

A photograph of two men in a warehouse or industrial setting. The man on the left, with grey hair, is wearing a dark blue shirt and holding a clipboard. The man on the right, with short dark hair, is also wearing a dark blue shirt and holding a yellow bin. They are both looking at the bin. In the background, there are shelves with many yellow bins and some blue bins.

# Reforming the Victorian Vocational Education and Training (VET) System

Victorian Chamber of Commerce and Industry  
Higher Education Taskforce Report



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# 1 Preamble

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**Mark Stone**  
Victorian Chamber of Commerce  
and Industry Chief Executive

The phased introduction of the demand-led vocational education and training (VET) funding system in 2009 and 2010 was designed to provide employers with improved training provider choice and improve the alignment of training outcomes with employer skills needs. It also provided individuals with a universal training entitlement.

Our assessment of the operation of the VET funding system over recent years indicates it is not meeting these objectives. The system has become distorted by price signals and training quality has declined. Subsequent government revisions to the funding model appear to reflect a desire to manage budget priorities, rather than strengthen training outcomes.

The phased introduction of five bands of funding from 2009 led to 80 per cent of qualifications receiving a significant funding cut. The government's rationale was to direct training funding support towards trade apprentice related occupations. As important as this is, it has come at the expense of funding support for many service sector

occupations, including those in hospitality, administration, retail and tourism.

These industries provide important entry career pathways for many young people. The lower level of training funding these occupations now receive has resulted in significant cost cutting among training providers and higher co payments for employers and individuals.

Confusion and complexity for training providers and users has been compounded in recent years due to continual reforms to funding models and incentive structures by both state and federal governments: the Commonwealth provides employers with financial incentives for apprenticeship and traineeship commencements, while the state government funds training provider delivery.

In our view, a key reform priority must be to improve the quality of Victoria's VET system. It is encouraging that specific attention is now being placed on addressing non-compliant providers but stakeholder confidence has been damaged and needs to be restored.

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Also of concern to industry is the move by both public and private training providers to significantly reduce the hours of off-the-job training delivery, shifting to employer-focussed delivery and on-the-job assessment. In many instances this reflects the efforts of providers to reduce costs and improve profitability but the shifting of costs on to employers adversely affects training demand and workplace productivity.

It is time to address shortfalls in the current funding model. In our view, the following principles should guide the reform task:

- Increased productivity and productive capacity must be a priority focus of our education and training system.
- Further vocational education reform must be flexible and responsive to industry needs.

- The individual needs of students must be balanced against wider learning experiences and opportunities at all education and training levels.
- Foundation skills must be recognised as vital to the successful transition to the workplace.
- Improvements in language, literacy and numeracy skills must be a priority.
- Regional growth must be supported by addressing the additional burdens that students studying in rural and regional locations can encounter.
- Workforce participation must be augmented through new opportunities that engage and retain older workers, people with disabilities, indigenous Victorians and culturally and linguistically diverse individuals.
- Workforce health initiatives have an important role to play in improving business productivity and performance.

Consistent with these principles, further reforms must refocus the system to meet the needs of employers and their employees, and support jobseekers looking to enhance their skills to move into the workforce.

This report was developed through the work of our Higher Education Taskforce, a group representing the diversity of Victoria's business, education and training interests, with a shared commitment to improving the operation of the VET system. The report provided the foundation for our formal submission to the Victorian Government's Vocational Education and Training (VET) Funding Review (2015).

We stand ready to work with the Government to implement reforms that will ensure our vocational education and training system supports the efforts of Victorian business to continue to transform, adapt and remain competitive.

# 2 Executive summary

In preparing this report, the Victorian Chamber's Higher Education Taskforce (HET) examined a range of issues impacting on the operation of the Victorian vocational education and training (VET) system.

Among the most critical concerns for business are:

1. Constant policy and operational changes that have resulted in an unstable and unpredictable system which does not meet the intended objectives of the system.
2. Declining training quality and adverse training provider behaviour. We note that the Minister for Training and Skills recently declared that the Victorian VET system has the lowest level of employer confidence of any state in Australia.
3. Growing confusion and complexity as a result of continual reforms to funding models and employer incentive structures.

4. The move by both public and private providers to significantly reduce the hours of off-the-job training delivery due to progressive changes in the funding model. This has shifted costs to employer-focussed training delivery and on-the-job assessment.

A stable VET funding model is required to restore stakeholder confidence. Victoria needs a well-funded and properly regulated system that is driven by business needs — a system that can identify shortfalls in workplace skills and address those gaps quickly and effectively.

Industries undergoing structural adjustment need access to an education and training system that supports retraining, reskilling and redeployment. Service sector industries like retail, hospitality and tourism provide important entry level employment opportunities that help launch careers for many young Victorians. For these industries, it is essential that links to post school training are strong and growing.

