 2013 National Workforce Development Strategy*, Commonwealth of Australia, 2013, p. 118.

has been significant progress in this area. For instance, legislative reforms in Queensland have harmonised Queensland regulation with other jurisdictions and updated the regulatory framework to reflect current practice. Western Australia has commenced a statutory review of the WA *Vocational Education and Training Act 1996* (to be concluded in late May 2015) which includes a focus on the coordination, regulation and implementation of the apprenticeship and traineeship system in recognition of the overlap and duplication between the Commonwealth and the States in this area.

VET in schools

VET provided to school students can play an important role in helping young people prepare for work, and the vast majority of VET in schools enrolments are in entry-level VET (Certificate I and II), which increasingly need to be followed up by further education and training to achieve good employment outcomes.⁶⁶

Over the past two decades, VET in schools has become a significant part of senior secondary schooling in Australia:

- 90 per cent of schools offer VET in schools subjects in years 11 and 12;⁶⁷ and
- 250,000 students did VET in schools in 2013.⁶⁸

However, only about 22,000 (almost 9 per cent) of these students undertook a school-based apprenticeship or traineeship,⁶⁹ despite the fact that apprenticeships provide the clearest line of sight to future employment.

In addition, there are issues of consistency in implementation and delivery of VET in schools programmes across and within jurisdictions which is undermining industry confidence in vocational qualifications obtained at school.⁷⁰ One of the recurring criticisms of VET in schools is that teachers and trainers are not necessarily industry experts and that many are teaching outside their area of specialisation.⁷¹

The Commonwealth has recently instigated a series of roundtable meetings to boost awareness of VET in schools and receive feedback on ways to ensure it is more responsive to industry needs so that students receive the skills that will result in real jobs. Employers reported that work placements are integral to the success of VET in schools and they value workplace experience more than the qualification itself.⁷²

⁶⁶ AWP, *Future focus: 2013 National Workforce Development Strategy*, 2013, p. 113.

⁶⁷ N Nguyen, *The impact of VET in Schools on the intentions and achievements of young people*, Longitudinal Surveys of Australian Youth Briefing Paper 21, 2010.

⁶⁸ NCV, *VET in Schools 2013*, 2014.

⁶⁹ NCV, *VET in Schools 2013*, 2014.

⁷⁰ AWP, *Future focus: 2013 National Workforce Development Strategy*, 2013, p. 114.

⁷¹ L Wheelahan and G Moodie, *The quality of teaching in VET: final report and recommendations*, Australian College of Educators, 2010, p. 30.

⁷² S Ley (Assistant Minister for Education), *De-mystifying school-based apprenticeships – Launch of the School-based Apprenticeships/Traineeships (SBATs): A resource for schools*, 19 August 2014 <<https://ministers.education.gov.au/ley/de-mystifying-school-based-apprenticeships-launch-school-based-apprenticeshipstraineeships-sbats>>.

On 12 December 2014, Education Ministers endorsed a new framework (*Preparing Secondary Students for Work – A framework for vocational learning and VET delivered to secondary students*) to guide the delivery of vocational learning and VET delivered to secondary students in Australia.⁷³

Regulation

Regulation of the sector is mostly national, except in Victoria and Western Australia which have chosen to retain their state-based VET regulators. The Commonwealth and State and Territory Ministers agreed to establish a national regulator for VET, the Australian Skills Quality Authority (ASQA), in 2009. States and territories referred regulatory powers to the Commonwealth Parliament in accordance with subsection 51 (xxxvii) of the Constitution.⁷⁴

Victoria and Western Australia did not agree to refer their regulatory powers to the Commonwealth and their own VET regulators continue to operate in these jurisdictions.⁷⁵ Victoria had concerns that the national quality standards in place at that time did not go far enough, particularly in relation to protecting the interests of the students, and argued that, as the States and Territories hold primary constitutional and funding responsibility for the VET sector, regulatory responsibility should sit alongside funding.⁷⁶ Western Australia had a similar view, arguing that as the prime funder of this state training system it was essential that the state was able to manage its VET system effectively and, being local, it could provide close monitoring of the system.⁷⁷

Through a combination of its immigration, aliens and international trade powers under section 51 of Constitution, the Commonwealth is able to regulate training providers which deliver education services to international students. The Commonwealth administers the education of international VET students through the *Education Services for Overseas Students Act 2000* which ASQA regulates against. In addition, the Commonwealth relies on constitutional power to ensure that multi-jurisdictional providers are registered with the national regulator and that ASQA regulates their interstate activity.

As a result, ASQA is responsible for regulating around 4,000 training organisations across Australia in the referring states and those in Victoria and Western Australia that offer courses to overseas students, and/or offer courses to students (including by offering courses online) in

⁷³ Education Council, *Preparing Secondary Students for Work. A framework for vocational learning and VET delivered to secondary students*, Education Services Australia 2014.

⁷⁴ *Intergovernmental Agreement for Regulatory Reform in Vocational Education and Training*, 2011.

⁷⁵ The Victorian Registration and Qualifications Authority (VRQA) and the Western Australian Training Accreditation Council (TAC).

⁷⁶ Government of Victoria, *Submission to the Senate Education, Employment and Workplace Relations Legislation Committee inquiry National Vocational Education and Training Regulator Bills 2010 [2011]*, 2011.

⁷⁷ M Brown, *Public Hearing, Senate Education, Employment and Workplace Relations Legislation Committee, National Vocational Education and Training Regulator (Consequential Amendments) Bill 2011; National Vocational Education and Training Regulator (Transitional Provisions) Bill 2010 [2011]; National Vocational Education and Training Regulator Bill 2010 [2011]*, West Perth, EEWR2, 9 March 2011.

referring jurisdictions. ASQA also has regulatory responsibility for schools that are registered to deliver VET.⁷⁸

However, apart from the tensions created for some 400 providers in Victoria and 327 in Western Australia that are operating under separate (but nationally comparable) regulatory arrangements, one of the other major tensions is that different regulatory arrangements apply to the delivery of some qualifications in the AQF depending on the sector they are delivered in. This is particularly the case for diplomas or advanced diplomas. Currently, a VET provider offering a Diploma of Business would be regulated by ASQA, but a higher education provider, offering a similar diploma, would be regulated by the Tertiary Education Quality Standards Agency (TEQSA). For those 80-odd providers who are registered to deliver both VET and higher education courses (known as dual sector providers) this can result in significant duplicative and overlapping reporting and regulation.

The COAG Industry and Skills Council agreed in April 2014 to re-examine the VET standards to ensure they better recognise the different level of risk posed by different providers, better align with the Commonwealth's plans to remove unnecessary regulation and red tape and deal with declining satisfaction and confidence in the system. The Commonwealth released new Standards for Registered Training Organisations (RTOs) and the new Standards for VET Regulators on 21 October 2014, which come into effect from 1 January 2015 for new RTOs and from 1 April 2015 for existing RTOs.

