



**MONASH UNIVERSITY - ACER
CENTRE FOR THE ECONOMICS OF EDUCATION AND TRAINING**

**User Choice Resourcing Arrangements
in Australia in March 2004**

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MONASH UNIVERSITY - ACER

CENTRE FOR THE ECONOMICS OF EDUCATION AND TRAINING

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1. INTRODUCTION

CEET was asked in February 2004 to assist the Australian National Training Authority (ANTA) concerning Recommendation 11 from the MINCO meeting in November 2003 (The Statement of User Choice Policy as agreed by MINCO in November 2003 is at Attachment 1). Recommendation 11 requested ANTA to co-ordinate the development of relevant User Choice resourcing arrangements for implementation by id-2004, “noting that in States and Territories that operate User Choice contracts on a calendar year basis, full effect will take place by the beginning of 2005, and provide advice to ANTA MINCO at its June 2004 meeting”. CEET assisted ANTA by documenting the existing User Choice resourcing arrangements in each jurisdiction; and these are set out in this Working Paper. CEET was also requested to analyse the situation, and identify possible future developments after discussion with the Commonwealth, State and Territory training authorities (STAs), and industry. These aspects are discussed in a separate CEET Working Paper (No. 58). The stakeholders were informed by ANTA on 11 February, advised that CEET would contact them soon, and requested to provide the relevant information. ANTA asked that the CEET report be provided by the end of March 2004. Given the sensitivity of the matters CEET was asked to investigate, ANTA did not authorise publication of the material until early in 2005; and given the difficulty which was experienced in obtaining the information it was considered likely to be helpful to others to publish it.

This Working Paper outlines the existing User Choice resourcing arrangements which were found to be operating in each jurisdiction and at national level, as at 31 March 2004. Emails were sent to each jurisdiction asking them to provide information on the User Choice resourcing arrangements which were currently in operation, referring particularly to how priorities were determined, rather than to the dollar amounts provided. Information was also sought on any related matters which had a significant impact on the User Choice resourcing arrangements; and on any changes which were being implemented or proposed. Each State and Territory responded, some more extensively than others, and it was frequently suggested that further information be derived from the relevant authority’s website. The Commonwealth Department was approached and responded that “User Choice resourcing arrangements are not relevant at a national level” (email of 16 February 2004). Although queried on a number of occasions, the Department decided not to change this position.

The ANTA Agreement provides relevant background at a national level (a copy of the Agreement for 2001 to 2004 is at Attachment 2). It includes the partners’ commitment to national consistency; the purposes of the national VET system and its underpinning principles; the key roles and responsibilities of the partners, noting the need to avoid overlap and duplication; planning, accountability and reporting arrangements, including the response of individual jurisdictions to national priorities and the national strategy; and funding. Much of this is at a high level of generality.

A number of direct discussions were held, some face-to-face and some by telephone, to obtain additional information, to clarify particular matters and to explore the strengths and weaknesses of the prevailing arrangements for determining User Choice priorities and possible improvements.

The Australian Chamber of Commerce and Industry (ACCI) and the Australian Council of Trade Unions (ACTU) were also approached, initially by holding discussions with the contact person nominated by ANTA. Face-to-face discussions were held with each of them; and they were asked if they would like other employer or employee organisations or individuals to be consulted. As a result, additional discussions were sought, sometimes face-to-face, but generally by telephone, with four employer organisations (Australian Business Limited in Sydney, VECCI in Melbourne, the Western Australian Chamber of Commerce and Industry in Perth, and Commerce Queensland in Brisbane) and with two other employee organisations, the Queensland Council of Unions in Brisbane and the ACTU in Melbourne. In the event all the planned discussions were held except with VECCI (because the telephone discussion which was arranged could not proceed).

In this Working Paper the existing priority determination processes and outcomes are outlined, organised by reference to each State and Territory, followed by the situation at national level, and by the situation as viewed from the perspective of employer and employee organisations.

2. STATES

2.1 New South Wales

NSW noted that all 631 traineeships and twelve apprenticeship trades are available under user choice in this state. The 12 apprenticeships that are available on the open market account for more than half of all approved apprenticeship applications. Open market apprenticeships are funded where delivery is in major population centres, such as metropolitan Sydney, the lower Hunter and Illawarra regions, where the market is substantial. The funding of RTOs for training delivered under User Choice arrangements in NSW is administered through the NSW Apprenticeship and Traineeship Training Program (ATTP). An annual tender is held inviting RTOs to deliver training in traineeships and specific apprenticeships under the ATTP.

- the structured training must lead to an AQF qualification at Certificate levels II to V. AQF level 1 training will not be funded.
- the traineeship “must target genuine new entrant participants only”. That is, trainees must be new entrants into the industry or have been employed in the industry for no more than three months full-time or no more than twelve months part-time. Payment is not available for the delivery of the structured training component of the traineeship to existing worker trainees.
- apprenticeship training under open market purchasing arrangements for the 2004 NSW ATTP is available in the following trade areas: automotive (light vehicle mechanical), automotive (panel beating), bricklaying, cookery (western), carpentry and joinery, electrical trade (mechanic), electricity supply industry distribution (powerline), electricity supply industry transmission (powerline), engineering (fabrication), meat processing (retailing), plumbing, and shopfitting.
- apprenticeship training can be delivered anywhere in NSW for the electricity supply industry distribution (powerline) and electricity supply industry transmission (powerline) trades.

- apprenticeships and traineeships in NSW are usually delivered on a full-time basis. However, part-time traineeships are becoming increasingly popular. Part-time traineeships require an approved training plan and industrial arrangements that accommodate part-time.

In 2004, 342 registered training organisations had been approved (by mid-February) to deliver training to apprentices and trainees under user choice in NSW. A “Fact Finder” had been introduced onto the Department’s training market website to help clients find out more about registered training organisations which had been approved to deliver training to apprentices and trainees. This facility provides information on enrolments, delivery sites and modes of delivery. It was intended to assist users select the training organisation most appropriate for their needs.

More than one-third of the 342 RTOs approved to deliver apprenticeship and traineeship training in NSW were registered outside NSW. Under its user choice contract the State had introduced a requirement that RTOs registered interstate are required to undertake and pay the cost of an audit of their operations in NSW against the AQTF. “This enabled all organisations approved to deliver apprenticeship and traineeship training to be treated equally and be subject to an integrated audit of their contractual and AQTF compliance”.

Pricing of apprenticeship and traineeship training was recommended by the NSW Board of Vocational Education and Training; and the delivery prices were available on the NSW training market website. Prices varied by qualification level and a range of nominal hours in the programs. All approved providers were required to charge a fee of \$350 per apprentice or trainee per year on enrolment; and where students were fee exempt, the Department paid the provider the equivalent of the course fee. Where equity considerations could be demonstrated, an additional fifty hours for Certificate II or Certificate III courses, and an additional one hundred hours for Certificate IV, was paid to RTOs for additional support to the apprentice or trainee. In addition, the contractual arrangements enabled providers to levy a charge to employers for additional training services.

In developing its priorities for the training market, and for user choice funding within that broader framework, economic (and social) development needs over the foreseeable future play an important role. The NSW strategic plan for vocational education and training, the latest version of which at the time of undertaking the inquiry for ANTA ran from 2002 to 2004, was developed by the NSW Board of Vocational Education and Training (www.bvet.nsw.gov.au). It sought to provide a longer-term vision for future training directions and priorities in NSW; and “to position training as a key driver in economic and regional development in the State”. The development of the plan utilised a range of data and research, including from State and national sources, industry training advisory bodies, commissioned research and extensive consultations, including with employer and employee organisations. The reduction in Commonwealth funding for the network of industry training advisory bodies was limiting the information flow to the priority determination processes from broad industry sectors. NSW was continuing the network, but their reduced resources were being reflected in lower levels of activity and output and a focus on contracted deliverables.

Among the many issues emerging from the NSW Strategic Plan for VET there were a number which bear on this particular exercise for ANTA e.g.

- an appropriate balance in the NSW training effort between emerging and existing industries and occupations;
- greater priority on foundation skills that help individuals adapt to new and emerging occupations;
- enhanced collaboration, integration and partnering activities between the stakeholders in vocational education and training;
- more emphasis on ‘brokerage’, communication and linking roles between all the stakeholders; and
- more resources to address growing and more complex demands for training.

BVET argued that vocational education and training has an important role to play in ensuring that NSW industry and the broader community have the skills and knowledge to compete in a changing environment. The directions they identified (i.e. for NSW to focus its priorities on skills for the new economy, skills for regions and communities, and skills for participation) “aim to intensify the impact of our vocational education and training effort on broad social and economic interests” (NSW Strategic Plan for VET, p. 11). Specific training initiatives and proposed outcomes are identified.

NSW purchased training through competitive tendering in a number of programs, the largest of which was the Contracted Training Program (CTP). It was a mechanism for meeting identified demand and skill shortages. The objectives of the Program were: “to support training in key Government priorities, strategies and initiatives”; “to support training in new and emerging industries, industries facing restructure and regional and rural economies in NSW”; and “to support disadvantaged groups in gaining access to training and employment opportunities”. For each identified objective there were specific targets, intended outcomes, specification of the skills required, and locational applicability

The State Government had recently established the NSW Industry Skills Forum, which operated to support the Board of Vocational Education and Training (BVET) in determining industry advisory arrangements in NSW. It included the chief executive officers of major employer organisations, such as the Australian Industry Group, Australian Business Limited, the Australian Information Industry Association, and the State Chamber of Commerce. The Industry Skills Forum also included the heads of various employee organisations, including the AMWU, TAFE teachers, the health and research union, the Australian Services Union, the Public Service Association, the Shop Distributive and Allied Employees Association, and the State Labour Council. The Forum was expected to meet four or five times each year, was seeking to involve the chairs of the State industry training boards in its deliberations, and had some resources to commission longer term research and the gathering of relevant information to assist members’ consideration of alternative priority decisions.

Comment on skills shortages, and thus suggestions for training resource priorities concerning industry developments, labour market changes and skill needs were provided

through three main avenues: BVET; research conducted in various ways, including in-house or commissioned (see BVET's website, for example); or the State ITABs, which had a range of other functions and were used primarily for validation purposes. Research had recently been commissioned from the National Institute for Economic and Industry Research on skill needs and projections from 2004 to 2008. It was expected to become publicly available soon after this research project for ANTA was completed; and be considered by both BVET and the Industry Skills Forum. BVET research projects have also included regional aspects of industry development, skill requirements and training provision (for further details see the BVET website).

2.2 Victoria

When User Choice was introduced, the former Victorian Government was a strong supporter. It had pursued an aggressive privatisation, corporatisation and contracting out program across the Victorian public sector. In VET it was supportive of greater competition between public and private providers, and its TAFE Colleges became vigorous competitors overseas and, where possible, interstate. It supported the thrust towards an industry led training system and for a more demand driven VET system compared to the greater reliance traditionally on supply aspects.

The election of the current Government has seen a considerable change. Victoria continues to support an industry driven system, but with less focus on competition, particularly between Victorian TAFE Institutes. The State Government now lays more stress on co-operation and less on competition. The emphasis on User Choice and contestability of public funding for training was reduced; and the Government determined that private registered training organizations (RTOs) would only be permitted to commence the same number of apprentices and trainees as they had commenced in the previous twelve months. User Choice was not removed, but its growth was limited and the Bracks Government was less supportive of such developments than its predecessor.

Government funding of apprentice and trainee training in Victoria was provided through funding agreements with TAFE Institutes and through the Apprenticeship Traineeship Training Program (ATTP), which funded private and adult community education providers. About 60 per cent of apprenticeship/traineeship delivery was provided through TAFE and 40 per cent by other registered training organisations.

Victorian TAFE Institutes were self-governing institutions with substantial autonomy compared to similar institutions in other States, and were funded by the Victorian Learning and Employment Skills Commission through three year Performance Agreements (subject to annual amendments). Employers could choose any TAFE Institute for funded apprentice or trainee training, subject to Institute resourcing and program offerings. Each TAFE had a specific budget for apprentice and trainee training, but TAFE Institutes were required to give priority to apprenticeship/traineeship delivery over other delivery and to transfer resourcing from their non-apprenticeship/traineeship budget where necessary to meet demand.

Employers could also choose any non-TAFE provider with an ATTP contract for funded apprentice or trainee training, subject to availability of places. The 2004 Budget for the ATTP was \$61m., the same as in 2003. Under the ATTP, selected RTOs were allocated

commencement 'entitlements' (a fixed number of commencing apprentices and trainees over a period of time, normally one year), based on their past performance. Commencement allocations were not tied to specific qualifications, meaning that providers could deliver any apprenticeship or traineeship qualifications for which there was demand. The pricing of training programs for ATTP was calculated using nominal hours multiplied by the student contact hour rate for the duration of the training contract; and RTOs were paid progressively on evidence of apprentice or trainee participation in units of competency until the apprentice or trainee had completed or withdrawn from their apprenticeship or traineeship.

Funding was limited to those apprentices and trainees who were defined as 'new employees' i.e. those that had been employed with their current employer for less than three months full-time or twelve months part-time or casual. The cost of training apprentices and trainees who are 'existing employees' was met by employers.