Emerging high growth industries like advanced manufacturing require an education and training system that fosters innovation and leadership. It is therefore fundamentally important that Victoria's education and training system balances the needs of traditional industries with those of service industries and emerging high growth sectors.

## **Structure of a new VET funding model**

In consideration of the above issues, the Victorian Chamber's considers a new VET funding model is needed to improve public training provider sustainability, restore government control over training priorities, improve training quality and provide greater training system flexibility in relation to industry and regional training needs. The over-arching recommendations set out in this report underpin what we consider should be the key features of a revised VET funding model.

# Victoria needs a well-funded and properly regulated system that is driven by business needs — a system that can identify shortfalls in workplace skills and address those gaps quickly and effectively

## Recommendations for a revised VET funding model

### Recommendation 1

Reinstate core funding for the TAFE sector.

### Recommendation 2

Introduce a new industry skills component in a revised VET funding model.

### Recommendation 3

Introduce a revised Training Guarantee model.

### Recommendation 4

Link any substantial government subsidies to vocational outcomes.

## Recommendations to align the VET system with business needs

This report also focuses on three areas that are the priorities for business and recommends how the VET system can better respond to business needs:

- Match training delivery to growing job opportunities
- Ensure all government subsidised training is high quality
- Build a strong and responsive public TAFE sector

### Recommendation 5

Link provider payments to performance and student retention.

### Recommendation 6

Transfer the Victorian Registration and Qualification Authority (VRQA) regulatory audit responsibility to the Australian Skills Quality Authority (ASQA).

## Recommendation 7a

Increase sanctions for training providers that are not delivering the prescribed training quality (e.g. removal of registration and higher fines).

## Recommendation 7b

Where training provider behaviour effectively constitutes fraud, misconduct or other serious infringements, criminal law sanctions should be considered.

## Recommendation 8

Enhance the number and quality of audits of high-risk providers to ensure compliance. Reduce the level of regulation applying to compliant training providers.

## Recommendation 9

That TAFE delivery models be reviewed to ensure consistency, fairness and transparency in relation to any proposed fee increases.



6.6%

Victorian unemployment  
rate in January 2015, the  
highest level since 2002

28%

of 350 survey respondents  
anticipate a weakening in  
economic conditions in the  
year ahead



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# 3 The Victorian economic context

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Business confidence is low and economic growth is below trend. Productivity improvements are needed to maintain competitiveness. Unemployment is at a 10-year high and structural change in the economy continues to impact many Victorian industries and their workforces.

All of these factors highlight the need to make reforms to the vocational education and training (VET) system that facilitate employment growth and productivity.

## **Business confidence is low**

The March quarter 2015 The Victorian Chamber of Commerce and Industry-Bank of Melbourne Survey of Business Trends and Prospects, which gauged the views of more than 350 businesses across seven major industries, found only 18 per cent of respondents anticipate stronger national economic growth over the next 12 months. Results for the past two quarters showed business sentiment for the national economy had declined to reflect the lowest level of optimism in two years. Sentiment for the Victorian economy similarly declined in the past two quarters. Despite this low business sentiment, many survey respondents have sought to employ skilled staff or apprentices in the past 12 months; more than half, however, experienced difficulties. One of the most prevalent reasons for this was that applicants lacked relevant qualifications and job experience.

## **Economic growth is below trend**

The Australian economy has been growing at only 2.5 per cent per annum over the past two years and growth is expected to remain below trend until 2016-17.<sup>1</sup> Meanwhile, the Victorian economy grew by only 1.7 per cent in 2013-14, and the Victorian Government's outlook for growth has recently been revised down to 2.25 per cent in 2014-15 and 2.50 per cent in 2015-16.<sup>2</sup> Government expectations for medium-term jobs growth in Victoria will require incentives to lift growth rates and create new employment opportunities.

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<sup>1</sup> Australian Government, *Mid-Year Economic and Fiscal Outlook 2014-15*

<sup>2</sup> Victorian Government, *2014-15 Victorian Budget Update*

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# 3 The Victorian economic context

## continued

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### The need for productivity growth

While labour productivity growth has been higher in recent years compared with much of the previous decade, it still falls short of the levels needed to support real income growth in the face of declining terms of trade. Improved productivity growth is needed to maintain living standards and improve workforce efficiency.

### Unemployment is at a 10-year high

Victoria's labour market is soft and unemployment is at a 10-year high.

The Victorian unemployment rate has been steadily increasing, peaking at 6.6 per cent in January 2015 – the highest level since 2002 – and then falling to 6.2 per cent in March. The participation rate and average hours worked have declined in recent years.