These standards are aimed at addressing issues around the quality of RTOs and training. The key changes include increasing consumer protections by strengthening requirements around marketing training courses and the type of information to be provided to consumers so that they can make informed decisions about their training; and hold the RTO responsible for any third party arrangements where training and assessment and the recruitment of students are conducted on their behalf.

ASQA is also taking action in this regard. For example, it is undertaking a strategic review into the early childhood development workforce training, in response to concerns raised about the quality of the training and assessment provided by some RTOs in the Productivity Commission's 2011 research report on the Early Childhood Development Workforce.⁷⁹

The Commonwealth is also looking at further measures to curb inappropriate behaviour by training brokers who market or onsell training to potential students, with some engaging in unsolicited marketing, signing up students to unsuitable courses and offering inducements to encourage students in inappropriate courses.⁸⁰

States and Territories also regulate training through their role as funders to ensure the quality of administration and compliance with contracts. They also have legislative and regulatory responsibility for apprenticeships in their jurisdictions. This has resulted in different apprenticeships systems across Australia and the Commonwealth and States and Territories are

⁷⁸ Note that Victoria and Western Australia are responsible for the regulation of VET in schools in their jurisdictions when the registered training organisation operates solely in their jurisdiction and does not have international students.

⁷⁹ Productivity Commission, *Early Childhood Development Workforce*, November 2011.

⁸⁰ Commonwealth Department of Industry, *Regulating for Quality*, 2014.

working together to achieve national harmonisation of apprenticeships regulation, rules and pathways to ensure that those who move between jurisdictions can do so seamlessly.

Summary of current arrangements

The following table below summarises the current government involvement in VET.

Area	State and Territory role	Commonwealth role	Shared roles
Policy	<i>Shared</i>	<i>Shared</i>	<i>High</i>
	Shared responsibility for national policy Responsible for jurisdiction-based policy, including apprenticeships	Shared responsibility for national policy, taking a national leadership role	Both levels of government collaborate in developing national policy
Funding	<i>Lead</i>	<i>Secondary</i>	<i>High</i>
	Majority funder of public TAFE institutes Responsible for allocation of public funds within jurisdiction for main subsidies for VET Fund apprenticeships training in RTOs	Secondary funder of students, including apprentices, through income support, income contingent loans and targeted training programmes Secondary funder of training through national agreements and employers	Both levels of government fund and support training
Delivery	<i>Lead</i>	<i>Secondary</i>	<i>Low</i>
	Responsible for the delivery of policies and programmes associated with VET within their jurisdictions, including contracting (delivery of training is through third parties, i.e. RTOs) Responsible for administration of TAFE institutes	Secondary role in delivery of services for apprentices and in managing delivery of training to certain groups (e.g. new migrants, literacy and numeracy training) (delivery of training is through third parties, i.e. RTOs)	Some areas of overlap in delivery of support services for apprentices and in management of training to certain groups
Regulation	<i>Secondary</i>	<i>Lead</i>	<i>Medium</i>
	Shared responsibility for national standards Victoria and Western Australia are responsible for registration, accreditation of courses and regulation of the domestic sector in their jurisdiction	Shared responsibility for national standards Responsible for registration, accreditation of courses and for regulation of sector (with exception of Victoria and Western Australia) Responsible for oversight of international students	Commonwealth and States and Territories share responsibility for national standards and cooperate in regulation



3.4 Questions for consideration

While well-embedded, the shared nature of VET has resulted in a system that is not always well-understood by its users or is as efficient and effective as it could be.

Accountability

Shared arrangements have led to blurred accountabilities. While the States and Territories allocate subsidies there is now a national regulator in place to ensure quality, although it does not cover all of Australia. This raises questions about which level of government is responsible for the quality of the system — that which funds it, or that which regulates it?

Further, the increasingly dual nature of provision of mid-higher level qualifications in both VET and higher education (i.e. both sectors offer diplomas and advanced diplomas) is resulting in a number of dual providers, separately regulated and monitored, which is also creating confusion in the minds of both the providers and users of the system.

The States and Territories have legislative and regulatory responsibility for apprenticeships in their jurisdictions, but the Commonwealth administers the sign up of all apprentices and trainees to training contracts through its national network of Australian Apprenticeships Centres (to be replaced by the new *Australian Apprenticeship Support Network* from 1 July 2015).

Questions for discussion

- Do some of the overlapping roles and responsibilities in the current shared arrangements create uncertainty about which level of government should be held responsible for outcomes? Can this be remedied or improved?
- How could the shared arrangements be more clearly defined?

Subsidiarity

Under the shared arrangements, the States and Territories are responsible for determining skills priorities and purchasing training in their jurisdictions, giving them the flexibility to respond to local needs and economic conditions. However, the Commonwealth has taken an increasing interest in ensuring there is a highly-skilled, mobile national labour force that is capable of responding to structural adjustments in the economy, and offers income contingent loans to students and funding to industry through incentives to employers to take on apprentices and the Industry Skills Fund to support this.

Questions for discussion

- Do the current arrangements provide enough flexibility to (1) allow innovative service delivery models tailored to local conditions, and (2) encourage more direct industry and employer engagement, and (3) address emerging local and national skills and workforce development needs?

National interest

There is a genuine national interest in VET to ensure the development of a national labour force with mobile skills and qualifications. As noted in the Industry Innovation and Competitiveness Agenda, business-relevant, high-quality education and training boosts innovation, encourages investment, and supports jobs growth and higher wages.⁸¹

However this is a contested space. The 2014 National Commission of Audit recommended “that the States should take responsibility for VET, including the current reform agenda. This simplified governance and accountability would be more efficient than the current arrangements. Transferring responsibility for VET would require an equivalent adjustment in funding.”⁸²

Others have argued that the Commonwealth should strengthen its interest in VET, not reduce it, citing the national interest in the composition of the national labour force, the productivity enhancements associated with post-school education, and the converging roles of VET and higher education. This was the recommendation of the 1996 National Commission of Audit.⁸³ Jennifer Westacott, as Chief Executive of the Business Council of Australia, recently noted that employment is a national market and a national responsibility and argued that VET is “so intrinsic to Australia’s capacity to create and sustain the labour market [and] should not be devolved completely to the states.”⁸⁴

However, national interest does not necessitate the involvement of the Commonwealth. States and Territories could work together collaboratively to develop and implement a national approach.

Questions for discussion

- Is there a legitimate policy rationale for continued, greater or reduced Commonwealth involvement in VET, or particular aspects of it? Or are the existing shared arrangements effective? Is there a different split of roles and responsibilities that could be contemplated?
- Would the national interest be better served by allocating all roles (policy, funding, delivery and regulation) to one level of government?