The 2004 ATTP program has been changed, although there was provision for the same number of places to providers who substantially filled their places in 2003. In addition, 2000 ATTP places were being made available to providers who were not funded in 2003 under the program. These places were to be targeted to: apprentices of any age; trainees under 25 years; and trainees over 25 years of age in specified industries with particular needs for older trainees (transport and distribution; food processing; process manufacturing; and health and community services). Priority industries and school-based new apprenticeships were priority areas for funding in 2004, and existing ATTP providers continued to be funded for over 25 year old trainees.

In February 2004 offers were made to 230 Registered Training Organisations (RTOs) to deliver close to 20,000 places in 2004. Sixty-three RTOs had been newly offered ATTP places. The number of places to be funded was expected to be confirmed soon after this report to ANTA was finalized, following acceptance of offers.

It is anticipated that further changes to the ATTP, and similar changes to apprentice and trainee funding in TAFE institutes, will take place in 2005 (although the detailed arrangements were still to be finalised). At the time this report to ANTA was written, however, User Choice allocations in Victoria remained largely determined by employer decisions concerning the apprentices/trainees they wished to employ, not by OTTE decisions concerning priority sectors, AQF levels or target groups. The Ministerial Statement *Knowledge and Skills for the Innovation Economy*, released in June 2002, included a reference to the Victorian Learning and Employment Skills Commission (VLESC) to advise on a new strategy for establishing strategic directions and priorities for vocational education and training in Victoria.

In August 2003 the State Training Agency Standing Committee (a sub-committee of the VLESC) endorsed the *Vocational Education and Training Priorities in an Innovation Economy* report. Priorities were established based on criteria including: industry skill needs; individual career skill needs; regional and community skill needs; access and equitable participation; and public benefit. The report included as priorities for

government funding: all apprentice training; under 25 year old trainee training across industry sectors; and non-traineeship programs for over 25 year olds.¹

Traineeship funding for over 25 year olds was given a low funding priority. In 2002, 43 per cent of total apprentices and trainees with private providers and 24 per cent with TAFE Institutes were aged 25 or over. The priorities work undertaken by OTTE found that the high proportion of funding which went to over 25 year olds in Victoria was not appropriate, on the basis that apprenticeships and traineeships are primarily designed to provide employment and training pathways for new or recent entrants to the workforce.

However, Victoria recognised that some industries have particular needs for older trainees. For example, in transport and distribution, food processing, process manufacturing, and health and community services, new entrants to the workforce tend to be aged over 25 years. Employers have a preference for mature workers in these industries because of various factors, including: the demanding nature of working conditions; the level of responsibility required; licensing requirements; and the need to reduce risks and public liability costs. It should also be noted that the concern about traineeships for existing workers over the age of 25 was based on the appropriateness of the training model, rather than a questioning of the need for training generally for this particular cohort.

Prior to the withdrawal of Commonwealth funding in 2002 ITABs in Victoria produced an annual plan of training needs in their industry area for OTTE. It was concluded that these plans were not the most effective use of research resources, and a 2002 review found that a systematic, coordinated approach to research would be more effective. The State ITAB functions had subsequently been refocused to provide useful intelligence on industry developments at a qualitative level – such as changes in industrial, occupational and employment structures and how leading edge enterprises are changing - and their impact on training need.

OTTE drew on a range of information in reaching its decisions (which tended to be focused on the broad training market in the State, rather than specifically on User Choice). These sources included its own research and analysis of administrative and ABS data, commissioned studies, provider views and industry consultations. During 2003 OTTE undertook analyses, on an industry basis, of relevant matters such as industry and community needs, government priorities (including by AQF level), access and equity aspects, and the relative public and private benefit from training. During 2004 the analyses were focusing on the thirteen regions in the State (although the investigations were again being undertaken across the board, not just for apprentices and trainees, or just for User Choice). OTTE recognised that the extent to which the training system can be changed from year to year is limited.

¹ For an earlier and rather different set of priorities see <http://www.otte.vic.gov.au/publications/tafeplan/1999/priority.htm> (eg. “client access to a broader range of providers and User Choice arrangements” was specified as a National Key Result Area under the heading of “Achieving Diversity and Flexibility to meet Client Needs”: website accessed on 26/2/2004).

It seemed likely that OTTE would take a larger role in managing demand, which would require more work to be undertaken on likely industry developments, skill needs and appropriate training priorities. Thus, the priority determination criteria for public funding of traineeships could come to focus more on the characteristics of individuals, such as their age or labour market status, including whether they were employed before starting with a new employer.

Like other states, Victoria was facing rising demand for publicly-funded training and was focused on the most effective use of limited public training resources. Victoria was investigating ways to broaden the non-traineeship training options available to existing and older workers, as an alternative to traineeships, to ensure that training most effectively met their needs.

2.3 Queensland

The State has moved to an explicit prioritisation process in relation to the User Choice Program over the last couple of years. It is helpful to understand why this has occurred.

During the period 1996-1998 the department established the Contestable Purchasing Program, with total expenditure of some \$125m. per annum. These funds were provided by reducing “grant” funding from TAFE and “directing it into a contestable bucket”. The belief was that the change would drive TAFE Institutes to become more competitive and responsive to users, and encourage the establishment of private training providers in Queensland. It did so and the State authorities readily acknowledge that the training system in Queensland is more diverse, responsive and effective as a result. There have been significant shifts in terms of delivery against client needs and there has been a stronger focus on outcomes rather than training inputs. However, the radical nature of the changes, implemented without effective change or transition management “nearly sent TAFE broke”.

The Contestable Priority Purchasing Program at this time consisted of two elements: User Choice and Competitive Tenders. The funds available for Competitive Tenders reduced annually as user choice demand grew.

The continuing and exponential growth of User Choice since 1999-2000, and the pipeline impact (that is the cost in out-years of signups of large numbers of apprentices and trainees in the first year of a multi-year program and the increasing completion rates which were occurring) meant that the User Choice program was developing an ever-increasing contingent liability. The program was being managed on a cash basis year-to-year, with the market determining the level and purpose of funding allocations. This ultimately meant that the Department felt it was losing control of its outlays. In 2001-02 for example, the Department’s budget for user choice was about \$88m. and actual expenditure was \$106m.

The department determined that the Competitive Purchasing Program had been a success. Record numbers of niche private training providers were successfully competing with TAFE Institutes to provide training services to employers and to individuals across the increasing range of apprenticeship, traineeship and fee-for-service qualifications. Importantly, the private providers were developing strong fee-for-service training

markets based on highly customised training responses in niche sectors. Significantly for the department however, User Choice contract bids by RTOs in 2002-03 totalled more than \$240m., far in excess of the available budget.

The Department first moved to respond to the budget issue in planning for the 2002-03 User Choice contract. They separated Business and Clerical from the general User Choice contract, and capped allocations to this area. In addition, all User Choice RTOs were advised that contract variations would only be considered in priority industry sectors.

As the department was not able to identify additional funding to maintain an open, demand-responsive approach to the market, it was required to develop strategies to ensure that the program was managed within budget.

In preparation for the 2003-04 User Choice contract, the Department entered into a prioritisation process to identify what it wanted to achieve from the User Choice program within the available funds. “We determined, from a policy perspective, that the focus of our User Choice program would shift.” While the program would retain its emphasis on access and the provision of funding support of learners at greatest disadvantage, the funding would increasingly be aligned to providing training places for priority industries – that is industries central to economic growth of Queensland and experiencing skills shortages and skills gaps. It was recognised that, if funding was not unlimited, the starting point would involve priority industries, while ensuring that individuals disadvantaged by personal circumstance were allowed every opportunity to gain and demonstrate workplace competency, and gain qualifications and employment.

The Department’s prioritisation process has been refined over two contract periods. In the 2002-03 financial year the department reduced the funding available for User Choice in selected industry sectors (retail, business and hospitality) by about \$4 million while continuing to increase the allocation to User Choice overall. The reductions had a particular impact on low-skill qualifications characterised by predominantly work-based training by employers with little value added through formal training.

The Department determined that access to User Choice funding in these areas would be limited by contract, and restricted to priority population groups disadvantaged in the labour market due to personal circumstances. In the outcome, the restrictions were imposed on selected traineeships, not apprenticeships, as skill shortages (as defined by the Commonwealth Department of Employment and Workplace Relations (DEWR) and validated locally), predominantly in the traditional trades, appeared to be growing from year to year. The department was concerned that it would not be able to grow the skills profile of Queensland in these priority areas if it were not able to free up funds from lower priority areas to do so.

There has therefore been an increasing emphasis on prioritising government funding for vocational education and training (VET) to the more skills-rich qualifications. “Our vision for User Choice funding of apprenticeship and traineeship training in a limited funds environment is for skills-rich qualifications aligned to the economic drivers of the state.”

In terms of the prioritisation process the Queensland Department outlined proposed changes to the 2003-04 User Choice funding arrangements to key stakeholders in the training market as early as February 2003. They stated that they undertook significant consultation including industry, peak employer groups, RTOs and unions. The approach was endorsed by the Queensland Government's Training and Employment Board. In the Ministerial Portfolio Statement in the 2003-04 state budget it was confirmed that the State would, inter alia:

- “Allocate \$416 million Direct Grant funding to Queensland Agricultural Colleges and TAFE Queensland Institutes for the provision of local, regional and state training priorities.
- Prioritise User Choice program funding to enhance Queensland's economic prosperity and support marginalised Queenslanders to gain sustainable employment. Industries experiencing skill shortages, new and emerging industries of importance to the State, and support for the learning needs of job seekers marginalised from learning opportunities or disadvantaged by personal circumstance will be targeted. The budget will be increased by a further 5% to \$102.5 million and TAFE Queensland will allocate a further \$6 million Direct Grant funding to support priority apprenticeship and traineeship training.”

Another major change was that the Department indicated that they would be enforcing contract levels in all cases, as they had done with business and clerical contracts in 2002-03. In round figures the Queensland budget allocation for User Choice had risen from \$80m. in 2000-01 to \$88m. in 2001-02, \$97m. in 2002-03 and \$102.5m. in 2003-04.

In earlier years requests from RTOs, both public and private, for additional User Choice funds beyond contract levels to meet increasing market demand for training, had been approved. As a result, the actual expenditure on User Choice by the Queensland Department had risen from \$82M in 2000-01 to \$106M in 2001-02 (i.e. an increase of 29%, a clearly unsustainable rate of growth from a State Treasury perspective) and was then constrained to \$104M in 2002-03 and to \$102.5M in 2003-04. In 2003-04 the Department maintained very strict contract limits. It also, for the first time, introduced a separate measurement of continuing and new business. As a result, the Department and providers have developed a shared and more reliable understanding of the contingent liability inherent in the pipeline impact of continuing students. This was not previously understood nor recognised from a budget management perspective.

The funding priority of User Choice in Queensland has been extended to the “grant” funding allocated to the public providers – TAFE Queensland and the Agricultural Colleges of Queensland. For 2003-04 the department has negotiated with the public providers as part of their resource and performance agreement the availability of up to \$6m. grant funds for User Choice priorities should local demand exceed contract levels. Mid-year estimates indicate that up to \$2m. will be redirected in this way.

The focus of Queensland's User Choice funding has to date been on new entrants to the workforce. The department has not funded existing workers in traineeships since 2000,

following a major independent review. For 2003-04 the funding of existing workers in selected priority industries was being considered in the context of the available budget.

“The priorities for government funding have been very much around government economic and social development imperatives”, recognising the need to be transparent about where funding is being directed. The Department published a document to explain this (see Queensland Department of Employment and Training, *Smart Investment: Queensland Training and Employment Priorities 2003-2004*, Brisbane, August 2003). The priorities were aligned to specific government policy positions at the level of priority industries and places/regions and key population groups. Key population groups identified for the purpose of determining priority access to training funding were: Aboriginal and Torres Strait Islander peoples; adults and young people in or exiting correctional centres; apprentices and trainees; Australian South Sea Islanders; mature-aged workers and parental jobseekers; long-term unemployed and disadvantaged jobseekers; people with a disability; people from culturally or linguistically diverse backgrounds; people with English language, literacy and numeracy needs; young people aged 15 to 17; and women and girls. This incorporated the allocation of User Choice funding according to priority areas.

Queensland was seeking to manage all government funding for vocational education and training (VET) in the context of the total VET market. “What we are trying to do is to manage the training market more effectively, and to ensure value for money for government funding. Our goal is to have the training system working as a whole. Government funding should not impact viable privately-funded market segments”. Preliminary research showed the Department that there was an approximate parity of private and government funded training places in the Queensland training market. “This needs to be better understood, recognised, nurtured and valued”.

Queensland had been cognisant of ANTA’s priorities throughout the process of determining State priorities. Queensland tested for alignment nationally, for example in relation to populations, industries and client groups. Interesting variances were being found, however, at the regional or place level. As the Queensland Training and Priorities document for 2003-04 stated: “Regions often form natural labour markets as people live, work and undertake training in the same area. Within these markets, specific training and employment needs and opportunities emerge” (p. 7). Queensland was developing VET plans for the six departmental regions in Queensland to become, over the next two years, more sophisticated about ensuring government funded VET was aligned to regional economic and social development priorities within the overall State priorities. The Department’s website currently had the embryonic format of regional plans, but there was considerable further development to occur.