Victoria's youth unemployment rate has been rising and, at 16 per cent, remains higher than the national average.

### Ongoing structural change

Ongoing structural change is a characteristic of the Victorian economy. Announcements of job losses in traditional manufacturing, including future closures in the automotive industry, are part of the Victorian economy's continuing evolution.

Manufacturing has fallen from being Victoria's largest employing sector to its third largest behind health care and social assistance, and retail trade.<sup>3</sup> Continuing changes in the structure of the economy require a flexible training system that facilitates the transition of workers between industries and meets the skills needs of growing sectors.

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<sup>3</sup> Victorian Government, *Victorian Budget 2014-15 Strategy and Outlook Budget Paper No. 2*

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## **Overall economic context for skill development**

A key concern for the Victorian Chamber is that the current training system is not operating efficiently. The reforms of recent years sought to provide employers with improved training provider choice and better align training outcomes with employer skills needs. They also provided individuals with a universal training entitlement.

By 2012-13 it was clear that the Government's initial annual training budget allocation of \$800 million (2008) would well exceed \$1.3 billion in the absence of changes to the funding model. The changes that did occur saw the phased introduction of five bands of funding with a weighting in favour of trade apprentice occupations and visibly lower funding support for service sector occupations, including those in hospitality, administration, retail and tourism.

Unfortunately, the design of the eligibility criteria for both individual and employer access remained so broad that many registered training organisations (RTOs) simply modified their market strategies in order to remain profitable. Some providers signed up both individuals and employers to inappropriate qualifications, others introduced cash and gift incentives and sponsorships to attract enrolments. Some also engaged in dubious marketing practices and used intermediaries such as brokers and call centres to maximise enrolments. Such behaviour is only now being addressed through the introduction of new training provider standards.

With the Victorian economy likely to continue to undergo significant transition in coming years, it is more important than ever that the state's training system is efficient, flexible and responsive to skill needs across the economy, including in our regions.

The system must enable public providers (whether dual sector TAFE providers, stand-alone TAFE institutes, or the Adult Community and Further Education network) to meet community service obligations.

The system must fund thin markets and support niche markets or qualifications, including those characterised by high-cost delivery.

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# 4 General remarks

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In the Victorian Chamber's view, a key reform priority must be to achieve a closer alignment of training delivery (whether from the private or public sector) with industry needs, particularly in sectors where jobs growth is occurring, or to help offset losses in other sectors undergoing transition.

Such an alignment needs to include funding support for public providers (whether dual sector TAFE providers, stand-alone TAFE institutes, or the Adult Community and Further Education network) to enable them to better connect with their local communities.<sup>4</sup> Greater flexibility in the funding model would facilitate training provision that not only meets social and vocational outcomes, but provides a stronger link to jobs.

Victorian Chamber member feedback consistently points to a number of persistent shortfalls in the current training system, including the impact of large funding cuts to foundation and entry-level qualifications (e.g. Certificate III). These funding cuts (more than 80 per cent of courses in the Purchase Guide), have necessitated higher levels of co-payments by individuals and employers.

The introduction of five funding bands that have been modified either annually or at six-monthly intervals has resulted in providers shifting delivery to higher state government-funded courses (as well as cutting back on classroom and/or face-to-face engagement in order to reduce costs). This price-driven behaviour has damaged Victoria's reputation as a leading VET provider and resulted in poor quality training delivery.

These outcomes also reflect the combined effect of funding reductions to the VET system by both the Commonwealth and State Governments over the past decade. The impact of the Global Financial Crisis on industry and the pressure on government budgets has led to continual reviews and reforms that have resulted in less funding and the aforementioned cost shifting to employers and individual trainees or students.

While a number of training providers have shifted to alternate best practice models of delivery, including through Massive Open Online Courses (MOOCs), many have cut delivery costs. Although employers and students are paying more, poor quality delivery has resulted in little or no productivity improvement for employers and negligible competency improvement for employees.

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<sup>4</sup> Where our report refers to the TAFE System it is inclusive of dual-sector providers, stand-alone TAFE Institutes or the Adult Community and Further Education network.

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# Victorian Chamber member feedback consistently points to a number of persistent shortfalls in the current training system, including the impact of large funding cuts to foundation and entry-level qualifications

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Safety concerns have also emerged for employers as a result of poor quality training in some cases, including reports that in training areas such as rigging, scaffolding and forklift operation, graduates are not only incompetent but a workplace safety risk.

There has also been a clear disconnect between those industry sectors that are forecast to experience job growth (e.g. retail, business services, tourism, hospitality and accommodation, and community services) and levels of funding support. These sectors are particularly important for young people seeking their first job, as well as for part-time job seekers (e.g. students), women entering or re-entering the workforce, mature and disadvantaged workers and workers with disabilities.