Equity, efficiency and effectiveness of service delivery, with a focus on regions

Both levels of government share roles as funders, purchasers, and regulators. In some cases both are responsible for closely related services to the same groups of clients which can lead to

⁸¹ Australian Government, *Industry Innovation and Competitiveness Agenda. An action plan for a stronger Australia*, Commonwealth of Australia, 2014.

⁸² Commonwealth of Australia, *Towards Responsible Government. Appendix to the Report of the National Commission of Audit. Volume 2, February 2014*, Canberra, 2014, p. 81.

⁸³ National Commission of Audit, *Report to the Commonwealth Government, June 1996*, Commonwealth of Australia, Canberra, 1996.

⁸⁴ J Westacott, *Swinburne University 2014 Chancellor’s Lecture: Redefining Vocational Learning in the Global Economy*, viewed June 2014 <<http://www.bca.com.au/newsroom/swinburne-university-2014-chancellors-lecture-by-bca-ceo-jennifer-westacott>>.

boundary problems.⁸⁵ This reduces the efficiency and effectiveness of service delivery and can lead to ‘cost shifting’ between the levels of government.⁸⁶ Examples of inefficiencies under the current arrangements include the duplication and overlap in support services for apprentices and trainees, and that national regulation has not been fully implemented, with Victoria and Western Australia retaining their state-based regulators. Overlap and confusion around roles and responsibilities also makes it more difficult for governments to address concerns about poor coordination, planning and service delivery. This is particularly problematic in outer regional and remote areas which are ‘thin markets’ for service delivery purposes.

There are equity issues associated with financial barriers to a VET qualification as a result of the upfront fees and limited access to income contingent loans. To ameliorate these issues States and Territories actively address local equity matters in different ways. However, the ability of some VET graduates to repay a HELP loan may be limited and could result in an ongoing HELP debt that may take a long time to repay (if at all).⁸⁷

Questions for discussion

- To what extent, if any, do shared Commonwealth-State roles enhance or detract from the effective achievement of VET outcomes?
- Should one level of government address equity issues or should this continue to be a shared obligation?
- If shared roles continue, what mechanisms are needed to ensure collaboration is effective and efficient?

Durability

The national elements of the training system, i.e. national standards for registered training organisations and training products; training packages; and nationally recognised qualifications have been durable and are recognised as a key strength of the Australian VET system.

On the other hand there have been some programs that have stopped and started, for example, the Commonwealth’s Critical Skills Investment Fund (introduced in the 2010-11 Budget) was absorbed by the National Workforce Development Fund (NWDF) in the following year. The NWDF was replaced by the Industry Skills Fund in the 2014-15 Budget.

Changes to Commonwealth direct purchasing arrangements, and changes to State and Territory funding arrangements, create confusion for providers, employers and students. They also erode the opportunity for long-term, sustainable training program delivery that addresses industry priorities for skills. Unilateral decisions by the Commonwealth have led to confusion and duplication, for example:

⁸⁵ M Keating and J Wanna, ‘Remaking federalism?’ in M Keating, J Wanna, and P Weller (eds), *Institutions on the Edge? Capacity for Governance*, Allen & Unwin, St Leonards, NSW, 2000, pp. 126-155.

⁸⁶ Commonwealth of Australia, *Towards Responsible Government. The Report of the National Commission of Audit Phase One*, February, Canberra, 2014, p. 18.

⁸⁷ A Norton, *Doubtful Debt. The rising cost of student loans*, Grattan Institute, April 2014, Grattan Institute, 2014, p. 21.

- changes to the Commonwealth incentives for apprentice and trainee, particularly incentives for existing workers which fundamentally changed the nature of the traineeship system; cessation of Certificate II incentives; and
- the announcement of funding programs such as Group Training in Trades and the Productivity Places Program (PPP) which duplicated state funding and programs.

Further, the level of government funding is not durable. There has been a much lower rate of growth in VET spending than other education sectors and investment from all States and Territories is static or falling. Commonwealth funding in the forward estimates is also static and will decline with the expiration of the Skills Reform NP.

In addition, there have been significant changes and reforms in the VET system over recent years, and the sector usually features in policies taken to both federal and State elections. In VET, this can be exacerbated by the number of jurisdictions involved in the system, all of which could be setting policies that are significantly different to each other. This leads to uncertainty for service providers, employers and the general public, and brings uncertainty around future planning and investment.

Questions for discussion

- What configuration of roles and responsibilities between the Commonwealth and States and Territories is most likely provide funding and policy certainty and why?

Fiscal sustainability

The Australian public has expectations of access to high quality and affordable training. However, as noted above, public investment in VET has largely remained static since 2012 as a result of budget decisions across jurisdictions. In real terms, most jurisdictions have maintained or reduced expenditure on VET over the last decade. On the other hand, the Commonwealth's investment in VET, increased by an average of 1.6 per cent per annum, in real terms, between 2003-04 and 2012-13.⁸⁸ However, the Skills Reform NP and associated funding expires on 30 June 2017.

The ability to raise revenue through fee increases is very much dependent on a number of factors including: the level demand for the course; the ability of providers to meet that demand; and the likely private return on investment for potential students.

Against this backdrop is an increased demand for a skilled workforce which will put pressure on the VET system to produce more graduates, particularly those with higher qualifications. This also highlights the differences between government support for VET and other education sectors. While schools and higher education are both now demand-driven systems, in some states and territories, VET is still a capped system despite its critical links to our future competitiveness.

⁸⁸ P Noonan, G Burke, A Wade and S Pilcher, *Expenditure on education and training in Australia. Analysis and background paper No. 01/2014*, Mitchell Institute, 2014, p. 8.

Questions for discussion

- How can roles and responsibilities be aligned to ensure the fiscal sustainability of the VET system while maintaining high quality student outcomes?
- What role should individuals play in supporting their own education?
- What role should industry and employers play in supporting the skills development of their workforce?

HIGHER EDUCATION

4.1 Introduction

Higher education contributes to the creation of a highly skilled and qualified workforce, improves our productivity and underpins our capacity for innovation, particularly through research. People undertake higher education for various reasons, including to assist their employment opportunities, personal development or to contribute towards research. Universities themselves play an important cultural, institutional and civic role within society to deliver benefits to the community that go beyond education.

When considering whether the allocation of roles and responsibilities in higher education should be changed, the focus should be on whether it will improve the quality of the educational experience offered by universities to students, and to Australia's research capacity that underpins gains in innovation and productivity.

There were more than 1.3 million domestic and international students enrolled at higher education institutions in 2013, an increase of 4.5 per cent from 2012.⁸⁹ Domestic students made up 75 per cent of all students, an increase of 5.5 per cent from 2012.⁹⁰ Overseas student enrolments increased by 1.5 per cent over the same period.⁹¹ Approximately 93 per cent of domestic students were studying at public universities, with 82 per cent of these students being subsidised by the Government through a Commonwealth supported place.⁹²

International students studying higher education in Australia are the major contributors to the international education export industry. In 2013-14, the higher education sector generated around \$10.8 billion in export income.⁹³

There are 175 higher education providers, made up of 41 Australian universities and two overseas universities, and a range of colleges and other institutions that are authorised to offer higher education qualifications. The 37 public universities educate over 90 per cent of the students and conduct much of the research undertaken in Australia.

