New Enterprise/Industry Participation Model
for Vocational Education in Victoria

1 November 2011
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Executive summary

This document summarises the main findings and recommendations of a 10-week review of industry and enterprise engagement in Victoria's vocational education and training (VET) system to improve alignment between VET outcomes and industry needs, and specifically to:

- Review the existing VET system architecture for enabling the participation and contribution of enterprises and industry organisations to ensure the provision of responsive vocational education that meets labour market needs; and
- Identify strategies to increase the level of enterprise and industry participation and contribution to vocational education.

The review, undertaken by Boston Consulting Group (BCG) in conjunction with Skills Victoria, included wide consultation with stakeholders including enterprises, industry associations and unions, State and Federal Governments, TAFE institutes and private registered training organisations, the Victorian Skills Commission (VSC) and Industry Training Advisory Bodies (ITABs). While the conclusions and recommendations in this report are ours, we gratefully acknowledge the time, effort and expertise contributed by these stakeholders.

The review found that, despite some recent and proposed changes to the system architecture for industry and enterprise engagement with Victoria's move to a more market based (uncapped entitlement) training system, there is a clear case for more fundamental change. In particular, the review noted the need for a more flexible, responsive system architecture that could identify and address strategic issues and target resources into highest priority areas, as well as help drive the culture change needed for enterprises and industry bodies to engage directly with the training market. We also noted the need to improve and expand the training information and navigation provided, so that enterprises and students can make more informed decisions on training and to foster the development of a more competitive training market that meets Victoria's needs.

Overall, the review recommended:

- Overhauling the VET system architecture for industry engagement to replace the VSC and ITABs with a Chief Skills Officer (CSO) to provide a more focused and responsive approach that moves away from industry representation as a guiding principle to support direct industry and enterprise engagement to achieve labour market objectives;
- Adopting a range of contracting and other mechanisms to ensure that Government continues to capture strategic industry intelligence and industry continues to provide technical input into the VET system (e.g. working with Industry Skills Councils in the design of training packages); and
- Supporting the development of a comprehensive suite of information and navigation channels that will support direct engagement by industry and enterprises to shape delivery of training, assist enterprises to make more informed decisions when purchasing training or hiring VET system graduates, and enable students to make more informed decisions about their course selection, which will in turn support the VET system to deliver outcomes that meet labour market needs.

We expect the system architecture recommendations to be deliverable within the existing funding allocations, with a small, one-off, implementation cost. Additional costs associated with the CSO's office and changes to Skills Victoria's role, including going to market for some data requirements, could be funded out of budgets currently used for the VSC and ITABs. For the information and navigation recommendations, we understand that funding has been allocated for those initiatives already included in
Skills Victoria's *Client information and engagement strategy*, principally the public VET register and complementary support. Our recommendations on communicating training provider quality are designed to increase the transparency of existing information in the marketplace, and involve little additional cost and effort. Where a small additional cost is involved, we expect it to be covered in the existing budget. More detailed costings are in development, along with full implementation plans.

The recommended changes to the architecture involve some risks to be managed, especially through the transition phase. In particular, the choice of CSO and the structuring of the CSO role will be critical to ensure that it provides a credible, effective voice for industry in the VET sector, and the transition away from ITABs will need to be carefully managed to minimise any loss of knowledge and function.
1 Introduction

The Vocational Education and Training (VET) system supports the development of the labour force skills base needed by enterprises to grow and compete. The more responsive to industry\(^1\) needs the VET system is, the better the training outcomes delivered for enterprises, the more skilled the workforce, and the more productive the economy.

In 2009 the Victorian Government moved to a contestable vocational education and training (VET) market (including an uncapped entitlement for all eligible Victorians) with a view to broadening and deepening the skill profile of the Victorian workforce and improving social and economic participation.\(^2\) Very early indications are positive, with significant growth in training delivered, primarily through an increase in government-funded training enrolments with private registered training organisations (private RTOs), and no compelling evidence of a decline in standards.\(^3\)

At the same time, the recent introduction of a national regulator—the Australian Skills Quality Authority (ASQA)—the shift nationally of foundation skills alongside other training packages, and the move to harmonise regulatory arrangements for licensed trades are deepening national roles in what have historically been state-based VET arrangements.

Together, these changes (illustrated in Exhibit 1) demand a shift in the way industry and enterprises interface with the VET system.

Exhibit 1: Evolution of the VET system

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan and purchase model for government-funded training with volume and mix determined through contracts with providers</td>
<td>Entitlement-based market model for government-funded training with volume and mix determined by student and enterprise decisions</td>
</tr>
<tr>
<td>Limited number of government-supported training places available for enterprises</td>
<td>Enterprises as direct purchasers of Government-funded training in the market (for eligible employees)</td>
</tr>
<tr>
<td>Architecture for industry engagement supports alignment between training outcomes and skills needs by influencing government training contracts</td>
<td>Architecture supports alignment by encouraging direct engagement in the market while providing mechanisms to identify and address training market challenges</td>
</tr>
<tr>
<td>State-based training systems operating in a national framework</td>
<td>A stronger national role across training packages, regulation, harmonisation of licensing</td>
</tr>
</tbody>
</table>

\(^1\) Throughout this report, we use 'industry' to refer to both employers and employees
\(^2\) See Appendix 3: Summary of changes with the introduction of the Victorian Training Guarantee (VTG)
\(^3\) For an overview of the impact of the changes so far, see the Victorian Training Market Quarterly Report Q2 and Q3 2011
The entitlement-led, contestable training market in Victoria has been designed to ensure client choices direct Government funding and ultimately influence the products and services that are offered by training providers. Training providers will need to respond to employer and student needs to remain competitive. These market conditions provide and encourage direct relationships between training providers and employers.