Queensland had also specified place or regional capacity building as a funding priority. To illustrate the range of initiatives funded, the department had implemented a Central Queensland Employment and Training Strategy in response to the \$8 billion projects planned for the region, and a drought employment and training intervention for regional areas in drought. It had identified a Western growth-corridor economic development employment and training strategy, and allocated funds to promote, facilitate and fund local employment and training programs in community renewal areas. The Cape York

employment and training strategy was seeking to provide community-driven training and strategies aligned to economic and social plans of Cape communities, and to improve competency completion rates, through a more appropriate funding mechanism. The Cape York Employment and Training Strategy was the State Department's response to the need for more flexible and responsive training in Cape York. It provided for Aboriginal and Torres Strait Islander communities to have maximum involvement in decision-making at all stages of the processes involved in implementing training or employment programs in communities. The needs of Aboriginal and Torres Strait Islander peoples were a priority and the principles of the Cape York Partnership framework were intended to guide the State Department of Employment and Training to effectively meet their needs.

The Cape York Employment and Training Strategy removed competition from the non-viable training market on Cape York, consistent with the recommendations of the Cape York Justice Study by Tony Fitzgerald. Instead, a small group of three community-endorsed registered training organisations – Tropical North Queensland Institute of TAFE; Australian College of Tropical Agriculture; and Cairns Region Group Training – were being asked to respond in a co-ordinated way to the community training needs of Cape York. Additional training providers would only be used where the nominated training providers or the niche market Indigenous training providers were unable to provide the required training. The intent of the strategy was to deliver demand driven training and to ensure sufficient people on Cape York are job-ready and able to support the *Indigenous Employment Policy for Queensland Government Building and Construction Contracts*. This aspired to ensure that priority vocational education and training was focused on employment outcomes.

In relation to future directions Queensland was considering ways to fund innovative trials in the context of limited growth in government funding, to address skills gaps in new and emerging industry sectors, as well as strategies which leverage government funding with industries experiencing persistent skills shortage. “The lack of growth funding under the roll-over of the ANTA Agreement for 2004, and the financial penalty impact will limit the scope of this critical market development.”

In summary, Queensland has traditionally maintained a policy position of funding all training for apprentices and trainees except existing workers. In recent years, growth in demand has exceeded growth in resources. In this context, Queensland has elected not to run a system of “first come, first served” until the funds run out. Rather, Queensland decided to set priorities for the disbursement of User Choice funds – on the basis of industries, qualifications and individual client needs – and to enforce RTO contract caps. “In setting priorities, Queensland is working to sophisticate its knowledge of the labour market, and achieve alignment of investment in the training system.”

2.4 Western Australia

The State managed the User Choice market for traineeships and apprenticeships, through the identification of priorities for funding and its administrative and contractual arrangements with Registered Training Organisations.

The Department had a comprehensive planning process which utilised information and advice from a range of sources to formulate a State Training Plan. Priorities for User Choice funding were determined by the State, taking account of established industry views, emerging industries, State priority areas, the national skill shortages identified by the Commonwealth, through DEWR, and other statistical information from various sources.

At the broadest level User Choice funds in Western Australia were first directed to: entry level training; young people, aged between 15 and 24; strategic initiatives in identified skill shortage areas; and regional and remote training.

Existing workers were eligible for User Choice funding where: a person was aged between 15-24 and did not have a formal qualification; a person was undertaking an apprenticeship; skills shortages existed in identified industry areas; or where a training need within an industry area or enterprise could be clearly demonstrated and a genuine commitment to training had been established. Existing workers for funding purposes were defined as those who had been employed on a full time basis for longer than three months, or twelve months on a part-time basis.

User Choice arrangements varied marginally for declared trades (apprenticeships) and traineeships, reflecting the legislative framework that existed in Western Australia.

Apprenticeships

In WA high priority was given to the funding of apprenticeship training – all apprenticeships were funded. Current State legislation defined the nominal duration, the spread across years and mandated off-the-job training, which differentiated apprenticeships from traineeships. Generally, there was also a considerable investment in infrastructure and commitment of time (delivery required over three to four years) required for apprenticeship training, which had defined the nature of RTOs who seek funding under User Choice.

The Department applied a ‘thin market’ policy to apprenticeship delivery, which meant that the training market was opened where there were more than 100 annual commencements in a particular trade. In regional areas a thin market existed where there were fewer than 50 commencements, which had the effect of only opening six trades in the South West region to User Choice. The thin market policy had the effect of restricting an estimated 10% of apprenticeship and traineeship training from User Choice arrangements.

As a result of the significant commitment required to deliver apprenticeship training and the application of the thin market policy there were very few RTOs contracted to deliver apprenticeships under User Choice arrangements. Despite opening most of the apprenticeship delivery market, there had been a slow uptake by the private provider network to actively participate in the delivery of apprenticeship training. Western Australia had closely managed the number of registered training organisations which were authorised to deliver apprenticeship training. In 2002 (the latest year for which information was publicly available) only fifteen apprenticeships in the Perth metropolitan area and six in the south-west region of the state were open to user choice arrangements.

However, the Department would consider an application from an RTO in an apprenticeship area not listed if it could be demonstrated that their introduction into the market would result in an increase in apprenticeship numbers for that trade.

Traineeships

The traineeship market in Western Australia was more dynamic than the apprenticeship market and contracts for traineeship delivery were for one year periods. All of the growth in activity under what was defined as New Apprenticeships had occurred in the traineeship area, both in terms of numbers participating and the range of qualifications. Therefore, the Department prioritised where User Choice funds would be directed in this area. The WA Department tended to give priority to traineeship training under User Choice for entry level workers. The Department argued that “the primary purpose of traineeships is to develop the skills of new employees through training that is employment-based and meets industry skill needs in terms of targeting, appropriateness and effectiveness” (<http://www.training.wa.gov.au/training/content-userchoice-wa.asp>).

The range of qualifications funded under User Choice through the traineeship pathway was reviewed regularly as part of the Department’s Training Package implementation and review process, and in response to requests from industry and employers. The ‘thin market’ policy did not apply to traineeship delivery.

108 RTOs submitted applications by the closing date under the ‘Invitation to Register’ process in October 2003. Of these, 101 RTOs were contracted. However, the Department continued to receive late applications for traineeship delivery in 2004 and each application was considered on a case by case basis. Generally enterprise RTOs and those RTOs requesting to deliver traineeships in the non-managed industry areas were contracted, subject to normal checks i.e. AQTF registration for the qualifications requested and financial viability, if required. Up to the date of this study for ANTA an additional eight RTOs had been contracted in these areas since applications formally closed in late October 2003. In the case of RTOs requesting to deliver in the ‘Managed’ industry areas only those RTOs that could demonstrate that they had an existing relationship with a national employer would be considered. Subject to normal checks and national employer confirmation the RTO would be contracted. Up to the date of this study a total of six RTOs had been contracted under these arrangements.

As noted earlier, slightly different arrangements existed for apprenticeships and traineeships. Congruent with apprenticeship delivery which continues over three to four years, and the longer term investment required by RTOs to operate in the market, the Department offered three year contracts subject to satisfactory performance by the RTO.

The Department managed the tensions between requirements for contestability in apprenticeship delivery and viability of existing providers, given in the latter case the significant investment required and the relatively small market in Western Australia. Market stability was considered important in apprenticeship delivery. The Department argued that it is in no-one’s interest to have RTOs withdrawing from delivery, particularly the apprentice and the employer. So, while contracts were for three years, the market was reviewed annually to determine projected numbers of apprentices in relation

to providers and, if significant change occurred within the market, the Department might review its contractual arrangements.

Due to the legislative requirements for apprenticeships in Western Australia implementation of User Choice arrangements for apprenticeships was based on a managed approach, in contrast to a largely open arrangement for traineeships. The Department managed the traineeship market to ensure maximum flexibility and enable the allocation of resources to those providers achieving results. Contracts were let annually following a competitive call for application process. In selected industry areas the Department limited the numbers of RTOs that were contracted to deliver traineeships. This practice was adopted in 2002 after the Department noted that a significant number of RTOs contracted by the Department did no delivery. For example, in 2001 only 19 of the 32 RTOs contracted to deliver business traineeships actually delivered and received funding for training. “This represented a significant unrealised financial commitment for the State and restricted the capacity to provide funding to those RTOs that were actually generating traineeships.”

The industry areas requiring management were identified annually, following an analysis by the Department of the number of RTOs contracted against the numbers actually delivering, anticipated numbers of trainees and regional training needs. In 2004 the numbers were limited in five industry areas: retail; aged care; hospitality; business; and warehousing. As noted earlier the limit was driven by previous patterns of delivery, so in 2004 the Department actually contracted twenty-five RTOs to deliver business traineeships. Enterprise RTOs seeking to deliver training to their own staff were exempted from this limit, as were RTOs that had a contract in another State to deliver training to a national employer.

Traineeship places were allocated to RTOs on the basis of their application, an analysis of previous year’s delivery patterns and what they might reasonably be expected to achieve. The allocations were reviewed six monthly and the Department could seek to redistribute allocations where there was significant under-achievement. If an RTO achieved its allocated numbers it could apply for additional places and these would be funded subject to budget availability. The Department had adopted this as a mechanism for managing its commitment and ensuring that resources were directed to those RTOs that were achieving their targets.

2.5 South Australia

South Australia did not resource on the basis of priority industry or vocational areas, but by reference to AQF levels. For example, the State funded off-the-job training at AQF levels I to III and on-the-job training at AQF levels 1 and II. There had been little change to the User Choice resourcing arrangements over the previous eighteen months or so. RTOs which were enterprise-based were paid at a differential rate of 50%. Many of the common policy arrangements, such as those relating to funding support for the training of existing workers, had been in place for quite some time. Detailed information was available on the traineeship and apprenticeship services website of the South Australian Department of Education, Employment, Science and Technology, from which the information in this section was derived (www.dete.sa.gov.au/newapprent).

Clients could choose from two models of User Choice: off-the-job and on-the-job. This was indicated on the Training Plan that was attached to the Contract of Training. The model was negotiated between clients and their chosen RTO, and all parties were bound by the decision. If the client chose the off-the-job model, New Apprentices received training directly from an RTO, either at the employer's premises, or off-site with the RTO. Under the on-the-job model, New Apprentices received training from their employer. The RTO acted as a mentor, validated the achievement of competencies and issued the qualification. Clients and their chosen RTO had to decide which of the two models was more appropriate, as New Apprentices would not be funded for both models.

User Choice funding was available in South Australia for New Apprentices and their employers who met certain eligibility criteria. These criteria included:

- Only New Apprentices who trained under a registered Contract of Training at Australian Qualifications Framework (AQF) levels 1 to 3 inclusive would be eligible for User Choice off-the-job funding support during 2004.
- Only New Apprentices who trained under a registered Contract of Training at AQF levels 1 to 2 inclusive would be eligible for User Choice on-the-job funding support during 2004.
- In 2004 all existing employees who converted to a New Apprenticeship arrangement and had been employed with the employer for more than 3 months full-time, part-time or casual would not be eligible for User Choice funding. (The existing worker provisions did not apply to school students, even if they had been employed by the employer for longer than three months at the time of entering a New Apprenticeship. However, once a student left school, normal existing worker provisions applied.)
- User Choice funding was restricted to two successfully completed Contracts of Training, eg. where a qualification had been gained by the individual New Apprentice. If the second Contract of Training was with the same employer then that second Contract of Training had to commence within three months of the successful completion of the first or the New Apprentice would be deemed to be an existing worker under User Choice arrangements. If a New Apprentice was an existing worker under the first Contract of Training, the existing worker status would also apply to the second Contract of Training.
- User Choice would only fund training for one qualification per individual Contract of Training. If a New Apprentice wished to attract User Choice funding to support training for a second qualification, a completely new and separate Contract of Training had to be signed and registered with the State Department.

RTOs who were registered in other States or Territories were eligible to receive funding for New Apprentices provided that: the New Apprentice's workplace was located in South Australia; the Contract of Training was registered in South Australia; the RTO was registered; and the RTO had signed a 2004 User Choice Funding Agreement with the South Australian Minister.

RTOs were required to sign a Funding Agreement with the Minister. The terms and conditions within the Funding Agreement varied depending on which model of training was chosen by the client (i.e. off-the-job or on-the-job); and the Minister had the

discretion to decide whether or not to enter into a User Choice Funding Agreement with an RTO. The RTO that had signed the Funding Agreement and had accepted responsibility for the achievement of the entire qualification was also responsible for issuing the qualification. An RTO could choose to subcontract the delivery of parts of the qualification or on-the-job training service, in which case the subcontractor had to be registered for the elements of the qualification to be delivered and the subcontracting arrangement had to be formalised through a written agreement. The RTO that signed the Funding Agreement remained responsible for the activities of its subcontractors and for ensuring compliance with the conditions of the Funding Agreement. The User Choice Funding Agreement did not cover the financial arrangements between the subcontractor and the 'primary' RTO. RTOs seeking to train New Apprentices from another State or Territory needed to make arrangements with the government of that other State or Territory. The SA website (<http://www.dete.sa.gov.au/newapprent>) provided links to interstate websites relating to User Choice.