The Commonwealth provides the majority of funding, contributing \$14.6 billion in 2012 (59 per cent of higher education operating revenue),⁹⁴ with States and Territories contributing \$0.8 billion (around 2 per cent of operating revenue). In addition, States and Territories contribute substantial amounts of state-owned land for use by universities, give exemptions from certain taxes, and provide clinical and teaching placements for those students undertaking study at universities that require such a placement.

⁸⁹ Commonwealth Department of Education, *2013 Student Summary - Summary of the 2013 full year higher education student statistics*, 2014.

⁹⁰ Commonwealth Department of Education, *2013 Student Summary - Summary of the 2013 full year higher education student statistics*, 2014, accessed December 2014.

⁹¹ Commonwealth Department of Education, *2013 Student Summary - Summary of the 2013 full year higher education student statistics*, 2014, accessed December 2014.

⁹² Commonwealth Department of Education data.

⁹³ Note this figure also captures VET and schools as well.

⁹⁴ This consisted of Commonwealth Government Grants and HELP contributions.

The Commonwealth plays a dominant role in most aspects of the sector and has done so for about the last 40 years. As a result, there are fewer pressures on current arrangements arising from overlap and duplication between the Commonwealth and the States and Territories than in other sectors. However, there are opportunities for cleaner lines of responsibility around governance and reporting, resulting from the establishment of universities by State legislation.

4.2 Evolution of our higher education arrangements

Federation to 1940s: Limited Commonwealth involvement

At the time of Federation there were four universities⁹⁵ throughout the six colonies. The universities were established by State legislation and were primarily funded by State governments, student fees and private endowments. Higher education remained the exclusive domain of the States up until the Second World War, except for a minor contribution from the Commonwealth for research.

1940s to 1960s: Commonwealth involvement begins

The 1946 amendment to the Constitution gave the Commonwealth the power to make laws with respect to 'benefits for students.' Previously, the Commonwealth had provided some financial assistance to students during the war, but following the amendment it introduced the Commonwealth Scholarship Scheme for university students in 1951.

In 1950, the Commonwealth accepted a recommendation from the Mills Committee⁹⁶ to replace the existing grants for university purposes with a new scheme which adopted a new approach in calculating Commonwealth funding for universities.⁹⁷ Using its powers under section 96 of the Constitution, the Commonwealth provided funding under the *States Grants (Universities) Act 1951*.⁹⁸ The Murray Committee⁹⁹ subsequently recommended the Commonwealth accept greater responsibility for universities.¹⁰⁰ This provided the foundation for the large-scale Commonwealth financial support that followed.¹⁰¹

⁹⁵ The University of Sydney (1850); the University of Melbourne (1853); the University of Adelaide (1874); and the University of Tasmania (1890). The University of Queensland was established in 1909 and the University of Western Australia was established in 1911.

⁹⁶ The Mills Committee was a committee appointed by the Menzies Government to report on the finances of universities.

⁹⁷ This was a two-tier funding model. The first tier was based on full time student numbers, while access to second tier funding related to thresholds based on student fees and state government grants.

⁹⁸ Commonwealth Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, Australian Government Publishing Service, Canberra, 1993, p. 8.

⁹⁹ The Murray Committee was a committee appointed by the Menzies Government to report on the finances of universities. It was led by Sir Keith Murray.

¹⁰⁰ Commonwealth Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, Australian Government Publishing Service, Canberra, 1993, p. 9.

¹⁰¹ Commonwealth Department of Education, Training and Youth Affairs, *Education for all Australians: A History of the Commonwealth Education Agency 1945-2001*, Department of Education, Training and Youth Affairs, Canberra, 2001, p. 25.

In response to the growth in student numbers in the university sector, the Martin Committee¹⁰² in the early 1960s recommended the establishment of colleges of advanced education (CAEs) as a ‘second tier’ of higher education. These colleges were designed to offer courses to diploma level, allowing universities to concentrate on research and research training. The States were responsible for their regulation, but funding was shared with the Commonwealth.

Following the successful 1967 referendum, the Commonwealth introduced the Aboriginal Study Grants Scheme (ABSTUDY) in 1969 which assisted Aboriginal people to access university as part of the Government’s commitment to implement special measures to assist Aboriginal and Torres Strait Islander people to achieve their educational, social and economic objectives.

1970s to 1980s: Commonwealth support increases significantly

There were dramatic changes to the higher education sector during this period as a result of the introduction of more significant Commonwealth funding contributions and greater involvement in policy across the whole sector. This also included the Commonwealth providing income support more generally for students in higher education since 1973.

In 1974, the Commonwealth became much more involved in higher education, and with the agreement of all States and Territories, it assumed full funding responsibility for higher education.¹⁰³ At the same time, the Commonwealth abolished tuition fees in universities and CAEs making higher education places available to all Australian citizens at no cost. The States retained legislative and regulatory responsibilities during this time.

In 1989, one of the most significant reforms to the sector was introduced — the income contingent loan scheme, known as the Higher Education Contribution Scheme (or HECS). Its purpose was to assist with funding increased participation and to reduce any potential financial barriers to those wishing to further their own education.

Australia was the first country to introduce such a scheme, and university education now included a partial student contribution from the individual towards the costs of their own education. Additionally, significant structural reform of the system took place and CAEs were either merged into universities, or formed universities in their own right.

The 1990s: formalised arrangements in higher education

In 1991, the States and Territories endorsed a package of higher education reforms, including agreeing to the Commonwealth providing funding to universities directly rather than through State Grants.¹⁰⁴ To do so, the Commonwealth relied upon the appropriations power in section 81 of the Constitution, the ‘benefits to students’ power in section 51 (xxiiiA), and in the case of

¹⁰² The Martin Committee (also known as the Committee on the Future of Tertiary Education in Australia) was established by the Government to consider the pattern of tertiary education in Australia in relation to the needs and resources of the country.

¹⁰³ G Whitlam (Prime Minister), *Premiers’ Conference and Loan Council Meeting, 28 and 29 June 1973*, press Statement by the Prime Minister, 1973, viewed August 2014 <<http://pmtranscripts.dpmc.gov.au/transcripts/00002962.pdf>>. This was presented by way of an offer from the Commonwealth, accepted by all of the States and noted in the press statement by the Prime Minister. The agreement did not entail any constitutional changes to responsibilities.