The primary function of any industry engagement architecture is to improve alignment between training outcomes and the skill requirements of Victorian businesses. Prior to the introduction of the contestable training market, this could be achieved through influencing the mix of Government funded training contracted with TAFEs and a limited number of private RTOs. With the introduction of the contestable training market the primary feature of the architecture needs to be informed, direct engagement between employers and training providers operating in the market.

Early results suggest that the Victorian training market is broadly meeting the needs of Victorian businesses, with more training occurring across most occupational groups including in areas of need. The Victorian Training Market Quarterly Report, Q3 2011 shows that the vast majority of training is in areas of importance to the Victorian economy. Government-subsidised enrolments in courses related to occupations that are either specialised or in shortage were 20 per cent higher at the end of September 2011 than they were at the same time in 2010. Enrolments in courses relating to occupations that are defined as both specialised and in shortage have grown 14 per cent. This growth includes, but is not limited to, significant increases in enrolments in courses related to health and welfare workers and managers, plumbers and gasfitters, nursing and construction engineering. However, despite these early indicators of success, there is room for greater alignment between the training delivered and the needs of Victorian labour market, and for improving the efficiency and effectiveness of the market overall.

Accurate, timely, comprehensive and readily accessible information is also an important market enabler. Informed participants in the training market, whether they are individuals, employers or providers, will drive market competitiveness, responsiveness and quality. The availability of information needed to support informed decision-making will be critical to in supporting and efficient and effective training market.

1.1 Review objectives and scope

The Boston Consulting Group (BCG) was commissioned to review the model for industry and enterprise engagement to improve alignment between VET outcomes and industry needs, and specifically to:

- Review the existing VET system architecture for enabling the participation and contribution of enterprises and industry organisations to ensure the provision of responsive vocational education that meets labour market needs; and
- Identify strategies to increase the level of enterprise and industry participation and contribution to vocational education.

The scope of the review did not include a range of issues that are equally important to the operation of the VET system, including pricing and competition in the market, and the broader social and community-building objectives of the VET system. The Essential Services Commission is conducting a parallel review that addresses funding (including student eligibility) and fee structures.

Over the 10-week duration of the engagement, BCG consulted with stakeholders including enterprises, industry associations and unions, State and Federal Governments, TAFE institutes and private RTOs, the Victorian Skills Commission (VSC) and Industry Training Advisory Bodies (ITABs). This consultation

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4 This compares to a 30 per cent increase in enrolments for all occupational specific training.
included seven workshops and more than 60 interviews. The project team also examined previous reviews of Victoria's VET system and models for industry and enterprise engagement in other jurisdictions and analogous systems.

2 Enterprise and industry engagement functions

The primary objective of industry engagement in the VET system is to ensure that training meets industry and enterprise skills needs—that is, that training delivers a sufficient number of skilled graduates in areas of demand, and that those skills are acquired at the appropriate level of competence.

Enterprises engage in the training market as purchasers of training for their employees, hirers of trained graduates and system influencers. The more direct, active and informed such engagement is, the more responsive the VET system is to industry and enterprise needs.

While the Victorian training market broadly appears to be meeting the skills needs of Victorian businesses (see Section 1), this is not the case for all enterprises in all circumstances. Our consultation highlighted a range of reasons why enterprises may not engage in the training market and the training market may not deliver on industry skills needs:

- Employers do not understand, or are not convinced of the benefits of investing in the skills development of their workforce;
- Employers do not understand the system or do not have ready access to clear, comprehensible and reliable information on training market options and outcomes, including the quality of courses and providers, to support informed decision;
- Employers are unable to or unclear how to access training tailored to their needs from an appropriate provider;
- Market responses provide insufficient incentive for providers to deliver the specific training courses required in a way that meets client needs;
- Employers are discouraged from engaging in the training market following a poor experience with a provider or a VET graduate they employ (or the perceived poor experiences of others);
- The career and training decisions made by individuals do not match the employment opportunities, particularly in areas of critical skills shortages (whether through personal preference, availability of suitable courses, or a poor understanding of career options and employment prospects); or
- The training market does not keep pace with changing needs of industry, particularly where there are long lead times for training.

The architecture for industry engagement in Victoria’s VET system must encourage and support individuals and enterprises to signal their needs, satisfaction and dissatisfaction through direct engagement with the market, as well as provide them with avenues for input into the shaping and oversight of the managed market, and policies and initiatives to address sub-optimal market responses.