South Australia recognised that circumstances may occur whereby the only practical option available for some New Apprentices would be to seek training interstate. Where a client's 'home' State (defined as where the employment was based and where the Contract of Training was registered) accepted training interstate, the 'home' State was expected to fund the off-the-job training component. In this case the 'home' State's funding cost was applied as the base rate for funding the off-the-job training component. However, in circumstances where the 'home' State did not conduct the training and had no 'home' State funding cost, then the 'host' State's funding cost applied. However, clients who voluntarily elected to train interstate needed to negotiate with the interstate provider; and the client was responsible for any difference in funding cost between their 'home' State/Territory funding cost and 'host' State/Territory funding cost.

Under the *off-the-job model* of training delivery, New Apprentices received training directly from a RTO either at the employer's premises, or off-site with the RTO. RTOs in South Australia were funded per nominal hour delivered.

- Pricing was based on clearly defined unit prices. Training over and above that which was essential to the qualification outcome for the New Apprentice and above that which was funded publicly could be negotiated and purchased by the client. State Government funding would be available to support the training required by eligible New Apprentices to achieve a nationally recognised qualification. (The unit price list was updated throughout the year and was accessible from the website http://www.dete.sa.gov.au/newapprent/files/links/Doc09_VCM_User_Choice_Uni_1.pdf).
- The maximum training fee under User Choice provisions that could be charged by RTOs to New Apprentices and/or their employers was \$1.50 per nominal hour for the duration of the qualification. This rate would apply to all existing and new apprentices and trainees. Note that this training fee was **not** applicable to New Apprentices under the on-the-job model. Regardless of whether the RTO was collecting or absorbing the training fee, User Choice funding provided by the State Department was to be at the published unit price less the \$1.50 training fee.

- Recognition of prior learning (RPL) was funded at a ‘differential’ rate of 50% of the funding price; and all Reports from RTOs to the Department had to include details regarding RPL arrangements for individual New Apprentices. However, credit transfer for all New Apprentices was not funded under User Choice arrangements.
- Enterprise-based RTOs were funded at a ‘differential’ rate of 50% of the listed User Choice funding price. This rate applied to all existing New Apprentices as well as any new apprentices and trainees trained under User Choice arrangements.
- In 2004, payments to RTOs from the Minister were changed from a quarterly to a progressive monthly basis.

Some New Apprentices required additional learning support to enable them to successfully complete the qualification designated in their contract of training. This additional support usually involved the provision of language, literacy and numeracy training. To ensure successful completion of training, the South Australian Department recognised that it may be necessary that funds are made available to RTOs to help meet the cost of this additional training. In the case of TAFE Institutes, the extra cost was expected to be met from within the Institute’s negotiated 2004 Performance Agreement. In the case of other RTOs, funding for additional learning support was accessible on the basis of individual submissions (including the form of extra assistance required; the reason for the extra assistance; and the amount of funding required). If granted, it followed assessment and approval of the individual request.

Alternatively, clients could choose the *on-the-job model* of User Choice. Under this model New Apprentices received training from their employer. The RTO acted as a mentor, and had to provide a minimum level of direct and indirect support to New Apprentices and their employers, including a minimum number of monitoring visits. In most instances, monitoring visits took the form of ‘face-to-face’ contact with the employer and New Apprentice. However, where a New Apprentice was located in a rural or remote area or the employer had appropriately qualified training staff, monitoring might be undertaken by way of electronic communication via telephone, video conferencing, fax, correspondence or other recognised open learning modes of delivery. Nevertheless, the initial visit and the final visit to issue a qualification had to be ‘face-to-face’.

The RTO had to provide at least the specified minimum level of direct and indirect support to the New Apprentice and their employer. This support had to include the provision of an ongoing support service; validation of the achievement of competencies in accordance with industry assessment guidelines; and issuing of the relevant qualification. RTOs were required to keep evidence of all visits, signed by the clients, verifying that a satisfactory service had been provided.

In 2004, RTOs were to be funded \$320 per visit (except in the case of enterprise-based RTOs), up to a maximum value which was set out on the Department’s website (for example, \$640 for a contract of training with a nominal full-time equivalent term of six months, up to \$3,840 for one with a term of 36 to 48 months). Enterprise-based RTOs

were funded at a 'differential' rate of 50% of these prices per visit. This rate applied to all existing New Apprentices as well as any new apprentices and trainees trained under User Choice arrangements. RTOs were **not** to collect a training fee from New Apprentices and/or their employers under the on-the-job model. Payments in 2004 were to be made monthly, on the basis of information to be provided, setting out the type and number of visits completed during that month, and the New Apprentices to whom the service was provided.

2.6 Tasmania

A list of apprenticeships and traineeships which could be funded under User Choice was published on the website of the Tasmanian Office of Post-Compulsory Education and Training (OPCET). This list identified all apprentice and trainee qualifications that were approved for government funding under User Choice arrangements. The Institute of TAFE Tasmania was the sole publicly funded registered training organisation for designated apprentice and trainee qualifications in five areas: agriculture; automotive; building and construction; furniture; and metal trades. Qualifications for which the Institute of TAFE Tasmania was the sole publicly funded registered training organisation are identified on the list of funded apprenticeships and traineeships. Choice of registered training organisation was available for all other funded apprenticeships and traineeships.

Under special circumstances the State Minister could designate funding arrangements for specific apprenticeships and traineeships. This could occur in cases where: strategic initiatives need to be addressed; demand for training has changed; or budgetary constraints apply.

In general, the funding of apprenticeship and traineeship qualifications from training packages was determined on a case by case basis, in line with the funding criteria published on OPCET's User Choice website, and approved by the Deputy Secretary (VET Strategies).

Existing or continuing employees were generally not eligible for funding in Tasmania as apprentices or trainees. An individual entering into a training contract for an apprenticeship or traineeship was deemed to be an existing employee if his or her period of employment with that employer exceeded twelve weeks full-time or 52 weeks part-time or casual employment i.e. prior to entering into the training contract. At the discretion of OPCET, an individual progressing from a contract of employment as a part-time or casual employee to a contract of employment as a full time employee could be deemed not to be an existing employee if, prior to entering into a training contract, the combined period of service as a part-time, casual and/or full-time employee did not exceed twelve months *and* the period of service as a full-time employee did not exceed three months. Also, an individual progressing from one AQF level to another under a training contract was not deemed to be an existing employee if the new training contract was entered into within twelve months of the completion of the previous training contract. This provision applied whether the higher level qualification was in the same field, or in a different field; provided that at the time the first training contract was signed the apprentice or trainee was a new employee as defined. However, if the previous training contract was cancelled the sign up in the higher level qualification was not regarded as a progression.

A funded apprenticeship or traineeship was one that had been approved, by the Deputy Secretary (VET Strategies), on the recommendation of the VET Purchasing Budget Committee in Tasmania, as meeting the requirements for funding under User Choice arrangements in Tasmania. When approved, they were listed on the Funded Apprenticeships and Traineeships List, which was published on the OPCET website. Whether an apprenticeship or traineeship was available on a part-time basis was also indicated on the List (<http://www.opcet.tas.gov.au/Vocpathway/index.htm>).

The OPCET website emphasised that the criteria for funding of training for apprentices and trainees were based on the Ministerial decisions of the May 1997 MINCO meeting; and that they guided the allocation of resources to support apprenticeships and traineeships in Tasmania. For example, MINCO “noted both the recent progressive decline in apprenticeship funding as a proportion of total VET funding and the general traditional access of apprentices and trainees to public funding for off the job training”. The criteria were changed following the MINCO resolution of November 2000 to amend the *Principles for User Choice*. Apprenticeships and traineeships were stated to be “a high priority to be accommodated within the range of strategic priorities identified for the Tasmanian VET sector”. Apprentices and trainees should be “involved in paid work and structured training which may be delivered on and off the job”; and they should be “undertaking a negotiated training program responsive to client choice that involves obtaining a nationally recognised qualification”. However, it was emphasised that “access by apprentices/trainees to public funding for structured training which leads to a nationally recognised qualification and which is delivered by or under the auspices of a registered training organisation will be at the discretion of the State”. In addition, the Tasmanian policy stated that, for individuals meeting the definition of an apprentice or trainee and who are existing employees of the enterprise in relation to which the training will take place, the State may negotiate “at its discretion” the structured training delivery for that individual where: training has not traditionally been available for an industry or occupation; such funding is consistent with the priorities set by the State; or “any other extenuating circumstances exist”. The website noted that “these funding criteria will be kept under review as issues, which may arise from the implementation of User Choice arrangements, are resolved at State and national levels” (www.opcet.tas.gov.au/purchasing/userchoice; Funding Criteria for Apprenticeships and Traineeships in Tasmania; accessed 9 March 2004).

The website also provided information on the funding of qualifications and on the funding of registered training organisations. In relation to the funding of qualifications:

- Certificate I qualifications would not be funded on a stand-alone basis except where special circumstances apply;
- Applications for funding for Certificate IV qualifications had to demonstrate that the Certificate IV was the minimum qualification required to work in an occupation, or that there were other compelling circumstances that required the funding for the Certificate IV;
- Qualifications at Diploma and Advanced Diploma level would not be funded;

- Priority would be given to qualifications for occupations/industries of high strategic importance to the State of Tasmania;
- Funding approval for a qualification would depend on the impact such an approval might have on the resources available for funding apprenticeships and traineeships in Tasmania; and
- The State could make whatever level of financial contribution to the cost of a nationally recognised qualification outcome which it might determine to be appropriate.

In relation to the funding of registered training organisations:

- In order to be eligible to access funding, a training provider had to be a registered training organisation (RTO), registered in accordance with the requirements of the Australian Quality Training Framework, to deliver the relevant qualification(s); and the RTO had to request funding each calendar year to deliver structured training for apprentices and trainees.
- In the case of enterprise based RTOs, the State reserved the right to negotiate specific prices for the apprenticeships or traineeships chosen by the enterprise. An enterprise based RTO was defined as “an RTO which is wholly owned by a training enterprise and whose sole purpose is to deliver training to the employees of that enterprise”.
- The State reserved the right to negotiate prices for certain apprenticeships or traineeships. These were indicated on the published list of funded apprenticeships and traineeships eg. Certificate II, III and IV in Customer Contact.
- The State reserved the right to negotiate prices for registered training organisations wishing to train large numbers of apprentices or trainees for individual enterprises.

Note that, as outlined earlier, Tasmanian government policy limited public funding to the Institute of TAFE Tasmania for a number of nominated qualifications funded under User Choice arrangements. These nominated qualifications were identified on the list of funded apprenticeships and traineeships. Also, for RTOs wishing to deliver training, it was the RTOs responsibility to follow the process for obtaining funding as described on OPCET’s User Choice website (www.opcet.tas.gov.au/purchasing/userchoice). An RTO could access funding throughout the calendar year for additional apprenticeship and traineeship qualifications, not included in their original contract, provided the RTO met the criteria outlined above.

Three other points from the website are noted. First, “as public funds to support training delivery are limited, funding ceilings will be set for qualifications and/or groups of qualifications. This may mean that some requests for funding for apprentice or trainee places may not be able to be accommodated”. If public funding was required, the organisation responsible for the sign-up of the apprentice or trainee was responsible for checking with OPCET to ensure that a funded place would be available, before a training contract was signed. This was not necessary, of course, if the training was to be funded privately.

Secondly, where a client chose an interstate training organisation and the training was available in Tasmania, the price on the State’s Funded Apprenticeship/ Traineeship List

for that qualification was paid to the nominated RTO. Any difference between the Tasmanian price and that payable in the other State or Territory, together with all travel and accommodation costs, was the responsibility of the client. Where the required training was *not* available in Tasmania, and there was no price on the Tasmanian list, the price applicable in the State or Territory where the training was delivered applied. Travel and accommodation expenses, as prescribed and published by OPCET, were also payable.

Thirdly, the choice of RTOs could be wider than appeared to be the case from the list of organisations funded by OPCET. The National Training Information (NTIS) website provided information on all RTOs that were able to deliver in Tasmania, irrespective of whether they currently held a purchasing agreement with OPCET or not.

3. TERRITORIES

3.1 Australian Capital Territory

In some ways this exercise had less relevance for the ACT than for other States and Territories. In the ACT implementation will not begin until the beginning of 2005. Also, the ACT has been able so far to fund all qualifications that have relevance to the ACT economy and thus meet the demand from industry. Consequently they “have not been required to determine relative priorities”. However, it was possible that the ACT could respond to further budgetary pressures by reduction and even future elimination of funding for Certificate II in Retail for all potential participants except equity groups and school-based New Apprentices.

The ACT program focused primarily on entry level workers, but a small number of qualifications had been funded for existing workers. Priorities for the funding of training for existing workers had not been determined in a systematic way, but rather had been determined by the demand from industry and the extent to which the qualification met various criteria. The criteria included whether the skills: were at the level needed by industry; provided for the needs of new or emerging industries; met the needs of an established industry where a training culture did not exist; met the needs of industries with a predominance of cash-starved non-government organisations (such as in arts, sport and recreation); met the needs of industries participating in key ACT economic objectives; met the needs of small and micro businesses; and met the needs of industries where there was an identified skills shortage and training gaps. However, the process for setting priorities had not been articulated in any policy document. The Department continued to explore participation of existing workers in New Apprenticeships, and had extended the pilot existing employee pathway arrangements which commenced in November 2002. (For further details, see <http://www.decs.act.gov.au/publicat/SkillingACT2004/uc/2004UserChoiceRequirements.pdf>. The User Choice Funding Schedule was available at http://www.decs.act.gov.au/publicat/SkillingACT2004/uc/2004ACT_User_Choice_Funding_Schedule.pdf).