¹⁰⁴ Premiers and Chief Ministers, *Premiers and Chief Ministers Meeting Communiqué*, 21-22 November 1991, Adelaide.

some research-related grants, the implied 'nationhood power'.¹⁰⁵ The catalyst for this decision was a report from the Working Group on Tied Grants for the Australian Education Council¹⁰⁶ on the roles and responsibilities of the Commonwealth and the States and Territories which recommended strengthened consultative arrangements between both levels of government to determine national goals and objectives for the higher education system.¹⁰⁷ The proposal to assign exclusive responsibility to one level of government was rejected by the States and Territories, resulting in a shared model.¹⁰⁸

This period also saw the deregulation of the overseas and postgraduate education markets, allowing universities to diversify their revenue sources, and the introduction of Commonwealth legislation to protect overseas students. The deregulation of the postgraduate market saw the growth of full-fee enrolments and a reduction of Commonwealth supported places as a share of all postgraduate coursework places.¹⁰⁹ Since 2005 the Commonwealth has increased the number of postgraduate coursework Commonwealth supported places.¹¹⁰

The Commonwealth's policy of capping undergraduate places meant that many students who wished to undertake higher education could not do so. To address this unmet demand, in 1997 the Commonwealth permitted universities to admit students who had been denied a place under the capped system as full-fee paying students, on a similar basis to international students.¹¹¹

2000 to 2012: Focus on the demand side of education

During this period, there was an emerging focus on the quality of the sector. The Commonwealth and the States and Territories agreed to establish nationally consistent criteria and standards for universities and other higher education institutions.¹¹² In addition, the Commonwealth established a national quality agency to audit university processes.¹¹³

The partial deregulation of university fees in 2005 allowed universities to increase student contributions up to a maximum level. It was followed by changes to the existing income-

¹⁰⁵ Commonwealth Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, Australian Government Publishing Service, Canberra, 1993, p. 105.

¹⁰⁶ The Australian Education Council (AEC) was a body comprising the Ministers of Education in each State and Territory and the Commonwealth. It was subsumed under the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in 1994. The AEC established the Working Group on Tied Grants in 1990 as part of a broad review of Commonwealth-State relations arising from a Special Premiers Conference held in October 1990.

¹⁰⁷ Commonwealth Department of Employment, Education and Training, *National Report on Australia's Higher Education Sector*, Australian Government Publishing Service, Canberra, 1993, p. 111.

¹⁰⁸ Working Group on Tied Grants 1991, *Final Report to the special Premiers' Conference*, Perth 21-22 November 1991, pp. 77-78.

¹⁰⁹ D Kemp and A Norton, *Review of the Demand Driven Funding System*, Canberra, 2014, p. 63.

¹¹⁰ D Kemp and A Norton, *Review of the Demand Driven Funding System*, Canberra, 2014, p. 63.

¹¹¹ D Kemp and A Norton, *Review of the Demand Driven Funding System*, Canberra, 2014, p. 3.

¹¹² The National Protocols for Higher Education Approval Processes were endorsed by the Ministerial Council in March 2000. See DEST, *National Report on Higher Education in Australia: 1991-2001*, Commonwealth of Australia, 2003 p. 328.

¹¹³ The Australian Universities Quality Agency (AUQA) was established as a not-for-profit company by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in March 2000. The Commonwealth and State and Territory Governments were responsible for overhead costs and the bodies being audited responsible for the direct costs of audits. AUQA was abolished in 2011 with the establishment of TEQSA.

contingent loan scheme with the introduction of the Higher Education Loan Programme (HELP)¹¹⁴ which provided a similar loan system as HECS but with varied conditions.

As part of the Our Universities: Backing Australia's Future reforms of 2003, universities were able to increase the number of undergraduate fee-paying students. Undergraduate fee-paying students were discontinued as part of the demand-driven funding reforms that were fully implemented by 2012.

In 2006, a seminal High Court decision in *State of New South Wales v Commonwealth of Australia* [2006] HCA 52 broadened the interpretation of the Commonwealth's corporations power under section 51(xx) of the Constitution. This allowed the Commonwealth to make laws regulating universities, as most were established as corporations albeit under State legislation.

Failure to secure agreement by all Australian education ministers to a national system to regulate higher education resulted in the Commonwealth Government relying on the corporations power in the Constitution, overriding States and Territories' regulatory legislation to establish the national regulator—the Tertiary Education Quality and Standards Agency (TEQSA) in 2011.

In 2012 the Commonwealth completed the implementation of a demand driven system for public universities by lifting the limits on the availability of Commonwealth supported places for domestic bachelor-degree students which it had previously capped.¹¹⁵ This was as a result of recommendations from the Bradley Review of Australian Higher Education.¹¹⁶ One of the objectives of the new system was to drive increased participation and achieve higher levels of attainment and access.¹¹⁷ The table below highlights growth in the sector and forecasts future growth.

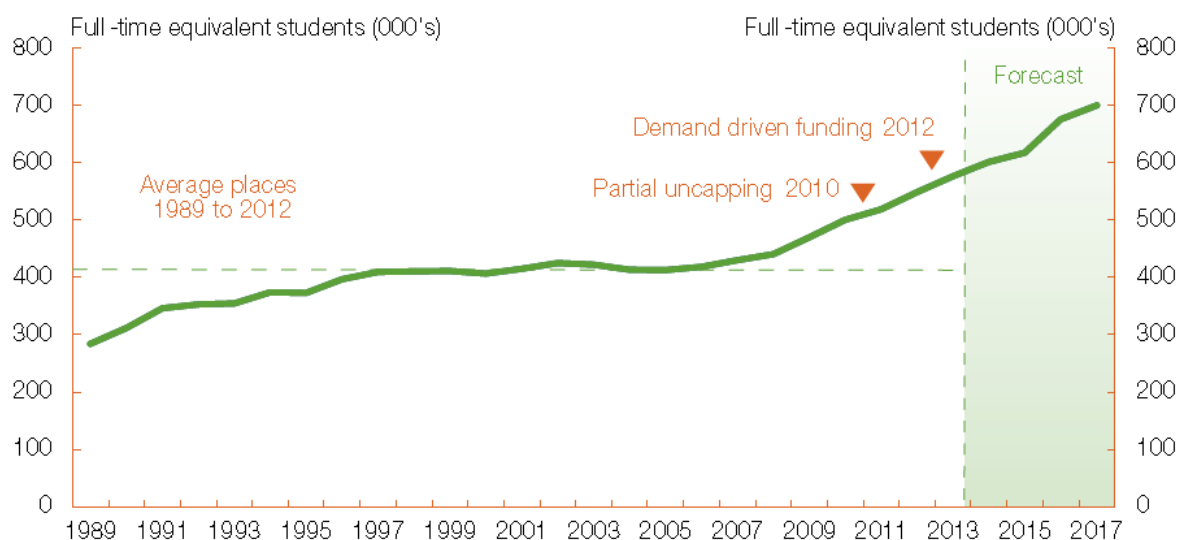
¹¹⁴ J Lomax-Smith, D Gibson, L Watson and B Webster, *The Higher Education Base Funding Review: Background Paper*, Canberra, 2010 p. 23.