To better match training market outcomes with industry skills needs, the architecture for industry and enterprise engagement must provide:

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5 See Appendix 1: Stakeholder Consultation
6 See Selected bibliography
7 Individual students also seek training on their own behalf
8 Enterprises may also use mechanisms outside the training market to meet their skills needs—such as importing skilled workers from interstate or overseas. They may also struggle to fill skills gaps for reasons that are not directly related to the training market—for example, where employment conditions in a particular occupation are considered unattractive by potential recruits, even where training and employment are available.
• Mechanisms for industry stakeholders (e.g. employers, industry associations and unions) to advise Government on current or potential future training market challenges (areas of sub-optimal training market response related to, for example, thin markets, the impacts of structural adjustment, specialisation, and occupations and skills in shortage);
• Mechanisms for industry stakeholders to champion the skills agenda and the benefits of training, and to address training market opportunities and barriers to engagement either directly or in partnership with Government;
• Support for enterprises to directly engage with and make informed decisions in the market, including through a better understanding of the quality of the training products and services available; and
• Channels for industry stakeholder input into the development and review of training products (training packages).

Exhibit 2 provides more detail in each of these areas.

Exhibit 2: VET system architecture functions to support industry and enterprise engagement

<table>
<thead>
<tr>
<th>Mechanisms for industry stakeholders to advise Government on current and potential future training market challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide an industry perspective on the responsiveness of the training market to meeting industry needs</td>
</tr>
<tr>
<td>Identify industry skills and structural workforce human capital needs</td>
</tr>
<tr>
<td>Provide industry input to Government on training market performance and availability</td>
</tr>
<tr>
<td>Exhibit 2: VET system architecture functions to support industry and enterprise engagement</td>
</tr>
<tr>
<td>Mechanisms for industry to champion the skills agenda and address training market opportunities and barriers</td>
</tr>
<tr>
<td>Promote skills development through workplace training and strategic workforce planning and development activities</td>
</tr>
<tr>
<td>Promote direct engagement between enterprises, industry and providers to address training supply and demand mismatches</td>
</tr>
<tr>
<td>Enhance industry input into addressing training market opportunities and barriers</td>
</tr>
<tr>
<td>Support for enterprises to directly engage and make informed decisions in the training market</td>
</tr>
<tr>
<td>Support enterprises and students to make informed decisions in the market</td>
</tr>
<tr>
<td>Provide training products advice on the suitability of national training packages</td>
</tr>
<tr>
<td>Provide training products advice on state-specific training curriculum</td>
</tr>
<tr>
<td>Support enterprises and industry in identifying and improving the quality of training delivered</td>
</tr>
<tr>
<td>Support enterprises and students to make informed decisions in the market</td>
</tr>
<tr>
<td>Provide training products advice on the suitability of state-specific training packages</td>
</tr>
<tr>
<td>Channels for industry stakeholder input into the review and development of training products</td>
</tr>
<tr>
<td>Exhibit 2: VET system architecture functions to support industry and enterprise engagement</td>
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</tbody>
</table>

In addition, the requirements and characteristics of the Victorian training market will and should vary across regions, reflecting variations in labour market, economic and social conditions. The architecture for industry and enterprise engagement must have the capacity to provide channels that capture market and industry intelligence across industries and regions, and have the capacity to balance and make meaning of diverse views.

This report focuses on two means to support active, direct industry and enterprise engagement with the VET system: the system architecture (formal structures) for industry and enterprise engagement, and the information and navigation resources needed to enable informed decision-making in the training market.
3 VET system architecture

3.1 Today’s architecture for industry engagement

At present, the formal industry engagement arrangements for VET in Victoria primarily comprise the Victorian Skills Commission (VSC) and Industry Training Advisory Bodies (ITABs). Both were established when Government played a planning and purchasing role in the VET system.

The VSC has an industry leadership role for the training system, as defined in the Education and Training Reform Act 2006, which includes legislative responsibilities as the fund holder for Government training funds and in the regulation of apprenticeships and traineeships. It also maintains a relationship with Skills Australia to support alignment with national training priorities.

With the transition to a training market, many of the VSC’s functions (in particular around planning and purchasing) are no longer essential for the operation of the VET market. Other functions have in practice been delegated to Skills Victoria, or have shifted to the national level. The apprenticeship regulation function is under review. The VSC has now been charged with overseeing the effectiveness of the training market in responding to the skills requirements of Victorian industry, and advising Government on responses to market failures and the optimisation of the VET market.

ITABs provide advice on industry skills needs and other technical inputs; promote the benefits of training to industry; and liaise with Industry Skills Councils (ISCs) under legislative and contractual provisions. The bipartisan nature of ITABs, which include both employer and employee representation, brings together sometimes disparate stakeholder views at arm’s length from Government.

The ITABs’ structure and key functions are largely unchanged since the transition to the market-based system, although performance contracts have been modified to reflect some changes in focus. The VSC recently reviewed ITAB arrangements, with consultancy advice from escalier and The Nous Group. The review recommended changes to ITAB functions and composition but stopped short of recommending changes to their legislative status as proposed by The Nous Group.