The level of funding for training done by enterprise RTOs for their own employees had been reduced to 70% of the total funding. Further details were documented in the 2004

ACT Requirements for User Choice Providers (see page 17, Section 3.1 of <http://www.decs.act.gov.au/publicat/SkillingACT2004/uc/2004UserChoiceRequirements.pdf>)

The ACT funded providers at a set price per qualification, which was paid to RTOs in two instalments. The first instalment was 60% of the set price and it was paid on receipt of a training plan. The final instalment of 40% was paid on successful completion and receipt of the certificate. (Further details were at pages 15-16, section 3 of the 2004 ACT Requirements for User Choice Providers.)

The ACT website commented on “thin markets”, noting that many industries in the Territory were comprised of a small number of enterprises that employed limited numbers of new employees in any year. Consequently RTOs did not currently service some industry sectors and in others apprentices had to travel interstate for off-job training. These industry sectors provided an opportunity for RTOs to expand their business activity. The Department had indicated its willingness to work with industry and RTOs in 2004 to develop a range of flexible and innovative arrangements to support training in these industries. RTOs were being encouraged to discuss their ideas with Department staff and negotiate funding to develop new arrangements. These new arrangements could include: co-operative arrangements between industry and RTOs; co-operative arrangements between RTOs; a flexible mix of on-job training with mentoring, management and assessment support services from the RTO; and flexible access to suitable existing courses.

RTOs could apply to the Department for funding to provide additional support to New Apprentices aimed at facilitating learning. Applications were negotiated on a case-by-case basis and approval was advised in writing. Funds were released at the agreed times on receipt of an invoice and progress reports. It was recognized that additional support might be required in areas such as literacy and numeracy support, sign language interpreter services or through a mentor who can assist in providing, for example, a culturally sensitive learning environment for the New Apprentice. New Apprentices eligible for special support included indigenous Australians; people with disabilities; people with literacy and numeracy needs; people from culturally and linguistically diverse backgrounds; women, particularly women in non-traditional vocations; men in non-traditional vocations; young people, in particular those who have been unemployed; people over 45, particularly those returning to a formal learning environment; New Apprentices coming from long-term unemployment who might need extra support to ensure successful transition to training and employment; and early school leavers under 25 years of age, who have not completed either Year 10, Year 11 or Year 12, or have been referred from the Jobs Pathway Program.

Qualification funding was not available in the Australian Capital Territory where a New Apprentice already held, or achieved through recognition of prior learning (RPL), recognition of current competency (RCC) or credit transfer, 80% of competencies in the selected qualification. Generally, RTOs were expected to reassess the suitability of the qualification level and, where appropriate, recommend the selection of a higher qualification in consultation with the Department. Where a higher qualification could not be selected, funding for services delivered would be considered on a case-by-case basis.

If 80% of the units of competency were achieved through a formal RPL/RCC process, and a higher level qualification was entered into, funding might also be available for the RPL/RCC process on a case-by-case basis.

3.2 Northern Territory

In November 2003 the Northern Territory Government released its *Jobs Plan – Building the Northern Territory Workforce*, which was developed following extensive consultation with Territory and Commonwealth Government agencies, industry, the community and varied vocational education and training stakeholders. The ‘Jobs Plan’ provided the policy framework for the expenditure of public funding and the delivery of training and employment programs in the Territory over the three years 2004-06. The primary objectives of the Jobs Plan were to grow and develop the Territory’s skills base; maximise training and employment opportunities for Territorians; and construct a highly skilled and flexible workforce (http://www.deet.nt.gov.au/jobs_plan_nt).

In reference to ‘User Choice’ the government committed to a target of 7000 apprenticeship and traineeship commencements over three years from 1 January 2004. An additional \$1.5m was to be injected into the ‘User Choice’ budget to support the training of additional apprentices and trainees.

The stated priorities for apprenticeship and traineeship training were in the following areas:

- skill shortage areas, particularly in the traditional trades as identified by the Northern Territory Department of Employment, Education and Training, the six Northern Territory Training Advisory Councils and relevant Commonwealth Departments (particularly DEWR and DEST);
- increased participation by Indigenous people, particularly in remote communities where genuine employment opportunities exist;
- qualifications that offer genuine long term employment prospects in existing or growing industry sectors in the Territory;
- a capacity to respond to structured training opportunities emanating from major projects in the Territory, such as oil and gas (and related) projects; and
- a targeted program to increase apprenticeships and traineeships in the public sector.

To assist in achieving these objectives the following three steps had already been taken by 1 January 2004. First, financial incentives complementing Commonwealth subsidies had been offered by the NT Government to private and public sector employers to increase the uptake of apprentices and trainees in the small business sector; in a range of identified skill shortage traditional trade areas; and in the public service and local/community councils. Secondly, the hourly rates paid to registered training organisations delivering in traditional trade areas had been increased, as had the remote allowance for delivery in Indigenous communities. Thirdly, work had commenced on the

preparation of 'Workforce NT' – a comprehensive report on the state of employment in the Territory. The report was intended to draw together research data and related information under the 'Jobs Plan' and to assist in the formulation of future employment and training strategies and program development.

The first version of Workforce NT was expected to be released in September 2004 and provide government, industry and the community with information about: skill shortages; regional employment; Indigenous employment; employment for disadvantaged Territorians; employment growth forecasts by occupation and industry; the impact of workforce and employment trends on the Northern Territory; macro economic data impacting on employment; the employment impacts of specific major projects and government initiatives; and Northern Territory workforce benchmarks. (For the Northern Territory's Apprenticeship and Traineeship Funding Policy see http://www.nt.gov.au/deet/etd/whatsnew/200111_fundingpolicy.pdf)

In terms of purchasing arrangements under 'User Choice', registered training organisations seeking a contract submitted a proposed training profile late in the calendar year. This profile was considered by departmental officers and one on one negotiations occurred with private and public training providers prior to preparation of a resource agreement. The resource agreement outlined the responsibilities of the respective parties, identifies the qualifications training will be delivered in, the hourly rate to be paid and the quantum of funding on offer. The Northern Territory currently provided funding to approximately 27 private providers, two public providers and five interstate providers (predominantly TAFE institutes).

Around \$9m was to be committed to direct training delivery in 2004 under 'User Choice', with a further \$2m covering non-direct delivery costs, such as travel and accommodation subsidies and support, particularly for Indigenous apprentices and trainees.

In 2004 there were to be regular interactions with registered training organisations delivering training under 'User Choice'. Negotiations were also expected to occur to increase funding for registered training organisations to meet expected demand for additional traineeship and apprenticeship training.

The Northern Territory government has, and stated that it would continue to invest in pre-vocational training to better prepare young people for apprenticeships and traineeships. Furthermore, substantial investment was being made by the Territory Government and Commonwealth agencies on support and mentoring programs for Indigenous people undertaking structured training.

There was substantial pressure on 'User Choice' and related funding capacity in the Territory due to the demands faced by the department and registered training organisations. A range of factors contributed to this situation. First, delivery often took place in very thin markets. Secondly, there could be limited capacity of private training organisations to deliver training in expensive areas such as traditional trades. Thirdly, there was delivery of training over a very substantial geographic area, with few large regional centres and many remote and isolated communities which have little appropriate training infrastructure. Fourthly, there were often additional costs inherent in the level of

support and timeframes needed for effective provision of apprenticeship and traineeship training, particularly for Indigenous people and those outside urban centres. Fifthly, there could be very substantial travel and accommodation costs incurred to provide reasonable access to training for apprentices and trainees across the Territory; high travel costs associated with the movement of trainers from urban or regional centres to community locations; and costs to transfer students interstate to undertake training not available in the Territory. Finally, there were the costs associated with the expected increase in the uptake of apprenticeships and traineeships under 'Jobs Plan' initiatives or as a result of major projects underway or due to commence in the Territory.

The Northern Territory expected to continue to focus its structured training effort according to the 'Jobs Plan' policy framework. This would involve a continued emphasis on training in traditional trades, in the small business sector and in qualifications that have a history of long term employment prospects. Conversely, the Territory was tending to give a lower priority to the funding of training in areas such as real estate, cleaning, car detailing and vehicle sales. Training effort was expected to increase in relation to entry-level hospitality, business and retail qualifications.

4. NATIONAL LEVEL

4.1 Employer Organisations

The employer organisations strongly favoured User Choice, felt that some progress had been made since 1998, but wanted the User Choice approach of making training more responsive to the needs of end users to be more widely applied, and believed that progress had stalled recently (or perhaps even been reversed a little). Of course, there were variations between different employer organisations, for example in Queensland the Australian Industry Group tended to be more strongly in favour of the traditional trades and thus of priority for apprentices than trainees compared to Commerce Queensland, and between the employer organisations in different jurisdictions. However, they tended to be differences of degree rather than of broad approach.

The employer organisations tended to see considerable commonality with the unions in their perspective on the training market and how it should develop. This was despite what they saw as the increasing influence within the union movement of the education union, especially the views of TAFE teachers. However, the employers tended to see the employee organisations as having been allies in their attempts to achieve a national training system which was more responsive to the needs of enterprises and individual employees. They argued that in relation to most important issues concerning VET they were in broad agreement with their industry partners.

The VET authorities were characterised as philosophically not in sympathy with User Choice. Consequently many matters were affected, including resourcing priorities. "There is no champion for User Choice". One respondent stated that, in their State, the bureaucrats "had decided, over the last couple of years, that User Choice was an experiment that they really should not have got themselves involved with". It was stated that "they don't believe in User Choice" and are "moving away from User Choice for apprentices and trainees". In another State, an employer organisation stated that "the department believed that if it walked slowly User Choice would go away". These

perspectives influence the language used, the attitudes displayed and the capacity to develop co-operation, understanding and trusting relationships between training market participants.

Perhaps more fundamentally, three elements were identified. First, the educational administrators were characterised as having a “very upper middle class view of New Apprenticeships”, with preference for apprenticeships over traineeships, some industries over others, higher rather than lower AQF levels, and entry level over existing workers.

Secondly, it was perceived that, deep down, the educational administrators do not believe in contestability, User Choice or a market for training, but prefer a managed system in which the VET authorities determine priorities because, in the last resort, they know best. “They think they can manage as well or better than the market. In fact, they can’t. For them implementing User Choice is too hard. They can’t control it.” One informant commented that “the pressure and the tension to continue with the reform process has been withdrawn a bit.” This was argued to have occurred “because we have a couple of senior people in the (State) Department who think they can manage the market, that they have the capacity to make sure that its service providers deliver what the market wants. Their philosophy is that it is their responsibility to make sure that the system delivers the training that the market wants, instead of it being the market’s responsibility to ensure that the system delivers what the market wants. This is a fundamental shift.”

Thirdly, the VET authorities were seen as having a conflict of interest. On the one hand they are responsible for the overall training system, the best use of scarce resources and the achievement of maximum outcomes. On the other hand, they were characterised as concerned with the resources committed from the State budget and the long term investment in the public training provider, especially its staff and infrastructure. The employer organisations with whom discussions were held tended to argue that, at least on some occasions, undue emphasis was placed on the latter. They argued for greater attention being given in the priority determination process to the *overall* level of resources being contributed by governments at both State/Territory and national level, by enterprises and by individuals, how it might be augmented and best used, so that the optimal overall outcomes were achieved for enterprises and for individual Australians. For example, they argued that risk management and quality concerns were not just concerns for private RTOs and should be addressed by State and Territory training authorities across the training system as a whole, rather than on a segmented basis; and that contestability should be possible between public providers on a national basis, as well as between TAFE and private RTOs. The employers emphasised, however, the importance of a strong and vibrant TAFE system, noting that many TAFE colleges, departments and individuals provided excellent service. They wanted a greater effective role for partnerships and co-operation (with due sensitivity for the possible commercial implications), and argued that if providers were not being responsive to the needs of users then incentives should be provided to encourage it.

Against this background it is easier to understand why employer organisations sometimes interpret actions by State and Territory VET authorities to determine resource priorities rather differently from the authorities themselves. ACCI sought support for apprenticeships, but tended to argue that training should be for all of industry and

commerce, and not so tightly focused on the traditional trades; similarly for different AQF levels and for existing workers as well as entry level workers. The employer organisations acknowledged that the contributions from the various parties to the complete resource allocation decision can legitimately vary between different sorts and levels of training (e.g. State compared to Commonwealth Governments; individuals compared to enterprises; or private sector compared to governments). However, they sought an overall rather than a partial view from governments, a process of priority determination in which their views and knowledge would be more fully considered, and as transparent a priority determination process as possible. As one respondent said: “we are calling for that transparency more than we are for ‘let us influence the priorities’ ... [i.e.] what the authorities are going to fund and how much they are going to fund it.... That will give us the chance to go to employers and leverage off that funding”. In their view the current arrangements make it harder for them to augment the available funds for training from their own resources. Another respondent supported this view arguing for “the transparency of public funds which are available. Employers currently have no idea of what it costs the government.”