¹¹⁵ With the exception of medical degrees.

¹¹⁶ The Bradley Review was the *Review of Australian Higher Education* chaired by former Vice Chancellor of the University of South Australia, Denise Bradley AC.

¹¹⁷ Australian Government, *Transforming Australia's Higher Education*, Canberra, 2009, pp. 12-13.

Figure 4.1: Commonwealth-supported full-time equivalent students



Source: *The Commonwealth Treasury*

Although this data largely reflects the increase in the Commonwealth's involvement in the sector, it is important to acknowledge that universities also represent significant repositories of historic state investment. States have historically invested in universities, meaning that universities now manage significant State assets. This includes large amounts of state-owned land and strategic investment into research facilities. They are also fundamental to State and Territory education training sectors, employment markets and contributors to state policies and innovation.

Current reforms

The Commonwealth Government has proposed further reforms to the higher education sector which would extend support to students studying diplomas, advanced diplomas and associate degree courses, as well as those studying bachelor degrees, at approved institutions. Additional reforms proposed in the 2014-15 Budget include the deregulation of fees, an investment in research, and better information to students. These new policies would move higher education towards a more market-based model with greater consumer choice.

4.3 Pressures on current higher education arrangements

While the Constitution does not allocate responsibility for the sector to the Commonwealth, over time it has come to play a much greater role and it now effectively has full responsibility for higher education. This role is well-understood, longstanding and generally, not contested. Accordingly, there are fewer pressures on current arrangements arising from overlap and duplication than there are in other education sectors where roles are shared, or not as neatly delineated. However, the proposed reforms to remove the cap on sub-bachelor places (associate degree, advanced diplomas and diplomas) and extend Commonwealth supported places to all higher education providers is likely to increase pressure between the state-based VET systems and the Commonwealth-based higher education system. Pressures also arise from overlap and duplication as a result of governance and reporting requirements (especially financial reporting requirements) on universities to both levels of government.

Policy

The Commonwealth is responsible for determining the policy arrangements for the sector as a whole, largely driven by its role as the public funder and quality regulator and the need for a highly skilled workforce to support the national economy. Commonwealth policy involvement is largely based on encouraging participation, completion, support and access for students, regional provision and research innovation. While the States and Territories do not directly determine policy for universities, they retain some governance responsibilities as a result of their Acts of Parliament establishing universities.

Like the Commonwealth, States and Territories have a strong interest in the ability of the higher education sector to contribute to local economies by providing highly-skilled workers, research and innovation, and as an export industry. They support the sector to achieve particular, local policy goals, for example, through contributions to key research infrastructure and efforts to boost regional higher education participation. Further, the continued operation of regional universities is essential to some jurisdictions' economies and also offers diversity and choice to students.

The States and Territories also have a strong interest in ensuring that regional universities remain viable and address local needs for tertiary educated workers. In Western Australia, for instance, the Government supported the establishment of the Geraldton Universities Centre to improve access for students in the mid-west. The University of Tasmania, which is the sole university in the state, plays a key role in a number of local sectors, including niche industries such as aquaculture.

The COAG Education Council provides the formal forum for all jurisdictions to discuss and resolve issues affecting the higher education sector. It consists of all education ministers at both Commonwealth and State and Territory level. However, given the current split of roles and responsibilities and the dominant role of the Commonwealth in the sector, higher education does not always feature as a priority on the Council's agenda, relative to other priorities like early childhood and schools where there is more shared space between governments.

Funding

The Commonwealth provides the majority of funding for higher education. In 2012 the Commonwealth contributed \$14.6 billion (59 per cent of higher education operating revenue)¹¹⁸ and States and Territories contributed \$0.8 billion (around 2 per cent of operating revenue).¹¹⁹

A significant portion of Commonwealth funding in the sector relates to the Commonwealth Grant Scheme provided to universities for funding Commonwealth supported places and income contingent loans for students (the Higher Education Loan Programme or HELP). Commonwealth expenditure through the Commonwealth Grant Scheme has grown from \$4.1 billion in 2009 to \$6.1 billion in 2013.¹²⁰ All higher education students at approved institutions have access to

¹¹⁸ This consisted of Commonwealth Government Grants and HELP (including HECS-HELP and FEE-HELP) payments on behalf of students.

¹¹⁹ Commonwealth Department of Education: Finance 2012, *Financial Reports of Higher Education Providers December, 2013*, p. 3.

¹²⁰ D Kemp and A Norton, *Review of the Demand Driven Funding System*, Canberra, 2014, p. 7.

either HECS-HELP or FEE-HELP.¹²¹ These schemes provide Australian university students with the option of deferring up-front payments through an income contingent loan. Since the early 2000s, the Government has been funding about 60 per cent of the cost of study in higher education, with students contributing 40 per cent, although this share would decrease as a result of the proposed reforms. The Commonwealth has budgeted \$1.4 billion for HECS for 2014-15.

Over the period 2009 to 2013, subsidised places for students have increased by 107,000 to 576,000 with the uncapping of places in 2012. Subsidised places include all bachelor-level places at public universities, as well as a number of sub-bachelor and postgraduate qualifications.¹²²

In contrast, and as discussed in the earlier chapter, the Commonwealth does not directly subsidise places in the VET sector but provides funding to the States and Territories through the Skills Reform NP. This delivers government subsidised places in ways that best meet local needs and provides funding for training directly to employers. The Commonwealth provides additional support to some VET students through income contingent loans (VET FEE-HELP) to give them similar support to higher education students in paying their tuition fees.

This means there are differences in price, subsidy levels and fee support arrangements for similar courses, dependent on the sector. Differences in eligibility for student entitlements between VET and higher education can distort student choices about study options between the sectors when the courses are largely comparable.

Universities source additional, non-government revenue from upfront payments by students who do not take out an income contingent loan; fees and charges; investments; consultancy and contracts; and other income, including royalties, trademarks and licences.¹²³ They also receive Commonwealth support through the allocation of government-subsidised postgraduate student places (coursework and research);¹²⁴ support for research; and support for infrastructure.

Research is a major function of Australian universities. In recognition of the importance it brings to the economy in terms of domestic advancements as well as international recognition and competitiveness, the Commonwealth provides around \$2.9 billion per year to support research and research training in universities (31 per cent of overall research dollars).¹²⁵ This is provided through research block grants, competitive grants and support for students. The bulk of the Commonwealth's funding (\$2.5 billion) supports major infrastructure.

¹²¹ HECS-HELP is available for students studying in a Commonwealth supported place and FEE-HELP is available for those studying in a fee-paying place.

¹²² Note that the 2014-15 Budget proposal is to extend this support to all students studying diplomas, advanced diplomas and associate degrees, as well as those studying bachelor degrees, at all approved higher education institutions.