3.2 The case for change

Despite the recent and proposed changes to the VSC and ITABs, examination of the existing VET system architecture for industry engagement reveals a clear case for more fundamental change to fulfil the functions required in Victoria’s new training market, as laid out in Exhibit 2, above.

The VSC’s primary function is to provide enterprise and industry input into the VET system. In the new market-based system, the priority is to identify and bring to Government attention strategic skills issues (which may be cross-sectoral or regional in nature), specific challenges for industry and instances of market failure. However, even with its role recast to provide oversight of the training market, the VSC’s scope, composition and dependence on Skills Victoria for resources limit its capacity and capability to provide the input required. It comprises a mix of industry, union and enterprise-based (or formerly enterprise-based) individuals who bring an informed industry perspective on VET market performance, but it is not constituted or resourced to provide strategic advice or to effectively synthesize labour market information.

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9 See Appendix 4: VSC and ITAB functions
Many industry stakeholders we consulted commented on the importance of a system that provided strong channels for industry stakeholders to voice their views and provide advice to Government. However, few appear to understand the role of the VSC and many do not believe it can effectively capture industry input, or provide a credible industry voice in the system.

With a part-time board and no staff of its own, the VSC relies on Skills Victoria for practical support. Its ability to provide an independent industry voice (in theory a core function) is limited because it draws primarily on the same sources of market intelligence as Skills Victoria and is typically required to provide commentary on work produced by Skills Victoria. In addition, its limited resources constrain opportunities for direct industry consultation.

In addition, the VSC does not—as a core function—bring market participants together to address training market opportunities and barriers although it does convene industry-based taskforces to provide input on specific issues. And it does not play an active role supporting or promoting industry to engage with and directly influence the market.

The challenges for ITABs are somewhat similar to those described for the VSC.

ITABs are contracted by Government to provide to support data collection on skills needs, information sharing, demand stimulation, the facilitation of training solutions, and to provide advice on strategic issues and training products. As some of their functions have moved nationally or changed with the move to an uncapped entitlement system, their areas of focus have shifted towards demand stimulation and facilitation.

Stakeholder consultation for this review indicates significant variability in the quality of the inputs ITABs provide to Government, including on training package development and maintenance, and the identification of critical occupations. Some stakeholders also question the effectiveness of their demand stimulation activities. Efforts have been made to increase the ITABs’ effectiveness and relevance in the new training market, including through variations in performance agreements and role descriptions, although opportunities remain to further clarify priorities among their contracted functions. The results of the improvement efforts have been mixed, with some ITABs adapting their approach to become less consultative and more facilitative, but with quality gaps still evident for others. In some cases the system has adapted to work well despite the absence of good quality input.

All ITABs are bipartite (i.e. with both employer and employee representation), as are the ISCs at the national level. Many stakeholders consider this to be a strength. However, the on-the-ground structural and governance arrangements vary, with some ITABs closely aligned with industry associations and/or unions, while others are more independent. According to stakeholders, some ITABs' engagement and consultation activities are valued by enterprises and industry, while others generally reach enterprises and associations that are well connected and able to represent themselves, or that are seen as unrepresentative of the wider industry.

With—typically—one or two paid staff and Government-funded budgets ranging from $370,000 to $16,000 (reflecting the number of training packages and industry size), it is undeniably challenging for ITABs to fulfil all their functions—particularly as they are expected to maintain knowledge across multiple occupations (in several cases, more than 100) and training packages. ITABs are often supported by additional contributions in kind by individuals, enterprises, industry associations and unions, and some stakeholders commented on what ITABs managed to deliver given the limited resources. While increasing ITAB resourcing could improve their performance, it is questionable whether this could overcome their structural limitations and whether it would be the most effective way to deploy limited resources.

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10 See appendix 4 for further information
As the primary mechanism for gathering and channelling industry input, ITABs are valued for and limited by their occupation- or sector-specific views. At a broad level, the industry based structures provide a useful mechanism for identifying and addressing sector-specific (or occupation specific) needs in Victoria, but, by their nature are not always well positioned to identify and address regional challenges or respond to trends that may cross-occupational boundaries.

Several ITABs told us they are unable to engage effectively with the regions, though some have been successful in tapping into local industry networks. In addition, several stakeholders believe it is difficult for industry-focused ITABs focused on current needs and priorities to identify critical emerging issues (although there are examples when they have successfully done so), or to work effectively to address them, particularly if their impacts are likely to cross industry boundaries. Even with additional resources, ITABs are not well placed to address these needs. There are no alternative mechanisms in the current formal architecture to address regional issues or to readily identify challenges over the horizon, especially where they are cross-sectoral.

The particular industry and occupational groupings within ITABs reflect historical industry priorities rather than emerging industry needs and do not necessarily align with national arrangements. There is an opportunity to realign the current arrangements to better reflect Victorian priorities and align more closely with the national arrangements. However, the challenges outlined above would remain.