The view of the employer organisations was that the nine User Choice Principles agreed by MINCO in July 1997 are still honoured in the breach rather than the observance. Certainly, there has been some progress, for example in relation to “the provision of accurate and timely information”. However, in other important respects, including continuing substantial differences between the jurisdictions, they argued that the Principles had not been adequately implemented. For example, User Choice does not operate “in a national training market not limited by State and Territory boundaries”; clients only have a limited right of choice of training provider; negotiations often cover only some aspects of training; and clients only have a restricted ability to negotiate their publicly funded training needs. The question was raised as to what was the appropriate course of action i.e. continue to press for a fuller implementation of the User Choice principles or admit defeat in frustration and seek to make progress elsewhere. There was also some concern about whether the achievements of the training reform agenda could even be maintained. As one respondent said: “ANTA has delivered a reasonably good quality national training system. There are a number of bugbears; with most of them around State interventions. My perception is that there are any number of triggers around at the moment, of which User Choice is one, which could put that system at risk. Is it time for us to say we haven’t achieved the User Choice objectives? Do we go in hard or do we wind these expectations back and look at another angle? There is a real choice to be made. Is the system going to hold up, or even go backwards, given the present pressures?”

The employer organisations expressed considerable frustration at the widespread use of the concept of “thin markets” by the State and Territory VET authorities. They agreed that the latter might genuinely believe it, especially given STA concerns about the investment in the infrastructure of the public provider, their sanguine view of their ability to manage the training market in their State or Territory, and doubts about TAFE’s ability to retain market share in an open and freely contestable training market. The STA view was sometimes characterised as dominated by their concern for TAFE, not flowing from their overall regulatory responsibilities for the jurisdiction’s entire training market. “It is an overplayed argument ... coming from a preconceived position. If you open up the

market it will result in TAFE raising its quality or some shift to alternative providers (public or private) or both. People will only leave TAFE if they are getting poor quality training”. Another respondent argued that the thin markets argument is used “to restrict competition and to restrict providers. It tends to lead to worse outcomes for users. Facilities management is the way to go.” Other respondents also raised the need to give greater attention to third party access.

The employer organisations, like unions and the VET authorities, argued for a closer alignment of VET priorities with regional requirements. They noted that State or Territory training priorities, even if they were aligned correctly with needs for the jurisdiction as a whole, need not align with those for each individual region within the jurisdiction. In Western Australia it was argued that “the State Departments have quite a good process to get regional intelligence, including regional offices and consultative arrangements. There is no problem here.” However, in other States comments were made to the effect that intelligence on regional trends and requirements could usefully be strengthened as part of the priority determination process in VET as a whole and for User Choice in particular.

Finally, greater employer involvement was sought in the process by which resourcing priorities were determined, including a greater workplace and enterprise focus (involving both employers and employees). There was considerable common ground here with the views of employee organisations. For example, in NSW a large organisation in the transport and distribution sector wanted to increase training. It decided not to impose an outcome, but to work collaboratively with the union: “if you [the union] don’t want it, we won’t do it”, including in relation to the choice of delivery. The User Choice priority determination process, they argued, should be developed “from the ground up” and “be based on what the need is”. There was also much common ground with the view expressed by union organisations that consultation does not equal decision-making, that transparency is crucial, and that the process could involve a threefold process: stakeholder discussions; information collection, analysis and perhaps research on specific relevant matters; and further stakeholder discussions utilising the additional material. Like the unions the employer representatives expressed concern about the reduction in the resources for the industry training advisory boards (which can lead, inter alia, to “weakening of employer-employee organisation relationships”) and whether they could perform the tasks expected of them. Interestingly, a number of the employer respondents suggested that perhaps “a smallish, well-resourced expert group could be established within the Department, whose job would be to get out into the field with groups like us and our members, using informal and informal research to get the solutions. That would be a more effective approach than what they have currently got, by a long shot, I believe. They could outsource it, but it probably should be part of the central intelligence of the system – and there is scope for capacity building”. Validation could be done through the ITABs. In general, it was argued that the necessary research “is not funded well”; and that the industry advisory boards’ advice “is generally not well considered” by those in the jurisdictions who are determining resource allocation priorities (including for User Choice).

4.2 Employee Organisations

The unions have participated in priority determination processes through the industry training boards (as well as more generally, at State and national levels, and more specifically, in individual enterprises and industries). With the removal of Commonwealth support for the work of these bodies at State and Territory level, and the reduced resources available for the continuing State bodies to undertake the data gathering, research and consultation necessary if their advice on VET priorities is to be well-based and convincing, the unions expressed concern about how VET authorities will get appropriate advice from industry. Doubt was expressed about the capacity of the industry training bodies, which are “running on the smell of an oily rag,” to provide good quality information to State, Territory and national authorities. (ANTA was continuing to fund national ITABs with Commonwealth money, but the forced amalgamations have involved a considerable loss of industry support.) The unions concluded that the processes could be improved, indeed that at the time of this inquiry for ANTA they were probably deteriorating. Even in the past they had been doubtful if much of the ITABs “had had a lot of input into the ANTA processes”.

It was suggested that there was “a general prejudice against User Choice” among many bureaucrats in the States and Territories. The view of the latter was characterized as being that “User Choice is draining funds out of TAFE,” with State Training Authorities “inclined to restrict the operation of User Choice”, with “a raft of arguments being advanced as to why what the industry partners want is being done already, or if it is not being done why it can’t be done.” The unions noted that the difficulties are particularly acute in rural and remote areas; that there are differences between States and over time; and that the “thin markets” argument, while perhaps over-used, can be a real issue in some locations and in relation to certain occupations. It was also commented that STAs can have a conflict of interest (as can other market participants), for example in balancing their responsibilities for the TAFE system with their role in relation to the overall training market in their State or Territory. Nevertheless, the unions tended to perceive “a continuing tension between the industry partners on the one hand and the educational and training providers and regulators on the other.

The ACTU and the general trade union movement “signed off on User Choice”. However, “a more tenuous commitment” was developing: “the current system is not working”; and “we do not want to see User Choice opened up any more”. The ACTU’s policy on vocational education and training, which was adopted at Congress in 2003 (and which seeks “Maintaining an Industry led Vocational Education and Training System that Responds to the Needs of Australian Industry and Workers”), contained only one reference to User Choice, which called for “an agreed cap on access to user choice funding by registered training organizations for New Apprenticeships.” The background paper, which was also on the ACTU website (Training, Section 11(b) in Vocational Education and Training Policy document on ACTU website; accessed 2/3/04) was more expansive in relation to User Choice. It expressed a range of concerns, including about the effects on the public provider, regional provision, the balance between apprentices and trainees, the AQF level of resource use, the balance between public and private resources for VET training, and the relative focus on entry level compared to existing workers. Changes in key union personnel might also have contributed to changing attitudes and emphases.

Within the trade union movement there were, not surprisingly, different perspectives on User Choice. Many unions in the traditional trades, unions which remain powerful within the ACTU, have long had close links with the apprenticeship system and with specific TAFE colleges and departments. In some cases they felt that their role had been diminished and that the relative emphasis in the VET training effort had moved elsewhere. They preferred that a higher priority be given to apprenticeships, especially in the traditional trades, compared to traineeships. Other unions, notably those whose members were formerly less central to VET training and where the expansion of traineeships had been especially concentrated, tended to be less supportive of the former arrangements and stronger supporters of the reallocation of training resources which has occurred. Such unions “have become more interested in VET, including User Choice. They have had more say; and are generally pretty happy with the overall developments”. These unions also represented the great majority of workers.

Three other factors were also at work. First, TAFE teachers were significant within the union movement, they also tended to be more unionised than many other sections of the workforce (and much more so than those in the private RTOs), and they tended to be at best lukewarm supporters of User Choice. Their colleagues in other unions, and in ALP governments, tended to be philosophically more favourably disposed to governmental activities, public intervention (including in industry policy) and managed training markets compared to market forces, to supply side rather than to demand led training systems, than the employers. The unions supported the provision of a public infrastructure for training; and once established they wanted to see it used effectively. They wanted to “focus the public dollars on the key training areas”.

Secondly, the union movement saw the training reforms as closely related to labour market developments and industrial relations matters. In these respects there was some difference with the perspective of employers. The unions saw individuals who undertook training as benefiting personally in terms of employment, promotion and more satisfying work, as well as becoming more productive contributors to the enterprise (and, in turn, benefiting from improved competitiveness and greater security of employment). Nevertheless, the emphasis on skills-rich occupations, industries and training priorities tended to be consistent across the industry partners. It was seen as providing benefits for employees and their organizations, as well as for enterprises and employer organizations.

Thirdly, the trade union movement manifested a greater concern for the disadvantaged compared to the privileged, for the individual employee than the enterprise, than the employer organizations. Of course, it was a matter of degree, but the unions tended to complement their VET priorities for skills development and their support of existing and emerging industries with priorities for disadvantaged individuals, whether they were disadvantaged by age, gender, geographical location, Aboriginality, non-English speaking background, unemployment, poor literacy and numeracy, imprisonment or other factors. The union movement’s views on priorities tended to incorporate these two broad thrusts or objectives, whereas the employers tended to emphasise the first objective.

Like the employers, the unions had some ambivalence about the priority to be accorded training for entry level workers compared to VET training for existing workers. In reality

they wished to see adequate training for both groups. In the past User Choice has focused on entry level workers. In the future, “the emphasis may shift towards existing workers”, including in relation to expanded opportunities for recognition of current competency (RCC) and recognition of prior learning (RPL). This perspective interacted with concerns about the quality of training, which tended to be seen as more of a problem in private RTOs than in the public providers; and with a view of the rationale for providing public resources for training as concerned with theoretical off-the-job training rather than more practical, applied, on-the-job learning.

Concern was expressed that User Choice could act to facilitate cost-shifting between the public and private funding of training and between public providers and private RTOs. It was recognized that, while many TAFE colleges, departments and individuals do an excellent job of seeking to meet the training needs of enterprises and individuals, User Choice had been valuable in pressuring those who were not, to be more responsive, to weaken monopoly positions, to focus attention more heavily on the demand side of the training market and to develop a more diverse, contestable and responsive supply side. Nevertheless, there was a concern that User Choice could lead enterprises, especially when encouraged by private RTOs, to transfer training they had been funding privately, onto the public purse or to expand training disproportionately at public expense. The boundaries between first, TAFE funding, second, user choice and contestable funding, and third, fee-for-service was characterized as problematic, with the priorities for public funding being ranked in that descending order.

Considerable concern was expressed about the degree to which the existing priority determination processes in VET were able to address satisfactorily the specific needs of individual regional areas. In 2003 Congress endorsed the ACTU and constituent unions seeking “agreement from State and Territory Governments to implement skills development projects that better complement regional development initiatives. Using government funding and investment in training facilities, such initiatives should seek to leverage maximum investment from local employers and link training initiatives with skills development needs and employment outcomes within the local region” (Section 6(a) of the Vocational Education and Training Policy document). While supportive of determining priorities at a national and State or Territory level, the unions noted that there could be specific training needs for individual regions which were rather different. “Vocational training is pivotal for industry and economic development; it is crucial that adequate links exist between them; and it needs to be undertaken at a regional level”, as well as at national and State or Territory level. It was emphasised that VET “is there to provide training services to individual workers and enterprises; that the scope for training, and its benefits, have got to be visible and accessible in the workplace; and that there needs to be greater emphasis on regional variations”. Trials in specific situations were currently being supported by both employers and unions.

Finally, comments were made about the process by which training priorities were determined; and various ways in which they could be improved. Overall, the unions were dissatisfied with the existing processes. In 2003 Congress endorsed action by the ACTU and constituent unions to “seek agreement with ANTA-MINCO to adopt an integrated and co-ordinated approach to future labour market and skills forecasting in conjunction with industry parties which links specific training interventions within identified

industries” (section 6(b)); and “work with peak employer organizations through JITEC to adopt joint union-employer proposals for specific training interventions within specific industries” (Section 6(c) of the Vocational Education and Training Policy document). The decline of the industry training board advisory arrangements, their reduced resources and the likelihood that they will be unable to adequately discharge the advisory role for industry to the training providers and STAs were seen as leaving a significant hole in the priority determination process. “Industry is very frustrated.” They argued that the unions – and other stakeholders – need to have the opportunity to discuss priorities, possible changes and problem areas, with this being followed by targeted data collection, analysis and if necessary research in the identified areas, leading to a further, more informed, discussion of priorities among the stakeholders. The unions argued that this should be structured so as to encourage accumulative learning and improved policy and practice over time. It was recognized that consultation did not equate to decision-making (and that agreement on priorities would not always be possible), but that the former had a valuable role to play in informing the latter. At present the available information and analysis, for example on the changing labour market, likely industry developments and anticipated changes in skill sets, were judged to be inadequate.

5. FURTHER WORKING PAPER

CEET is publishing a further Working Paper (No. 58) which analyses the existing User Choice resourcing arrangements and priorities which are set out above, including for their consistency with each other and with the User Choice principles agreed by Ministers. Consistency is considered there across the various States and Territories; between the perspectives of employer and employee organizations; and between the industry and education stakeholders. These analyses emphasise, as does the information presented in this Working Paper, that despite a considerable measure of consistency in the processes by which the different States and Territories allocate priorities for User Choice and the resulting pattern of resource allocation there are also considerable differences between jurisdictions (and between the educational authorities and the industry partners); that the Commonwealth Department’s expressed view that “User Choice resourcing arrangements are not relevant at a national level” is untenable; and that there is considerable scope for improving the processes and probably the outcomes of User Choice resource allocation, including through improved partnerships and better arrangements for accumulative learning. They also confirm ANTA MINCO’s view that User Choice resourcing decisions and priority determination processes are linked to the broader strategic planning arrangements in VET.