¹²³ Commonwealth Department of Education, Finance 2012, *Financial Reports of Higher Education Providers December, 2013*, p.3.

¹²⁴ The Commonwealth subsidises coursework places (Commonwealth supported places) through the Commonwealth Grant Scheme and research training places through the Research Training Scheme.

¹²⁵ Commonwealth Department of Industry, *2014-15 Science, Research and Innovation Budget Tables, 2014*, accessed August 2014 <<http://www.industry.gov.au/innovation/reportsandstudies/Pages/SRIBudget.aspx>>.

While States and Territories do not generally fund universities' operating revenue, contributions are made in other ways. For example, the Queensland Government provides funding to universities through the State Borrowing Program, grant funding for infrastructure development and funding for research and development. Similarly, the Western Australian Government makes capital contributions towards universities and enables its universities to borrow from the Treasury Corporation at favourable interest rates. As noted above, States and Territories also provide state-owned land for use by universities, give exemptions from certain taxes and provide clinical and teaching placements.

Delivery

While universities deliver courses themselves, State and Territory governments have a role overseeing the governance of universities through legislative requirements. This includes representation on governance boards, and in some cases approval of finances and other matters. However, while some States and Territories have a role in university governance arrangements, these are not significant, are at arm's length from the universities, and vary across jurisdictions (some are Ministerial appointments of members to governing bodies or boards, but not State or Territory representatives). In terms of delivery, the Commonwealth is responsible for the direct provision of funding for subsidised places in higher education institutions to encourage access and participation for individuals wanting to engage in further learning, but have no role in delivering courses.

Regulation

All higher education institutions — public or private universities, colleges or institutions — are regulated by TEQSA (a Commonwealth agency).¹²⁶ They must all comply with standards in the Higher Education Standards Framework and undergo accreditation, registration and regulation by TEQSA. TEQSA is required to consult with State and Territory education ministers before taking certain actions against universities.¹²⁷

While the States and Territories are no longer responsible for the general regulation of higher education, under state university legislation they have the ability to establish or disestablish universities, and are required to audit university financial statements to determine whether they are sound in the application of public resources.¹²⁸ Some states have indicated a potential interest in transferring their responsibilities for financial reporting to the Commonwealth to eliminate any unnecessary overlap and duplication of reporting. However, others have suggested that centralising financial and auditing responsibilities to the Commonwealth may not reduce any regulatory burden on universities. Further issues have arisen since TEQSA's introduction in the context of university establishment or disestablishment; while states retain the ability to establish universities, an entity cannot be called a university and operate as one unless it is first approved by TEQSA.

¹²⁶ TEQSA is a statutory authority, established in 2011, using the Commonwealth's corporations powers in section 51(xx) of the Constitution.

¹²⁷ *Tertiary Education and Quality Standards Agency Act 2011*.

¹²⁸ Commonwealth Department of Education, Science and Training, *Building Better Foundations for Higher Education in Australia: A discussion paper about re-aligning Commonwealth-State responsibilities*, Canberra, 2005. See also s3A(2) of the *Audit Act 1994*(VIC).

Universities are required to produce annual reports to state Parliaments and are also required to provide financial information to the Commonwealth as a result of the funding provided (directly and on behalf of students) and, additionally as a result of regulation by TEQSA. In addition, universities are subject to other Commonwealth and State business regulation requirements. Universities continue to express concerns that some of their reporting requirements are duplicative. COAG agreed in 2014 to remove duplicative reporting requirements so that universities provide the same information to governments once.

Some state governments have also retained legislated controls on a university's ability to buy, sell or lease its land as well as its ability to borrow.¹²⁹ There is no common approach to university property across Australia: different universities have markedly different rules on the acquisition and disposition of land.¹³⁰ For example, Queensland's public universities operate on land under various tenures, including freehold land and State land held under a deed of grant in trust or dedicated as reserve under the *Land Act 1994(Qld)*, or 'trust land' to which some land use limits apply. By contrast, South Australia has removed legislative requirements for universities to have government approval borrowing, investing, or their capacity to deal with land (except Crown land). This is consistent with the Tasmanian approach, where there is no legislative requirement that controls the buying, selling, or leasing of land.

For this reason, there appears no compelling reason for the Commonwealth to seek control of States and Territories land ownership of universities, nor the development or application of uniform rules for their operation (which would need to take the land's designated purpose into consideration).

As a result of the different forms of regulation outlined above, current governance and ownership arrangements can restrict general business decision making for public universities. This potentially inhibits them from innovating and acting in a market.

¹²⁹ G Craven, D Phillips and P Wade, Regulatory Frameworks and Government Responsibilities for a Diverse Higher Education Industry, in DEST, *Building Better Foundations for Higher Education in Australia: A discussion paper about re-aligning Commonwealth-State responsibilities*, Canberra, 2005, p. 11.

¹³⁰ G Craven, D Phillips, and P Wade, Regulatory Frameworks and Government Responsibilities for a Diverse Higher Education Industry, in DEST, *Building Better Foundations for Higher Education in Australia: A discussion paper about re-aligning Commonwealth-State responsibilities*, Canberra, 2005, p. 12.

Summary of current arrangements

The following table summarises the current levels of government involvement in the sector.

Area	State and Territory role	Commonwealth role	Overlaps
Policy	<i>Secondary</i>	<i>Lead</i>	<i>Low</i>
	Typically not involved in policy except for a minor role in areas relating to research.	Responsible for developing and implementing higher education policy directly with higher education providers, including policy relating to research.	No overlap.
Funding	<i>Secondary</i>	<i>Lead</i>	<i>Low</i>
	Provide funding but on a very minor scale. Also provide funding to dual sector institutions for the delivery of VET courses. Provide a small amount for funding for research and infrastructure development and investment in the form of assets and infrastructure and various forms of tax relief.	For practical purposes, sole public funder of the sector.	Both levels of government provide some funding to higher education providers, but State and Territory contribution is only 2%. Some duplication in reporting requirements attached to funding.
Delivery	<i>Secondary</i>	<i>Lead</i>	<i>Low</i>
	Typically not involved, some very minor involvement in research related matters, particularly in addressing local needs.	Responsible for the implementation of policies and programmes, although delivery rests with a mix of public and private providers. Lead role in delivering income support and income contingent loans.	No overlap.
Regulation	<i>Secondary</i>	<i>Lead</i>	<i>Medium</i>
	Responsible for legislation which establishes universities, imposes financial auditing and internal governance and accountability to State Parliaments. In some cases, control the transfer of university land.	Responsible for registration, regulation and compliance of registered higher education providers. Responsible for regulation of international students.	Both levels of government require reporting from higher education providers.