In light of comparatively high unemployment rates for these different categories of job seekers, the current low level of government funding for industry sectors with strong job prospects is disappointing. The reductions seem to be more about budget management than support for jobs growth.

Indeed, many Victorian Chamber members who are also Enterprise Based Registered Training Organisations in these sectors report that government funding for relevant entry level qualifications is below \$2 per scheduled contact hour. The result is that many of these training entities operate at a significant loss. Without major change to the current funding model, the long term viability of industry training delivery will remain at risk.

The training system does not differentiate between students who undertake qualifications listed in the funding bands and those who are engaged through a contract of employment such as an apprenticeship or traineeship. The system must be able to provide robust and transparent information on all training providers to ensure that employers and individuals can make informed choices based on quality.

The recent statement by the Minister for Training and Skills that the latest employer and student satisfaction survey on training quality reveals the lowest satisfaction rate in the country, confirms that major reform is needed.



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# 5 Objectives of a new VET funding model

## key principles

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A revised funding model is needed to return control and decision-making to Government, employers and individuals, taking the system out of the hands of training providers that have abused it. Funding levels must, however, support quality training delivery.

The Victorian Chamber considers there are five key objectives that vocational education and training reform should seek to achieve.

### #1

Restores certainty and viability to dual sector TAFE's and stand-alone TAFE's and the Adult Community and Further Education network as the public providers.

### #2

Enables Government to access a flexible funding pool to meet the needs of transitioning industry sectors and regions adversely impacted by structural change, as well support sectors or employers experiencing skill shortages or employment growth.

### #3

Puts decisions into the hands of employers in accessing training subsidy support for new and existing workers.

### #4

Revises the universal individual entitlement to access support as part of an employment arrangement, as well as individual access to full or part-time studies of a VET qualification.

### #5

Provides a more stringent compliance regime for high-risk providers but also reduces red-tape for compliant providers that have a demonstrable track record in delivering quality training.

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# 6 The structure of a new VET funding model

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In the near term, the Government's annual VET budget allocation is likely to remain at around its current level of \$1.2 billion. In the absence of reform, scope to realise improved training outcomes will remain constrained by:

- Government having little ability to align a \$1.2 billion skills funding program with either strategic policy priorities or industry needs.
- Employers continuing to receive poor quality training as providers reduce delivery costs in response to reduced funding.
- Individuals continuing to be at risk of unscrupulous training provider behaviour that leads them to be enrolled in qualifications that have little or no direct vocational outcome, but still a debt under VET FEE-HELP arrangements.

The Victorian Chamber supports the development of a new hybrid funding model to underpin a VET system that meets both individual and industry training needs within the allocated budget.

We recommended that the new VET funding model incorporate the features described in Recommendations 1 – 4.



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## Recommendation 1

# Reinstate core funding for the TAFE sector



Reinstate from the current budget allocation a core-funding base for the public provider sector to enable it to meet its community service obligations, thereby protecting a 100 year investment by Government.

For example, an annual allocation of around 10 per cent of the total VET funding pool would equate to a \$120 million annual budget for the TAFE sector.

This core funding base would enable both industry and individuals to access entry-level qualifications in areas of job growth, as well as support access to foundation courses for those entering or re-entering the workforce (e.g. school leavers, the unemployed, mature workers, women returning to work, people with a disability).

The TAFE sector will still be able to compete for training funds included in a revised Training Guarantee model (as outlined in Recommendation 3) but will need to continue to restructure to improve efficiency and responsiveness in the contestable training market.



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## Recommendation 2

Introduce a new industry  
skills component in a  
new VET funding model



The Victorian Government needs to have the control and flexibility to respond to sudden changes in economic circumstances, specific training needs in regional areas or the needs of industry sectors impacted by structural change.

The Victorian Chamber therefore recommends that a new industry skills component should be included in a new VET funding model that provides a dedicated funding pool to:

- a) Allow the Government to flexibly address industry transition, including in industries in need of reskilling support, as well as sectors experiencing job growth or requiring firm-level support to build capacity for new markets.

- b) Support regional issues such as adversely-impacted geographic areas or industry sectors responding to structural change, or those with unique employment or skills needs.
- c) Enable responses by industry to support the training of new workers or the up-skilling of existing workers across sectors or regions where access to local training provision may be limited because of thin market issues. This would allow for training needs to be aggregated at sector or regional level, providing outcomes that the current model cannot address.

This approach would include an application process at the regional level or within an

industry sector by peak bodies or associations. This role as an intermediary would bring skill acquisition to employers and individuals that otherwise would not be able to access support under the current training system. Employer bodies are well placed to aggregate employer demand across sectors and then co-ordinate and quality assure training delivery by providers selected to meet localised or sector specific training needs.