Attachment 1: Statement of User Choice Policy (MINCO; November 2003)

1. The following Statement of User Choice Policy was endorsed by Ministers for vocational education and training in May 1997 and is inclusive of amendments by Ministers in November 2000.

Objective of User Choice

- 2.1 The objective of User Choice is to increase the responsiveness of the vocational education and training system to the needs of clients through the encouragement of a direct and market relationship between individual providers and clients

Defining User Choice

- 2.2 User Choice is defined as the flow of public funds to individual training providers which reflects the choice of individual training provider made by the client. User Choice comprises three essential elements:
 - (i) significantly greater market power to individual clients to negotiate with individual registered training providers, both public and private, about the off-the-job component of new apprenticeships. The negotiation can include choice of provider and choice about specific aspects of training, such as location, timing etc.
 - (ii) increased responsiveness on the supply side of the training market, to enhance the capacity of individual VET providers to respond to the expressed needs of clients. Training outcomes will then be able to reflect more closely clients' views of their own needs. This increased responsiveness will include greater contestability among individual providers.
 - (iii) User Choice outcomes are compatible with public expenditure constraints and efficient use of resources. There can be no implication that all requests for training from clients, however specialised or expensive, will be met from public funds.
- 2.3 All elements must be satisfied together – the separate elements alone will not meet the objective of establishing a genuine market relationship between individual training providers and clients.
- 2.4 The 'client' for User Choice is defined as the employer and the employee, as identified in the New Apprenticeships Training Agreement, acting jointly. They may agree to authorise a 'broker' to act on their behalf.

Principles for User Choice

- 2.5 The principles which underpin the implementation of User Choice in New Apprenticeships from January 1998 are:
- (i) Clients are able to negotiate their publicly funded training needs, subject to State and Territory decisions regarding the resourcing of New Apprenticeships.
 - (ii) Clients have the right of choice of registered provider and negotiations will cover choice over specific aspects of training.
 - (iii) User Choice operates in a national training market not limited by State and Territory boundaries. Therefore, RTOs will not be discriminated against under User Choice on the basis of their location of primary registration.
 - (iv) The provision of accurate and timely information about training options is necessary for informed choice.
 - (v) Pricing of qualifications by State/Territory Training Authorities should be based on the Resourcing Principles as set out in Item 2.8.
 - (vi) Training over and above that which is essential to the qualification outcome for the apprentice or trainee, and is above that which is funded publicly, can be negotiated and purchased by the client.
 - (vii) User Choice would be harnessed to improve access and equity in the vocational education and training system and be integrated within existing initiatives.
 - (viii) Regulatory frameworks and administrative arrangements relating to vocational education and training at the National, State and Territory level are to be complementary to the achievement of the objectives of User Choice.
 - (ix) Evaluation of outcomes of User Choice against objectives is an integral element of a program of continuous improvement. Innovation is required to achieve and maintain a best practice training system.

User Choice in Operation

- 2.6 Each State and Territory will be responsible for implementing User Choice in New Apprenticeships. Key features are:
- (i) Clients will be informed through targeted marketing campaigns about User Choice in New Apprenticeships; in particular, how it works and the opportunities for enterprises and their employees to meet their training needs.

- (ii) Providers (public, private, and industry-based) will be informed about the purposes of User Choice and how it will work.
- (iii) Clients will have access to accurate and timely information giving details about alternative VET providers, training packages, and aspects of training open to negotiation and options.
- (iv) Providers will have sufficient detailed information on training packages, customisation options, and on how funds will be transferred to enable them to participate effectively in User Choice and respond to client needs.
- (v) Providers will provide clients with information on their performance and capabilities, and on the nature and quality of their training products.
- (vi) Advice will be available to potential students/employees regarding training opportunities and how training can be accessed.
- (vii) Information will be provided in a way which caters to the needs of a diverse range of groups and individuals.
- (viii) Clients will have the right to exercise choice over which registered provider delivers their training.
 - In areas where there are low numbers of clients and in remote locations where clients have access to limited number of providers, choice may be limited. States/Territories agree to manage these cases as an exception in a way that maximises the available choice. These cases will be annually reported.
 - Choice will be exercised within prevailing State/Territory pricing arrangements.
 - Choice will be exercised within existing State/Territory administrative arrangements for managing the risks associated with purchasing and contract management. These risk management arrangements should not form additional regulatory requirements, over and above the Australian Recognition Framework.
- (ix) Clients will be able to negotiate with registered providers on specific aspects of training within the requirements of the selected Training Package. Brokers/intermediaries may act on behalf of clients in the negotiation process.

Aspects of training open for negotiation include:

- selection, content and sequencing of units of competence
- timing, location and mode of delivery
- trainer/facilitator
- who conducts the assessment
- how the training is evaluated.

- (x) A Training Program will be signed between the client and provider to signify that the client was aware of their rights under User Choice, and was able to negotiate a suitable outcome with the chosen provider. The Training Program Outline must be attached to the Training Agreement within the probation period of the apprentice/trainee.
 - (xi) Public funds will be allocated to providers based on negotiated User Choice (the mechanism and timing of the allocation of funds will be consistent with existing State/Territory processes).
 - (xii) States and Territories will allocate funds to providers on the basis of State/Territory pricing arrangements.
 - (xiii) Evaluative mechanisms will be established to monitor User Choice.
 - (xiv) Processes will be established to settle disputes and conflict of interest issues between clients and providers.
 - (xv) Accountability mechanisms will be in place to ensure that funds have been used for the agreed purposes. States and Territories will have in place an appropriate strategy to minimise risk.
 - (xvi) State and Territory decisions regarding the availability of public funding for New Apprenticeships will be made transparent by:
 - informing clients that these decisions reflect government priorities for the resourcing of New Apprenticeships, and
 - providing clients with the criteria used to make these decisions.
- 2.7 These key features will incorporate a recognition of, and response to, access and equity considerations.
- 2.8.1 Resources for User Choice will be allocated through nationally agreed Resourcing Principles which involve each State and Territory:
- a) allocating resources based on identified Commonwealth and/or State/Territory skill needs and priorities, determined in consultation with industry and other key stakeholders, recognising that this process may be part of the broader strategic planning arrangements of STAs;
 - b) providing transparency in pricing and funding arrangements, ensuring the availability of clear information to clients on the funding provided for each qualification by STAs and RTOs, including information regarding any additional weightings or loadings (for example, to address access and equity reasons and/or to provide weightings for different training delivery methods);

- c) regularly considering the full/current range of qualifications available as a New Apprenticeship pathway, recognising that some qualifications may not be funded and that some qualifications may attract higher levels of funding;
- d) including a set of clear and transparent criteria to explain the rationale used for determining prices for various qualifications;
- e) establishing and reviewing a unit price per qualification, recognising that the unit price per qualification may vary with, for example, different training delivery methods, content and locations;
- f) reporting on planned commitment to these resourcing arrangements in the annual State and Territory VET plans, in line with the ANTA Agreement;
- g) regularly reviewing and adjusting prices, recognising that adjusting prices may not occur on an annual basis and that adjusting prices may result in either increases, or in some instances, decreases; and
- h) ensuring the client remains the focus, recognising that maximum choice and the responsiveness and flexibility of VET needs to be balanced with the availability of resources and the response to client demand.

Attachment 2: ANTA AGREEMENT FOR 2001 TO 2004

PREAMBLE

This amended Australian National Training (ANTA) Agreement between the Commonwealth, State and Territory Ministers responsible for vocational education and training applies in respect of the years 2001 to 2004 inclusive. It reinforces the commitment of the States, Territories and the Commonwealth to a strong national industry-led vocational education and training system of high quality to benefit the nation, its industries and its people.

At the heart of the ANTA Agreement 2001-04 is a commitment by the States, Territories and the Commonwealth, in partnership with industry, to work together to increase the participation of Australians in an integrated national vocational education and training system that allows for local diversity. The partners recognize that an effective vocational education and training sector is needed to provide skills to maintain individuals' employability, increase their productivity and improve the competitiveness of enterprises and the nation. The partners give a commitment to national consistency so that individuals and enterprises do not face barriers in undertaking or enjoying the benefits of training when moving between jurisdictions.

Under the ANTA Agreements to date, the partners have achieved a great deal, including a major expansion of vocational education and training opportunities, a wider and more competitive national market in training and strengthened pathways from school to work. This Agreement builds on the strong industry and community support for the national vocational education and training reforms. It provides a vocational education and training framework that can deliver:

- opportunities for all to acquire skills through life especially for young people and other new entrants to the labour market, Indigenous Australians, people with disabilities, and mature age workers
- employer and individual commitment to invest in skill acquisition, including by reducing red tape wherever possible and building confidence in the value and quality of vocational education and training
- high quality outcomes relevant to current and emerging labour market needs, including by targeting effort to support growth industries
- flexible and innovative training delivered by a wide range of nationally recognised providers responsive to their clients and the needs of Australian industry
- strong regional communities through training that strategically benefits regional economies.

The States, Territories and the Commonwealth agree that accountability will be based on making real improvements to the training system over the length of the Agreement. Under the Agreement, accountability standards will be transparent and ensure that the vocational education and training system improves Australia's skill base, addresses community needs and contributes to social and economic progress.

This Agreement between the Commonwealth, State and Territory Ministers responsible for vocational education and training applies in respect of the years 2001 to 2004 inclusive.

PURPOSE

1. This Agreement is intended to ensure that the skills of the Australian labour force are sufficient to support internationally competitive commerce and industry and to provide individuals with opportunities to optimise their potential. It aims to create opportunities for all to acquire skills through life, especially for young people and new workforce entrants; to promote

employer and individual commitment to invest in skill acquisition; to deliver high quality outcomes relevant to current and emerging labour market needs; and to enable flexible training to be delivered by a wide range of providers that are responsive to their clients.

2. The purpose of this Agreement is to create the basis for a joint partnership between governments and with industry through the development and refinement of a national vocational education and training (VET) system which will:

- i. build a leadership role for industry in national VET decision-making, planning and advisory processes;
- ii. enhance the National Training Framework through national co-operative action;
- iii. achieve the development of a skilled Australian community, including by working with the school sector to expand vocational education and training opportunities in schools and working with the higher education sector to improve pathways, and expanding apprenticeship and traineeship opportunities;
- iv. increase opportunities and employment outcomes for individuals;
- v. define national priorities and outcomes to guide State and Territory directions in the delivery of VET;
- vi. encourage the development of an effective and competitive training market including through the National Training Framework;
- vii. encourage a training culture in Australian enterprises and throughout the Australian community; and
- viii. improve the efficiency of the provision of VET around Australia.

3. The underpinning principles to a national approach to VET are:

- i. a spirit of co-operation and a commitment to partnership at a national level by State, Territory and Commonwealth Governments working closely with industry as a key stakeholder;
- ii. a key role for industry in providing leadership and advice, particularly in relation to the ongoing development of the National Training Framework;
- iii. a recognition of the individual needs and characteristics of States and Territories within the context of the need for a national approach to VET;
- iv. promotion of clear, nationally shared objectives and goals for VET;
- v. clearly defined and complementary roles and responsibilities for all stakeholders; and
- vi. transparent and accountable funding arrangements and relationships.

KEY OBJECTIVES

4. Within the overarching agreed national objectives for VET, namely:

- i. equipping Australians for the world of work;
- ii. enhancing mobility in the labour market;
- iii. achieving equitable outcomes in VET;
- iv. increasing investment in training; and
- v. maximising the value of public VET expenditure;

the particular objectives for the period of this Agreement are:

- (a) to expand New Apprenticeships into new areas and to achieve further growth in New Apprenticeships opportunities by maintaining the agreed commitment to resourcing New Apprenticeships as a high priority within the overall VET system;

- (b) to ensure that effective arrangements to ensure the quality of VET provision and outcomes, under the National Training Framework, are in place nationally and that national consistency is achieved wherever possible;
- (c) to achieve the intended benefits of the National Training Framework to deliver greater flexibility and customisation of VET programmes to meet clients' needs, including through removal of any unnecessary regulatory barriers;
- (d) to continuously improve Training Packages to ensure that they meet future skill needs, including for the existing workforce;
- (e) to establish more effective arrangements within the VET sector to facilitate pathways from schools to VET, including recognition of VET outcomes achieved in schools for the purposes of entry to higher education, and between VET and higher education, including through improved credit transfer arrangements;
- (f) to implement the agreed national marketing strategy in order to further develop the commitment of employers and individuals to investment in training; and
- (g) to implement a revised accountability framework for the Infrastructure Program to ensure that infrastructure funding supports efficient and effective VET provision, including through expanded use of information and communications technologies.

ROLES AND RESPONSIBILITIES

5. Noting the need to implement arrangements to avoid duplication and overlap, the following roles and responsibilities are agreed

ANTA Ministerial Council

6. The Australian National Training Authority (ANTA) Ministerial Council (MINCO) will be the peak national decision making body for vocational education and training. MINCO will maintain a full national co-operative agenda and process.