Key	
<i>Who leads</i>	
<i>Level of overlap</i>	
Lead	Secondary
Shared lead	High
	Medium
	Low

4.4 Questions for consideration

Roles and responsibilities between the Commonwealth and the States and Territories are clear and generally uncontested, but there remains a small area of overlap in relation to governance and reporting. As such, rather than assess the sector against each of the principles outlined in the Federation White Paper's Terms of Reference, the questions below focus on accountability and efficiency of government roles and responsibilities in the sector.

Accountability through governance and reporting

The Commonwealth has primary responsibility for regulation with TEQSA. However, as state statutory bodies, public universities are also embedded in each state's legal environment, with the state being ultimately accountable for the university's financial health and actions. As noted above, some states have indicated a potential interest in transferring their responsibilities for financial reporting to the Commonwealth to eliminate any unnecessary overlap and duplication of reporting.

Questions for discussion

- What changes to roles and responsibilities could be considered in terms of governance and reporting?
- To what extent is there a policy rationale for state government involvement in the regulation of higher education, including governance and audit responsibilities?
- Would these changes strengthen the accountability of governments to taxpayers and the community? If not, what changes, if any, are needed?

APPENDIX A: Australian Qualifications Framework (AQF)

The AQF is the national policy for regulated qualifications in the Australian education and training system. It incorporates the quality assured qualifications from each education and training sector into a single comprehensive national qualifications framework.

The AQF was first introduced in 1995 to underpin the national system of qualifications in Australia encompassing higher education, vocational education and training and schools.

Overlap between VET and higher education qualifications

	AQF level	Name of qualification
<i>Provided by vocational education and training sector</i>	1	Certificate I
	2	Certificate II
	3	Certificate III
	4	Certificate IV
<i>Provided by both sectors</i>	5	Diploma
	6	Advanced Diploma
<i>Provided by higher education sector</i>	6	Associate Degree
	7	Bachelor Degree
	8	Bachelor Honours Degree
<i>Provided by both sectors</i>	8	Graduate Certificate; Graduate Diploma
<i>Provided by higher education sector</i>	9	Masters Degree
	10	Doctoral Degree

ACRONYMS

The following is a list of the acronyms used in this paper.

AAC	Australian Apprenticeship Centres
ANTA	Australian National Training Authority
AQF	Australian Qualifications Framework
ASQA	Australian Skills Quality Authority
ATS	Australian Traineeship System
CAEs	Colleges of Advanced Education
COAG	Council of Australian Governments
HELP	Higher Education Loan Programme
HECS	Higher Education Contribution Scheme
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
NCVER	National Centre for Vocational Education Research
NP	National Partnership Agreements
RTO	Registered Training Organisation
SPP	Specific Purpose Payment
Skills Reform NP	National Partnership Agreement on Skills Reform
TAFE	Technical and further education institutes
TEQSA	Tertiary Education Quality and Standards Agency
VET	Vocational education and training

GLOSSARY

Australian National Training Authority (ANTA) – ANTA was a Commonwealth statutory body established in 1994 and abolished in 2004. Its role was to build and promote a national VET system.

Australian Skills Quality Authority (ASQA) – established in 2011, ASQA became the national regulator for VET for the Australian Capital Territory, the Northern Territory and New South Wales. It later became the regulatory body for Tasmania, South Australia and Queensland. Victoria and Western Australia did not agree to refer this power to the Commonwealth and retain this regulatory function, except where their registered training organisations offer courses interstate (including online) and to overseas students.

Colleges of Advanced Education (CAEs) – CAEs largely replaced technical and teachers colleges in the 1960s. They were initially funded to provide professional courses to the diploma level but gradually evolved to awarding bachelor degrees. Reforms in the 1980s recommended unifying the higher education sector which resulted in CAEs either merging with existing universities or becoming universities in their own right.

Commonwealth Grant Scheme – a key Commonwealth funding programme that supports undergraduate and some postgraduate coursework education through funding for Commonwealth supported places.

Commonwealth Scholarship Scheme – the Commonwealth Scholarship Scheme was implemented by the Commonwealth Government in the 1950s and sought to support specific university courses deemed necessary for the war effort.

Commonwealth supported place – a higher education place which is funded by the Commonwealth Government through the Commonwealth Grant Scheme.

Council of Australian Governments (COAG) – COAG is the peak intergovernmental forum in Australia and was established formally in 1992 to increase cooperation among governments in the national interest. COAG's members are the Prime Minister (who chairs the meetings), State and Territory Premiers and Chief Ministers, and the President of the Australian Local Government Association (ALGA).

COAG Education Council – a COAG council comprising Commonwealth and State and Territory ministers with responsibility for early childhood education, schooling and higher education.

COAG Industry and Skills Council – a COAG council comprising Commonwealth and State and Territory ministers with responsibility for industry and vocational education and training.

Demand driven system – the term given to the Australian university system after the Commonwealth Government lifted previously imposed limits on domestic bachelor-degree student numbers at public universities. The demand driven system lets universities respond to student demand.

Higher Education Loan Programme (HELP) – a programme to help eligible students pay their student contributions (HECS-HELP), tuition fees (FEE-HELP) and overseas study expenses (OS-HELP) or VET FEE-HELP (for the VET sector) through loans that are repaid through the taxation system (through either compulsory or voluntary repayments).

Higher Education Contribution Scheme (HECS) – the system introduced in 1989 which required higher education students in places subsidised by the Commonwealth Government to make a contribution to the cost of their course, underpinned by income contingent loans. This has been superseded by the HELP programme.

Income contingent loan – a loan for which repayments are not required unless a person's income reaches a certain threshold and with repayments that vary according to income above that threshold.

Intergovernmental Agreement on Federal Financial Relations (IGA FFR) – signed in 2008, the IGA FFR establishes the overarching framework for the Commonwealth's financial relations with the States and Territories. It is intended to establish a foundation for the Commonwealth and the States to collaborate on policy development and service delivery, and facilitate the implementation of economic and social reforms in areas of national importance.

National Centre for Vocational Education Research (NCVER) – a professional and independent body (established as a not-for-profit company owned by the Commonwealth and state and territory ministers responsible for VET) responsible for providing research and statistical services to the Australian VET sector.

National Partnership Agreements (NP) – an agreement between the Commonwealth and States and Territories. An NPA defines mutually agreed objectives, outcomes, outputs and performance benchmarks or milestones related to the delivery of specific projects, improvements in service delivery or reform.

Specific Purpose Payment – a Commonwealth financial contribution to support State and Territory delivery of services across a particular sector.

Technical and further education institutes (TAFE) – a registered training organisation owned and operated by a state government. TAFE institutions deliver the majority of publicly-funded vocational education and training.

Tertiary Education Quality and Standards Agency (TEQSA) – established in 2011 by the Commonwealth, TEQSA is the national independent statutory authority that regulates the higher education sector.

Vocational education and training (VET) – VET in Australia is a competency-based training approach to learning and teaching and is distinguished from the other education sectors due to the practical and work-focused nature of its learning content and flexible delivery.

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