Following on from Recommendation 1, an allocation of around 20 per cent of the current VET funding pool would equate to a \$240 million annual budget and provide Government with direct control and management of a skills agenda that meet priority needs.

A woman and a man are working together to install a radiator. The woman is on the left, looking at the radiator. The man is on the right, holding a level against the radiator. A power drill is visible at the bottom left.

### Recommendation 3

# Introduce a revised Training Guarantee model

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In conjunction with Recommendations 1 and 2, The Victorian Chamber recommends redirecting the remaining 70 per cent of the VET budget to a revised competitive Victorian Training Guarantee model. This approach would also restore funding to those industry sectors that had significant cuts to less than \$2 per scheduled contact hour. These sectors, such as retail, hospitality and tourism, provide jobs and experience for many labour market entrants as well as those re-entering the workforce. This approach would both support industry and help address high levels of unemployment in Victoria.

Funding would be accessed by employers that are providing training for new work entrants through employment-related training agreements under apprenticeship or traineeship arrangements. It would also support the up-skilling of existing workers in cases where they are being trained in a higher qualification to that which they might already hold.

Funding would be open to the public provider network and private sector providers and available across all industry sectors. Funding would need to be managed within the overall allocation but the decision would be in the hands of employers.

There could also be allied policy restrictions on provider access to ensure that those that have abused existing arrangements are excluded from the system. In effect, these changes would return the focus of the training model to industry-led demand aligned to employment growth areas.

A photograph of four young men in a vocational training environment. One man is seated in a barber's chair, wearing a black cape, while another man stands behind him, using a comb and clippers to style his hair. Two other men stand to the left, observing the process. The entire image is overlaid with a semi-transparent teal filter.

## Recommendation 4

Link any substantial  
government subsidies to  
vocational outcomes

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The individual entitlement currently provides funding support for two qualifications at the same level for a lifetime entitlement, even if neither is completed. These can be undertaken as an institutionally-enrolled student or as part of an employment agreement. However, there are significant anomalies with this approach.

There has been significant evidence that many unscrupulous training providers, their brokers or agents, have been inappropriately signing up disadvantaged jobseekers, and even residents of nursing homes or specialist accommodation.

Recent reports also suggest there is improper use of VET FEE-HELP, which is funded by the Commonwealth Government, as some individuals enrolling in training are not aware of the fact that they incur a student loan debt. The Victorian Chamber is aware of numerous instances where iPads are provided as an enrolment incentive.

It is the Victorian Chamber's view that Government funding support for individual entitlement for institutional based delivery should be clearly linked to the vocational outcome of the qualification attained. Where qualifications do not have an employment outcome, or do not provide work experience or a practical placement leading to employment, it should be considered of personal benefit to the individual and full fees should apply without government subsidy.

Consideration should also be given to the re-introduction of a skills exemption list which would apply when an individual may have already used their entitlement by having enrolled in or attained two qualifications at the same level. Funding for a new qualification should be available where it links to a skills shortage area and attainment would link directly with employment.



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# 7 Specific priority areas for reform

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The three key VET areas that are a priority for business are:

## **1. Match training delivery to the growing job opportunities in Victorian industries**

Industry needs graduates with relevant skill sets. Therefore, Victoria needs greater funding for qualifications in industry and skill areas that are growing (e.g. tourism, retail, hospitality, accommodation, community services, business services and also areas of manufacturing).

Funding is also needed for areas that are expected to continue to grow into the future (refer to *Department of Employment Industry Employment Projections 2015* report).

## **2. Ensure all government-subsidised training is high quality**

Industry has lost confidence in the quality and relevance of training being delivered under the current VET system. Concerns around low quality training providers have been well documented.

To ensure high quality training outcomes, regulators need to have 'teeth' and stakeholders require confidence that their findings will be upheld in court.

## **3. Build a strong and responsive public TAFE sector**

It is apparent that there are still many complaints about the performance of the TAFE sector. Examples have been provided where employer training plans have been approved within weeks while others have been delayed by months. This results in apprentices missing valuable class time.

Victorian Chamber members have indicated that previous trade models usually involved 40 days of off-the-job training for apprentices over three years of formal instruction. In many instances this has now been reduced to as little as three or four days, with TAFEs now undertaking workplace visits for assessment and shifting responsibility to employers to provide formal instruction.

This adversely impacts on employer costs and apprentice productivity.

The introduction of a hybrid funding model that restores core funding to meet public provider TAFE network community service obligations, and better defines those obligations, will underpin a more competitive market. However, TAFEs need to achieve financial sustainability by continuing to transition to more 'corporatised' business entities.