Overall, stakeholder consultations reveal diverse views on the VET system architecture for industry engagement, but the weight of opinion supports the need for fundamental change to better support the training market [Exhibit 3].

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11 We note that some stakeholders see value in having differing arrangements in Victoria, where national arrangements are believed to be inappropriate.

12 This is consistent with the recommendations made by the VSC following their review of ITAB arrangements to realign industry coverage by the ITABs.
3.3 Architecture options and recommendations

In determining the nature of the industry engagement architecture that will best meet the needs of Victoria’s training market, the guiding principle should not be industry representation, as is the case today, but direct, active industry and enterprise engagement to ensure that the market delivers against labour market needs. The architecture should therefore:

- **Be market-focused**, to encourage direct enterprise engagement in the market to address training needs rather than looking for a Government response to issues as they arise, and to require minimal, transparent Government intervention in the operation of the market, to allow it to mature, operate and self-correct;
- Provide a mechanism for industry stakeholders to provide input to Government on training issues that is seen as legitimate and credible;
- **Be efficient**, in strengthening market mechanisms and advisory channels in a way that is simple and cost-effective for both Government and industry, and avoids duplicating functions that can be effectively delivered through Government departments; and
- **Be responsive**, so that it is able to adapt to the maturing VET market across a broad range of sectors, occupations and regions.
Given a strong case for change, we do not believe maintaining the status quo is an option. We therefore considered:

1. Adapting the existing architecture, including by providing the VSC with greater independence and more resources; restructuring the ITABs and providing more resources and/or more tightly defined roles; and strengthening the relationships between the VSC and ITABs;
2. Strengthening and leveraging direct industry engagement by Government, led by the Minister, as a replacement for the VSC and the ITABs; or
3. Replacing the VSC and the ITABs with a single, flexible body, in this case a Chief Skills Officer (CSO) who champions direct engagement between enterprises and the training market, and provides a mechanism for industry leadership and independent industry voice to Government.

Exhibit 4 lays out these options and describes, at a high level, their relative strengths and weaknesses.

<table>
<thead>
<tr>
<th>Option 1: Adapt the existing architecture</th>
<th>Option 2: Government Architecture led by Minister</th>
<th>Option 3: Replacing VSC and ITABs with a CSO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td><strong>Government Architecture</strong></td>
<td><strong>Replacing VSC and ITABs with a CSO</strong></td>
</tr>
<tr>
<td>- More resources</td>
<td>- Industry leaders participate in Premier’s</td>
<td>- Single flexible body (CSO), separate</td>
</tr>
<tr>
<td>- Increased independence for VSC</td>
<td>accountable Consultative Committee chaired</td>
<td>from SV</td>
</tr>
<tr>
<td>- Redefined role for ITABs</td>
<td>by the Minister and chaired by the Minister</td>
<td></td>
</tr>
<tr>
<td>- Reduced number of ITABs</td>
<td>on the invitation of the Minister</td>
<td></td>
</tr>
<tr>
<td>- Strengthened relationships</td>
<td>- SV plays a strong role in information</td>
<td></td>
</tr>
<tr>
<td>between VSC and ITABs</td>
<td>and navigation, market analysis and direct</td>
<td></td>
</tr>
<tr>
<td></td>
<td>client engagement</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Challenges</strong></th>
<th><strong>Challenges</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal change, builds on what we have</td>
<td>Simple and efficient, closer SV</td>
<td>Challenges to ensure clear role</td>
</tr>
<tr>
<td></td>
<td>relationships with industry stakeholders</td>
<td>definition and avoid duplication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Clear differentiation of CSO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>status, mechanisms for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>constructive engagement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Dependence on right candidate</td>
</tr>
</tbody>
</table>

Each of these options could deliver—to a greater or lesser extent—the required industry and enterprise engagement functions outlined in Section 2 in different ways [Exhibit 5]. Each makes a different trade-off in relation to the mix of investment between standing bodies and functions, the value of representation, the role of the Department, and the value of industry leadership outside of the Department. Some elements, particularly in support of functions 3 and 4, would be common across 2 or all of the options.
Exhibit 5: Deliver of required industry and enterprise engagement functions under each options