7. The Council will consist of the Ministers from each State and Territory and the Commonwealth responsible for VET and will be chaired by the Commonwealth.

8. Each State and Territory will have one vote and the Commonwealth will have two votes and a casting vote. All matters will be decided by a simple majority, except that special arrangements apply in relation to the approval of State/Territory Annual VET Plans for the purposes of additional Commonwealth funding to contribute to growth as specified in paragraph 33.

9. The functions of the Ministerial Council will include overseeing ANTA and decision making on national strategic policy and planning, including funding, and national objectives and priorities. Other functions of MINCO will include:

- (a) agreeing on necessary Commonwealth and State/Territory legislation establishing ANTA and defining the relationship between ANTA, the Ministerial Council and State training agencies;
- (b) deciding on the appointment of members of the ANTA Board and their removal;
- (c) deciding on the appointment of the chairperson and deputy chairperson of the ANTA Board;
- (d) endorsing an annual plan for ANTA, which includes planning for efficiencies, work priorities and its proposed expenditure;
- (e) determining national objectives and priorities for vocational education and training;
- (f) determining the National Strategy based on advice from ANTA, consistent with agreed national objectives and priorities;
- (g) determining, in the context of the National Strategy, the principles to be applied for the allocation of funding between States/Territories and for any national programs;
- (h) identifying and planning for future growth requirements, including demographic growth,

- and requirements arising from major changes in factors affecting demand;
- (i) agreeing planning arrangements for the delivery of vocational education and training nationally;
- (j) ensuring that ANTA operates in an effective and efficient manner;
- (k) resolving any dispute between ANTA and a State/Territory training agency or any other issue raised by a Minister;
- (l) giving references to ANTA on other issues of training policy;
- (m) being accountable to the Commonwealth Parliament for the operation of ANTA and the expenditure of Commonwealth funds; and
- (n) approving the Annual National Report.

Australian National Training Authority (ANTA)

10. The ANTA Board will support MINCO in all of its functions and will have the capacity to give effect to industry-led arrangements with a strategic focus to develop and recommend on national policies and strategies, and will exercise the following core roles:

- (a) development of a draft revised National Strategy for MINCO, when required by MINCO, and preparation for MINCO of the Annual National Report;
- (b) provision of advice to MINCO on annual VET Plans;
- (c) provision of advice to MINCO, in the context of the National Strategy, of the principles to be applied in the allocation of funding between States/Territories and advice to MINCO on the release of Commonwealth funds to each State/Territory having regard to the State/Territory's satisfactory participation in the accountability arrangements relating to the Annual National Report as set out in paragraph 27;
- (d) provision of information and advice to MINCO to assist MINCO to identify and plan for future growth requirements, including demographic growth, and requirements arising from major changes in factors affecting demand;
- (e) development, management and promotion of the national aspects of the National Training Framework;
- (f) policy review, evaluation and research on national priorities agreed by Ministers from time to time (ensuring that descriptions of all research documents are circulated promptly and simultaneously to all MINCO members);
- (g) advising MINCO on the development of key performance measures and reporting objectives;
- (h) ensuring agreed national data are generated;
- (i) co-ordinating major national initiatives agreed by Ministers from time to time;
- (j) with the agreement of the Commonwealth and States/Territories, facilitating co-operation between State/Territory systems and, where appropriate, the Commonwealth on specific matters agreed from time to time; and
- (k) administration of arrangements for payment of Commonwealth funds to the States and Territories.

11. In discharging its core roles ANTA will consult extensively with relevant stakeholders, and work closely with State/Territory training authorities.

12. The Chair of the ANTA Board will be the principal point of contact between the ANTA Board and members of MINCO.

13. The Board will act as an advocate for encouraging industry investment and involvement in training.

14. Appointment of members to the Board will be determined by MINCO. The composition of the Board will include one large State and one small State/Territory training agency industry representative.

15. The ANTA Board will be the accountable authority for its staff and resources and be responsible to MINCO.

State/Territory Training Agencies

16. The principal role of State/Territory training agencies will be to address, within the national framework, training needs and priorities of industry and the community within their State/Territory. In addition to their State/Territory based roles and responsibilities, State/Territory training agencies will be committed to and actively involved in the national VET system through:

- (a) providing advice to their respective Ministers on significant aspects of the national VET system;
- (b) participating in the processes for the formulation of national strategic policy, national planning and national objectives and priorities;
- (c) implementing agreed national priorities and initiatives within the context of State/Territory needs and priorities;
- (d) administering the National Training Framework within the State/Territory;
- (e) consulting with and supporting industry networks at the State/Territory level; and
- (f) providing advice to the Minister on resource allocation at the State/Territory level and ensuring the effective operation of the training market within the State/Territory.

Commonwealth Agency Responsible for VET

17. The Commonwealth department responsible for vocational education and training will have the following role in the national VET system:

- (a) ensuring that VET is responsive to emerging national economic and social priorities;
- (b) providing advice to Commonwealth Ministers on all aspects of the national VET system;
- (c) participation in the processes for the formulation of national strategic policy, national planning and national objectives and priorities;
- (d) administering arrangements for accountability to the Commonwealth Parliament on Commonwealth VET expenditures;
- (e) advising the Commonwealth Government on determining the global level of Commonwealth resources for the VET sector;
- (f) management of Australia's bilateral relationships with counterpart Governmental agencies, and of Australia's participation in relevant international organisations;
- (g) facilitation, with the States/Territories, of co-operation between education and training providers in international marketing; and
- (h) encouraging clear and improved pathways between educational sectors by the provision of advice on linkages between schools, VET and higher education.

PLANNING AND ACCOUNTABILITY ARRANGEMENTS

18. The planning and accountability arrangements for the national VET system will include the following:

National Strategy

19. The National Strategy will be a medium term strategic document which focuses on the

operation of the National Training Framework, national objectives, policies, priorities and initiatives. The Strategy will also identify agreed key performance measures for the system.

20. A draft revised Strategy will be developed by ANTA with all stakeholders for consideration and approval by MINCO, when required by MINCO.

Annual National Priorities

21. A document will be prepared which provides an annual statement of agreed national priorities based on the National Strategy. This document will identify agreed national priorities for VET together with agreed outputs/outcomes.

22. The priorities document will be developed by ANTA, in consultation with the Commonwealth, States/Territories and key industry parties, for consideration and approval by MINCO.

State/Territory Planning Arrangements, within the National Response to Annual National Priorities and National Strategy

23. Within the national planning arrangements the content of State/Territory VET planning documents will be a matter for each individual State/Territory to determine. There will, however, be a requirement for States/Territories to respond to the agreed Annual National Priorities and to report on progress against the National Strategy.

24. Each State/Territory will provide an Annual VET Plan for MINCO.

25. Each Annual VET Plan will include the State/Territory's response to the Annual National Priorities, a report of progress against the National Strategy and an Innovation Strategy. The Innovation Strategy will include the State/Territory's assessment of industry requirements, within the overall context of national skill requirements, and will show, for example, identified shifts in training effort to support emerging industries, uptake of Training Packages in Information Technology and other new technologies and development of new VET-industry links in cutting-edge industry areas. Each Annual VET Plan will also include an activity table which shows the distribution of total VET activity to be achieved annually, by industry and level of training, and the number of New Apprenticeships commencements and New Apprentices in-training. The Annual VET Plan will include an agreed use of Australian Vocational Education and Training Management Information and Statistical Standards (AVETMISS).

26. State/Territory Annual VET Plans will be considered and agreed by MINCO, acting with the advice of the ANTA Board, in accordance with the requirements in paragraph 33.

Annual National Report

27. The Annual National Report will provide the basis for reporting against the National Strategy, including against the agreed key performance measures. It will also include a report for each State/Territory on:

- (a) relative efficiency (using the approach adopted for the Annual National Report for 2000 based on adjusted unit costs);
- (b) the effectiveness of the operation of the Australian Recognition Framework (using an approach agreed by MINCO but including at a minimum the nature and extent of auditing arrangements and audit outcomes at the whole-State level); and
- (c) the implementation of Training Packages and the extent to which Registered Training Organisations are using Training Packages to respond to clients' needs at the local level.

28. The report will be the mechanism for reporting to the Commonwealth Parliament on the operation of the national VET system. To ensure its effectiveness as a national accountability mechanism, ANTA will have the capacity to arrange for independent verification of any information or data provided by States/Territories for inclusion in the report.

FUNDING

29. The Commonwealth and the States/Territories will continue to provide funding stability for the national VET system. To this end the Commonwealth will maintain current levels of funding in real terms for the duration of this Agreement. The States/Territories agree to maintain outputs or outcomes, to be measured on a basis agreed by the Ministerial Council, over the life of the Agreement and to strive for ongoing efficiency improvements. Each State/Territory will have the flexibility to use up to its share of \$30 million of the total allocation for capital purposes (ie, the Infrastructure Programme) for recurrent purposes to achieve additional VET activity. The additional VET activity funded from this flexibility, commensurate with the funds reallocated to recurrent purposes, will be over and above current outputs/outcomes measured for the purpose of this paragraph.

30. The Commonwealth's commitment to maintain current levels of funding in real terms applies to the funding appropriated under the Vocational Education and Training Funding Act 1992 in respect of 2000, amounting to \$931.415 million.

31. The Commonwealth and the States/Territories acknowledge that expansion of VET, including New Apprenticeships, will play an important part in developing the broad skills base needed to support innovation in enterprises. To this end, the Commonwealth will provide additional funding of \$50 million over the indexed 2000 base in 2001, \$75 million over the indexed 2000 base in 2002 and \$100 million over the indexed 2000 base in 2003 and 2004 as a contribution to growth, including in the number of New Apprentices. The amounts for 2002 and 2003 will be subject to indexation. The amount for 2004 will not be subject to indexation.

32. The additional Commonwealth funding will be allocated among the States/Territories on a per capita share basis. A State/Territory will receive its share of this funding for a year only if it gives a commitment to provide additional State-sourced funding equal to the amount of Commonwealth funding provided under paragraph 31 for that year (using State-sourced expenditure for the 1999-2000 financial year within the ANTA Agreement scope and boundaries as the base). If a State/Territory gives a commitment to only part of its share, it will receive Commonwealth funding equal to that part. Should a State/Territory decline to provide some or all of the additional State-sourced funding, the Commonwealth Minister may make available the surplus amount that would have been that State/Territory's share (or part thereof) of the additional Commonwealth funding for allocation to other States/Territories, subject to those States/Territories agreeing to provide an equal amount of State-sourced funding. The additional VET activity funded from the combined additional Commonwealth and State/Territory funding for each State/Territory will be over and above current outputs/outcomes measured for the purpose of paragraph 29.

33. The additional Commonwealth funding referred to in paragraph 31 will be paid to a State/Territory in any year only if the State/Territory complies with the User Choice Policy and Principles, as agreed by the Ministerial Council in November 2000, the Ministerial Council approves the State's/Territory's Annual VET Plan for that year (which must include a report on progress against the previous year's Annual VET Plan) and the Commonwealth Minister concurs in that approval on the basis that the VET Plan is satisfactory in respect of the requirements in paragraph 25 for an Innovation Strategy, in paragraph 32 for additional State-sourced funding and in paragraph 33 for planned growth in activity, including in New Apprentices in-training. The Annual VET Plan must include a commitment by the State/Territory to achieve an increase in the number of New Apprentices in-training at least equal to the State/Territory's per capita share of 20,000 by 30 June 2002 over the base of the estimated number of New Apprentices in-training at

30 June 2000 as published by the National Centre for Vocational Education Research in September 2000. A State/Territory which is unable for reasons beyond its control to achieve the specified level of growth in New Apprentices in-training may continue to receive its share of the additional Commonwealth funding referred to in paragraph 31 if it achieves a substantial part of that growth and also demonstrates provision of additional VET places to support innovation amounting in total to an equivalent effort. Where a State/Territory has not been able to achieve growth in New Apprentices in-training in a particular year, but has met some of the conditions detailed in paragraph 33, the Australian Government Minister may in his discretion pay that State/Territory a proportion or their entire share of growth funding in respect of that year. States and Territories will give high priority to achieving further increases in the number of New Apprentices in-training over the life of this Agreement.

34. State/Territory VET Plans for 2001 that have already been approved by the Ministerial Council will be subject to this requirement and will be revised and resubmitted for approval by the Ministerial Council accordingly. State/Territory VET Plans for 2004 will need to be revised and submitted for approval by the Ministerial Council.

35. Commonwealth funds will be released to a State/Territory on the advice of MINCO following MINCO consideration of and agreement to the State/Territory Annual VET Plan in accordance with paragraphs 33 and 34 and ANTA's report on satisfactory State/Territory participation in the accountability arrangements relating to the Annual National Report as set out in paragraph 27.

36. The Commonwealth may make available to the States and Territories, through ANTA, funding over and above that referred to in paragraph 31 as part of the *Australians Working Together — Helping People to Move Forward* package. Such funding will be used for VET activity additional to that covered by paragraphs 31 and 32 and this additional activity will be reflected in State/Territory Annual VET Plans and accountability arrangements relating to the Annual National Report. Specific accountability arrangements for the component of funding for people with a disability relating to improvements over time in participation and outcomes will be agreed by MINCO. In 2004, *Australians Working Together* funding under this Agreement will be \$12.665 million, including indexation.



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