Recommendations 5 – 9, on the following pages, outline how the VET system can better respond to these business needs.

#### Future success will depend on the TAFE sector's capacity to:

**#1**

Strengthen governance and management.

**#2**

Improve market analysis and business intelligence tools.

**#3**

Adopt more efficient cost structures and asset bases and achieve a sustainable scale.

**#4**

Continue to improve performance measurement and reporting.

A woman with curly hair is smiling and looking at a computer screen. A man is sitting next to her, also smiling and looking at the screen. They are in an office setting. The image is overlaid with a teal color and a white horizontal line.

## Recommendation 5

Link provider payments  
to performance and  
student retention



To better manage quality issues and increase student retention, our reform suggestion is to vary the existing payment model to providers.

One option to encourage student retention may be to incentivise providers by introducing an up-front payment followed by payments at the mid-point and completion. Another option would be to fund on completion of The Unit of Competence compared to the current approach of funding hours delivered each month.

Whichever approach is taken, the funding model needs to encourage providers to work positively with students to improve retention and training completion outcomes.

A person wearing a cap and work clothes is kneeling on a stone wall, using a tool to work on the masonry. The image is overlaid with a teal filter.

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## Recommendation 6

Transfer the Victorian Registration and Qualification Authority (VRQA) regulatory audit responsibility to the Australian Skills Quality Authority (ASQA)



This is understood to be already supported by the Victorian Government, however, careful consideration needs to be given to quality assurance issues.

While this transfer would support national consistency, it also needs to be understood that variability of auditor competence also needs to be addressed. The Victorian government also needs to ensure that its provider contracting conditions are met, standards are enforced and that there is certainty and consistency in the way in which quality principles are enforced, ensuring all providers have clarity around expected standards of performance.



### Recommendation 7a

Increase sanctions for providers that are not delivering the prescribed training quality (e.g. removal of registrations and higher fines)



## Recommendation 7b

Where training provider behaviour effectively constitutes fraud, misconduct or other serious infringements, criminal law sanctions should be considered

Other inappropriate behaviour could include a breach of contract conditions such as fraudulent misuse of government funding, misrepresentation to employers or students, and improper marketing and inducements to enrol individuals where the designated training is not technically appropriate for the employer or individual.

A photograph of two women in a textile factory setting, overlaid with a semi-transparent blue filter. The woman on the left has short brown hair and wears glasses and a light-colored blazer. The woman on the right has long blonde hair and wears a grey ruffled top. They are both looking down at a large piece of white fabric they are holding together. In the background, shelves are filled with spools of thread.

## Recommendation 8

Enhance the number  
and quality of audits of  
high-risk providers to  
ensure compliance



A risk-based model of regulatory oversight is the preferred approach: there needs to be more significant penalties for non-compliance. However, the implementation of a revised regulatory oversight model for the broader training provider market also needs to be balanced to ensure that it does not impose an excessive regulatory burden, especially on compliant providers.

In terms of how a revised regulatory framework could be developed, there are models elsewhere that could be used for guidance. The Tertiary Education Quality and Standards Agency (TEQSA) for instance is based on three key principles:

1. Reflection of risk.
  2. Regulatory necessity.
  3. Proportionality.
- In considering these principles, the approach to a revised VET funding model in Victoria should be based on:
- Risk assessment.
  - More stringent penalties for non-compliance.
  - Less regulation for compliant training providers.
  - The identification of examples of best practice (i.e. within VET or TEQSA ambit) that can be used for guidance.

The background image shows two construction workers wearing white hard hats and dark clothing. They are looking down at a set of blueprints spread out on a surface. One worker is pointing at a specific area on the blueprint. In the background, there are wooden scaffolding and other construction materials. The entire image has a light blue overlay.

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## Recommendation 9

That TAFE delivery models be reviewed to ensure consistency, fairness and transparency in relation to any proposed fee increases



It is apparent that many TAFE providers have now substantially increased trainee or apprentice enrolment fee structures. One plumbing apprentice has an invoice for \$2,700, including enrolment fees, as well as additional charges for administration, facilities and materials costs. However, if the apprentice is on a Health Care card the fee reduces to \$1,200.

These additional costs are being passed on to the employer because the changes to the Modern Award system in 2013 require the employer to either pay or reimburse the apprentice for such charges. It could be construed that this change is resulting in TAFE providers fee gouging as a means to increase revenue.

The introduction of a revised model, as outlined in Recommendations 1 – 4, would provide greater flexibility and control over the VET funding base. It would also more effectively meet industry skills needs and improve responsiveness to areas of jobs growth and the requirements of individuals transitioning to a job.