<table>
<thead>
<tr>
<th>Functions</th>
<th>Option 1: Adapt the existing architecture</th>
<th>Option 2: Government architecture led by Minister</th>
<th>Option 3: Replacing VSC and ITABs with a CSO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reconstituted Commission supported by advisory panel &amp; reformed ITABs, supported by SV monitoring and analysis</td>
<td>Strengthened intelligence gathering &amp; analysis (across industry and region), supported by expert technical panel</td>
<td>CSO, in consultation with industry (across industry, region)</td>
</tr>
<tr>
<td>Mechanisms for industry stakeholders to advise Government on current and potential future training market opportunities and challenges</td>
<td>Reconstituted Commission supported by Advisory Panel; reformed ITABs</td>
<td>Minister chairs Industry Skills Consultative Committee (ISC), direct consultation by SV</td>
<td>CSO, in consultation with industry (across industry, region etc)</td>
</tr>
<tr>
<td></td>
<td>SV Market Facilitation &amp; reformed ITABs.</td>
<td>SV Market Facilitation (across industry, region)</td>
<td>SV to go to market for required data plus strengthened cross government arrangements</td>
</tr>
<tr>
<td></td>
<td>ITABs</td>
<td>Strengthened cross government &amp; MF intelligence gathering supported by expert panel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SV Market Facilitation</td>
<td></td>
<td>CSO</td>
</tr>
<tr>
<td>Mechanisms for industry to champion the skills agenda and address training market opportunities and barriers</td>
<td>Reconstituted Commission supported by advisory panel and Secretariat</td>
<td>Minister Chairs ISCC</td>
<td>CSO</td>
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<tr>
<td></td>
<td>SV Market Facilitation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SV Market Facilitation</td>
<td>SV Market Facilitation (RTOs to lead)</td>
<td>CSO to promote skills development, supported by SV Market Facilitation, ISCs</td>
</tr>
<tr>
<td></td>
<td>Reconstituted Commission (through taskforces) and reformed ITABs</td>
<td>Taskforces led by industry at the invitation of the Minister, managed by SV</td>
<td>CSO, through taskforces</td>
</tr>
<tr>
<td>Support for enterprises to engage directly and make informed decisions in the VET market</td>
<td>SV through Training Market Client Information and Engagement Strategy (e.g. VET register, phone line)</td>
<td>SV through Training Market Client Information and Engagement Strategy (e.g. VET register, phone line)</td>
<td>SV through Training Market Client Information and Engagement Strategy (e.g. VET register, phone line)</td>
</tr>
<tr>
<td></td>
<td>Support enterprise/industry to identify and improve the quality of training delivered</td>
<td>Government mandates the publication of RTO performance indicators</td>
<td>Government mandates the publication of RTO performance indicators + e-marketplace</td>
</tr>
<tr>
<td></td>
<td>Provide additional navigation support where appropriate</td>
<td>Through SV Market Facilitation on a regional basis &amp; ITABs</td>
<td>Through SV Market Facilitation on a regional basis</td>
</tr>
<tr>
<td></td>
<td>Reconstituted ITABS &amp; CMMs continue</td>
<td>CMMs continue</td>
<td>CMMs</td>
</tr>
<tr>
<td>Channels for industry stakeholders to provide input into the review and development of training products</td>
<td>ISCs consult Industry &amp; ITABs in Victoria</td>
<td>Industry and unions provide direct input to national ISCs</td>
<td>Industry and unions provide direct input to national ISCs</td>
</tr>
<tr>
<td></td>
<td>Reformed ITABS</td>
<td>CMMs</td>
<td>CMMs</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**KEY**
- Commonality shared by all 3 options
- Commonality by option 1 and option 3
- Commonality by option 2 and option 3
In assessing options for change, we were mindful of the need to retain or otherwise provide for current good practices and aspects of the system architecture that are working well. These include the taskforces that sit under the VSC to address industry skills issues; the standardised ITAB input into Skills Victoria's skills needs reporting and analysis; and the bringing together of industry and union perspectives through the bipartite ITAB Boards.

In examining the options available to Victoria, we looked to other jurisdictions to understand whether lessons could be drawn from their experience. However, no other Australian state provides a direct comparison, given Victoria has led the nation in moving to a contestable training market. Internationally, VET system architectures vary significantly, suggesting the need to tailor the architecture to the nature and needs of the each system.13

The options for the system architecture for industry and enterprise engagement are discussed in more detail below.

3.3.1 Option 1: Adapt the existing architecture

The existing architecture could be modified in various ways to address its current limitations. The VSC could be provided with additional resources or support separate from Skills Victoria to enhance its independence, and/or reconvened with some dedicated Commissioners to enhance its capacity to act. The ITABs could be restructured to reduce their number and better align to national structures and current industry priorities. The roles of the ITABs could also be refined to better reflect the needs of the market system.

The advantage of this option is that it aligns most closely with the current arrangements, building on their existing strengths and minimising change for stakeholders.

However, this conservatism is also a weakness. It will be difficult to deliver the cultural and operational change needed in the confines of the existing architecture. On balance, we believe modifying it will be insufficient to support the effective operation of the VET market:

- The current architecture was not designed to be market-focused—in other words, to support industry to respond to evolving skills challenges and opportunities through industry-led solutions that leverage the market. A substantial culture change is required to shift the way industry and enterprises view their role in engaging with and influencing the VET system. This will be best achieved by a more fundamental shift and opening up of the architecture, rather than attempts to reposition the structures that now act as intermediaries between industry, the market and Government.

- It would be difficult to make the current architecture efficient, while at the same time addressing the challenges outlined. Additional resources would be required to support increased independence for the VSC, but opportunities to offset those costs in other areas are limited. Reducing number of ITABs would provide some streamlining, but they would continue to be funded as standing bodies, with limited flexibility to deploy resources to provide strategic support to industries as needed. While the ITABs’ efforts could potentially be narrowed to a smaller set of more specific technical requirements, the fixed costs would largely remain.

- The current architecture is not responsive—it lacks the flexibility to adapt to the training market as it evolves. While there are opportunities to realign the ITAB structures to better align with current industry priorities and national structures, these fixed structures are less able to respond to emerging needs as they evolve, particularly where they fall across industries.14 In addition, although regional industry issues are considered to be within the ITABs’ scope of work, in practice they are limited in their reach and resources. While VSC taskforces have been effective in addressing certain strategic

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13 See Appendix 6: Overview of VET industry engagement architecture models in other jurisdictions
14 This could also be said of the ISC at the national level.
issues, it is challenging to identify the priority strategic issues that the market cannot resolve itself (for example, cross-industry, regional or emerging industry challenges).

3.3.2 Option 2: Government architecture led by the Minister for Higher Education and Skills

At the other end of the spectrum, we considered whether the formal architecture external to Government could be replaced by an architecture that leverages and strengthens existing Government engagement processes with stakeholders across Government Departments and in the regions.

While Victoria's more market-based system requires direct enterprise engagement in the training market, some formal mechanisms are needed to provide industry with an effective voice in the shaping and oversight of what remains a managed market, so that it continues to meet the needs of employers and employees. At present, Government departments can and do engage with enterprises and industry bodies to inform policy development and support the effective operation of the VET system.

Option 2 would build on this existing engagement architecture and provide a mechanism for senior industry and business leaders to engage directly with the Minister for Higher Education and Skills. This arrangement would include industry and enterprise participation in and leadership of taskforces, as well as the direct provision of industry advice to the Minister on workforce and related skills and training issues. To be effective, it would require the strengthening of existing industry advisory arrangements convened directly by Government departments.

Under Option 2:

- The Minister for Higher Education and Skills would chair a bi-annual Industry Skills Consultative Committee, providing senior business and industry representatives with a regular forum to share views on current and emerging productivity and associated workforce and skills challenges and opportunities. The committee would provide Government with a forum to consult on national skills and training policy directions and reforms. Direct consultation with industry leaders would provide the Minister with advice that is independent from the Department;
- To ensure the highest calibre industry leaders, the Committee might also be convened as a Premier’s Roundtable to provide input into the Government’s productivity agenda, particularly in relation to skills—in doing so, it would build the profile of the skills debate;
- The Minister would invite industry members to convene and chair taskforces on his or her behalf to provide input and advice on specific policy or training system challenges that address the needs and concerns of industry, sectors, regions or critical occupations;
- The Department would continue to deploy and reprioritise existing resources to improve information and navigation (Public Register and e-market place), provide direct channels for industry engagement and advice, strengthen its market analysis capabilities, and increase direct engagement with SMEs across all regions; and
- Industry stakeholders would be encouraged to engage directly with national Industry Skills Councils to provide input into the development and review of training packages.

A Government-led architecture would be simple and efficient, encouraging closer relationships between the Department and industry stakeholders, with direct engagement with the Minister the pre-eminent consultation channel. The Minister would seek industry leadership from members of the Industry Skills Consultative Committee to promote the use of training and address training market challenges.

However, if all industry and enterprise engagement functions were managed by the Department, the risk is that a genuine role for industry leadership in the system will be lost, or will be perceived to be lost. While an Industry Skills Consultative Committee chaired by the Minister would provide an opportunity for direct
input and engagement with the Minister for a group of key industry and business leaders, most other interactions would be through direct engagement with the Department. Some stakeholders we spoke to were concerned about the ability of Departmental staff to fully understand industry perspectives and provide a credible channel for industry advice.

While this is not our preferred option, we recognise it is a credible option for Government. Further details on a potential Industry Skills Consultative Committee are provided in appendix 7.

In our view, however, there is value in delivering some functions through structures that are outside Government departments, provided they are cost-effective, flexible and fit for purpose. From industry's perspective such structures provide a voice and channel to capture, aggregate, synthesise and translate industry input into the system that is independent from existing Government priorities and programs, and visible and credible to industry stakeholders.

From Government's perspective such a structure has the potential to be more catalytic in supporting change in the sector as it can provide a more credible voice when engaging with enterprises and industry organisations to encourage direct engagement in the training market and collaborate with them to address training issues and challenges.

### 3.3.3 Option 3: Implement a new system architecture for industry/enterprise engagement

We believe a new system architecture is needed, with a more clearly defined purpose and capability for engagement, and the flexibility to obtain input and address strategic issues transparently through a mix of adaptable mechanisms. Its primary functions should be problem solving (rather than providing a channel to influence Government) and providing a forum and mechanisms for industry-led participation in the system. We believe that such a model has the potential to catalyse industry and employer engagement in the VET sector more effectively than the previous two options.

Our proposed new architecture would be centred around a Chief Skills Officer (CSO) who would perform some of the functions of the VSC and the ITABs, alongside a strengthened role for Skills Victoria to provide information in the market, support direct engagement by enterprises and coordinate input across government on skills and training requirements. The VSC and ITABs would not be maintained as statutory bodies and would not receive ongoing Government funding. Some ITABs (particularly those with broader, industry supported roles) might continue to exist with a redefined purpose. While they could seek contract-based funding, they would not have a formal role in the VET system architecture.