It also provides Government with greater control and flexibility in managing the overall training budget.

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# 8 Other VET issues important to business

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## **Allow rural and regional communities to access training that meets their local needs**

The introduction of the funding model proposed by the Victorian Chamber in Recommendations 1 – 4 would substantially improve access to entry level courses across rural and regional communities.

A major impact of the existing five function bands has been the cessation of many entry level courses across industry sectors where employment growth has been strong and where future job growth is anticipated. This is expected to include traditional sectors such as retail, hospitality, tourism and accommodation, as well as business services such as office administration.

Another impact has been the withdrawal of local trade apprenticeship course delivery which forces regional employees to send apprentices to other locations, increasing costs for both employers and apprentices. Generally this access is provided on block release which disrupts employer workforce management and also results in high travel and accommodation costs.

In our review, reforms to VET funding must also consider increasing loadings for rural and regional delivery to ensure improved local training access for employers operating in regional and rural locations. This support should also include improved access for disadvantaged job-seekers.

## **Meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment**

Commonwealth Government changes over the last four years has seen the reduction or removal of employer training incentives, as well as the abolition of programs providing intervention and support for disadvantaged job-seekers, particularly disengaged youth. Combined with the changes to the Victorian Training Guarantee over the same period, the result has been a loss of community confidence in the training system as well as prohibitive access costs for many individuals.

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Restoration of core funding to the public provider network must address this deficiency. Funding for entry level qualifications leading to vocational outcomes for disadvantaged job-seekers should be set at a level that encourages participation and does not perpetuate financial barriers to engagement. Reforms to the VET system also need to incorporate a sustainable approach to restore funding for Recognition of Prior Learning to facilitate mapping of skill sets for disadvantaged job-seekers (including retrenched workers) to facilitate entry to the labour market.

### **Recognise the public and private benefits of training and ensure fees and students costs are not a barrier to participation and ensure eligibility to access subsidised training is fair and well-targeted**

The eligibility criteria for individual entitlement under the VET funding model must be reviewed to ensure that inappropriate RTO behaviour is minimised. Situations where providers have enrolled individuals in inappropriate qualifications, without full disclosure (particularly where mechanisms like VET FEE-HELP leave individuals with a financial debt) must be eliminated.

Examples reported in the media where individuals may have an apparent entitlement but may be in a supported accommodation facility (i.e. nursing home) or in receipt of a Disability Support Pension demonstrate that greater monitoring and control are required. Inconsistencies in eligibility criteria must be resolved.

The Victorian Chamber considers eligibility criteria needs to ensure that individual entitlement is maintained for disadvantaged job-seekers while also restricting training providers from enrolling disadvantaged members of the community where a vocational outcome is not a reasonable expectation.

However, where participation in a course or program is not likely to lead to an employment or vocational outcome, this should be considered a private benefit and student costs should be borne by the individual.



# 8

## Other VET issues important to business

continued

### How other government policy levers may be used to support the quality, stability and sustainability of the Victorian training market

The reform recommendations contained in this report are designed to return control of the training system model to government to ensure that employment and skills policy priorities can be more effectively met.

As previously indicated, there needs to be a balance between 'light touch' regulation and the need to ensure enhanced rigour in terms of audit processes for 'high-risk' providers or qualifications.

A revised approach to ensure appropriate governance standards are maintained and enhanced under the Australian Qualifications Framework needs to be also balanced with practical contract management requirements.

One way to address these issues may be to create a one-stop governance entity. The transfer of regulatory responsibility to ASQA may be one option. However, any such transfer of responsibility must be accompanied by clear guidelines around quality assurance requirements, ideally reflected in a Memorandum of Understanding or legislative instrument.

The benefit of such an approach would be to:

- Centralise Victorian Training Guarantee contract management and monitoring.
- Co-ordinate provider contract, auditing regimes and ensure consistency with ASQA's regulatory responsibility in Victoria.
- Become a central portal for information on provider behaviour, audit history and training outcomes.
- Examine, with industry bodies, how a quality ratings system could be implemented.

Such an approach could be an extension of the role of the existing Workforce Development Centres that have been established to respond to the automotive industry transition.

Such an extended service model would:

- Service employee enquiries around access to government funded support programs across portfolio areas such as skills, jobs and industry.
- Provide career and training information, advice and support for individuals.
- Have potential to develop an advisory service on access to Recognition of Prior Learning for those workers undergoing transition.

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## The implications of recommended reforms for other directly related areas of education in Victoria (including secondary schooling and the roll out of new Tech Schools, and the higher education sector)

### VET in Schools

The endorsement of a revised framework for the delivery of Vocational Education and Training in Schools (VETiS) has clarified the distinction between Vocational Learning and VET programs.

However, the operation of VET qualifications in school education remains complex and difficult to navigate for employers. It also prescribes models of student release to industry which do not always reflect business operational needs.

A complicated funding and contracting model applies across the school system with little or no infrastructure or capability in schools to appropriately manage and expand pathway options for students. A similarly complex set of insurance arrangements apply and vary depending on the type of student placement.

The level of school-based apprenticeships have remained static. The delivery options in schools are restricted, with little or no access to trade focused pathways due to cost and access barriers.

The last decade has seen the advent and passing of Australian Technical Colleges, Training Education Centres, Trade Training Centres and now the re-introduction of Technical Schools. The community, parents, students and employers are confused and lack understanding of how VET pathways in secondary education operate, what benefits they bring, and how they articulate to post-school options.

These pathways need to articulate how VET qualifications commenced in school lead to apprenticeship or traineeship options, as well as support VET linkages to higher education providers such as TAFE and universities.

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# 8 Other VET issues important to business

## continued

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### School to work pathways

At a time when industry needs more highly skilled workers, it is increasingly being reported that employers have difficulty in recruiting skilled staff or apprentices. A recent Victorian Chamber of Commerce and Industry *Survey of Business Trends and Prospects* found that 39 per cent of job applicants lacked relevant job experience, 29 per cent lacked relevant qualifications and 18 per cent were not job ready (i.e. lacked basic literacy and numeracy skills, problem solving or teamwork skills).

Many of the support structures in the school education such as Career Development Officers and Structured Learning and Workplace Co-ordinators have now ceased due to lack of funding.

These roles are crucial to the improvement required in developing pathway options in schools, extending school-industry engagement models and also in improving student capability. In this respect, the 2015-16 State Budget announcement of additional funding for Local Learning and Employment Networks (LLENs) and the new TAFE Back to Work Fund is therefore welcome.

In order to continue to improve school to work pathways, the Victorian Chamber urges the Victorian Government to:

- Review funding models and resource support to expand VET in schools options.
- Consider regional approaches to consolidate and expand existing Trade Centres and the new Technical Schools as regional hub providers and exemplars of best practice.
- Consider the re-introduction of funding for regional career development resources and Structured Learning and Workplace Co-ordinators in order to strengthen student transition pathway options.
- Reinstate co-ordination across schools to identify best practice education models that address core employability skills (specifically literacy and numeracy) which improve student capability.
- In conjunction with university providers of teacher qualifications, review existing delivery models to ensure graduates have appropriate teaching placement experience that improves overall teaching quality.
- Review how the Core Skills for Work Development Framework could be used to address student capability, particularly in disadvantaged school communities.



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# 9 About the Victorian Chamber

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The Victorian Chamber of Commerce and Industry is Victoria's most influential employer group, servicing more than 15,000 businesses each year. Our membership represents the diverse spectrum of Victorian industry including manufacturing, education, health and community services, transport and distribution, energy and resources, wholesale and retail trade, finance, business and professional services, food and agribusiness, tourism and hospitality, infrastructure and construction, transport and logistics, and local government.

Our membership encompasses small, medium and large sized businesses and includes members of the Melbourne Chamber of Commerce (MCC), an entity that represents the interests of nearly 100 of Victoria's largest organisations and hundreds of thousands of employees nationally. We also works in close partnership with the Victoria Tourism Industry Council (VTIC), which represents the interests of more than 700 members from the accommodation, attractions, destinations, events, tour and transport, and tourism services and hospitality sectors.

The Victorian Chamber is a member of Australia's largest and most representative business advocate, the Australian Chamber of Commerce and Industry, which develops and advocates policies on behalf of Australian business, the economy and the wider community.

The priorities and recommendations outlined in this report have been developed through the work of the Victorian Chamber of Commerce and Industry's Higher Education Taskforce. The Victorian Chamber thanks Taskforce members for their time, expertise and contribution.

- Adrian Kloeden, Serco Asia Pacific (Taskforce Chair)
- John Barnes, RMIT
- Professor Duncan Bentley, Victoria University
- Richard Elkington, Paradise Consulting
- David Ensor, Deakin University
- The Hon Phil Honeywood, IEAA
- Anton Leschen, The Smith Family
- Emeritus Professor Terry Lloyd, Sovereign Hill
- Graham Margetts, Balluff Pty Ltd
- John Papadimitriou, Jayco
- Andrew Smith, Swinburne University
- Professor David Spencer, Australian Catholic University
- John Stanhope, Chairman Australia Post.
- Carlene Wilson, University of Melbourne
- Steven Wojtkiw and Andrew Rimington (Victorian Chamber of Commerce and Industry Policy Secretariat)

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