This model would retain a central leadership role for industry, separate from the Department through the CSO, while providing greater flexibility to gather input across industries (e.g. by region) and to deploy resources against priority issues.

It will be critical to clearly define the role of the CSO relative to Skills Victoria to avoid duplication or inconsistency. The success of the model is also dependent on attracting the right candidate to the role. These risks and mitigation strategies are discussed in more detail in Section 3.6.

The new system architecture also needs to retain some critical functions that are now delivered by the VSC but are not directly related to enterprise and industry engagement. These functions include:

- Holding Government training funds;
- Regulating apprenticeships and traineeships in Victoria; and
• Monitoring and informing Government on training market issues related to Government's productivity and social development agenda.

We recognise the benefits VSC and ITABs have delivered to Government, to some enterprises and industries, and to some RTOs. A shift to the proposed new architecture would not be without some losses and risks to manage. However, we believe that, on balance, it is better to move to arrangements that are fit-for-purpose in the new market environment, as described below.

3.4 Recommendation details

We propose an industry engagement architecture with the following elements [Exhibit 6]:
• An independent Chief Skills Officer (CSO) with a small secretariat;
• A structured process of consultation through the CSO-organised industry forums to seek enterprise inputs;
• Direct engagement and partnership between RTOs and enterprises or industry bodies to be championed by the CSO; and
• Ad hoc taskforces that are convened by the CSO to address specific issues of strategic importance where these cannot be addressed by other mechanisms.

In addition we note the need for the following complementary activities and responsibilities:
• Industry Skills Council (ISC) responsibility for training package development and maintenance, with any additional, Victorian-specific input managed by Skills Victoria as required;
• Skills Victoria to strengthen cross government input on workforce and skill needs and go to the market for data requirement for its own needs;
• Ongoing existing navigation support for enterprises (particularly small and medium) where needed (through Regional Market Facilitation Managers); and
• Additional actions to support information and navigation of students and enterprises, as described in Section 4.
Exhibit 7 outlines how each of the industry and enterprise functions described in Exhibit 2, Section 2, would be delivered under the proposed architecture. The proposed architecture aims to be both flexible and efficient, providing the connections and information that industries need to resolve their own problems where possible, while enabling targeted support where necessary.
### Exhibit 7: Proposed allocation of industry and enterprise engagement functions within the current and proposed architecture

<table>
<thead>
<tr>
<th>Mechanisms for industry stakeholders to advise Government on current and potential future training market challenges</th>
<th>Current Architecture</th>
<th>Proposed Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide an industry perspective on the responsiveness of the training market in meeting industry needs</td>
<td>VSC, with input from ITABs by industry group</td>
<td>CSO, in consultation with industry (across industry, region etc)</td>
</tr>
<tr>
<td>• Provide a channel for high-level industry input to Government, to inform ongoing training policy formation and evaluation</td>
<td>VSC, with input from ITABs by industry group</td>
<td>CSO, in consultation with industry (across industry, region etc)</td>
</tr>
<tr>
<td>• Identify industry skills and structural workforce horizon issues</td>
<td>VSC, with input from ITABs; in practice, challenging for ITABs</td>
<td>CSO, in consultation with industry (across industry, region etc)</td>
</tr>
<tr>
<td>• Provide any required industry input to identify and monitor occupations in demand</td>
<td>ITABs through the SV commissioned Skills Needs Report</td>
<td>SV to go to market for required data</td>
</tr>
<tr>
<td>• Provide Victorian industry representation on these issues, where appropriate, at the national level</td>
<td>VSC</td>
<td>CSO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mechanisms for industry to champion the skills agenda and address training market opportunities and barriers</th>
<th>Current Architecture</th>
<th>Proposed Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Promote skills development through accredited training and strategic workforce planning and development practices</td>
<td>ITABs to varying degrees, ISCs to some extent and specific government programs, including the National Workforce Development Fund</td>
<td>Explicit role for CSO to promote skills development in interactions with industry, supported by SV and nationally by ISCs and the National Workforce Development Fund</td>
</tr>
<tr>
<td>• Promote direct engagement between enterprises/industry and providers to address training challenges and share best practice examples</td>
<td>Many examples exist, but little opportunity to promote and share best practice</td>
<td>CSO to collect, publish and promote best practice examples</td>
</tr>
<tr>
<td>• Convene industry to collaborate to address major training market opportunities and barriers</td>
<td>VSC, through taskforces</td>
<td>CSO, through taskforces</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support for enterprises to engage directly and make informed decisions in the VET market</th>
<th>Current Architecture</th>
<th>Proposed Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support enterprises and students to make informed decisions in the market</td>
<td>Various sources of scattered information, including ITABs</td>
<td>SV through Training Market Client Information and Engagement Strategy (e.g. VET register, phone line)</td>
</tr>
<tr>
<td>• Support enterprise/industry to identify and improve the quality of training delivered</td>
<td>Very limited information available, some examples of quality ratings systems</td>
<td>Government mandates the publication of RTO performance indicators, support the development of quality evaluations</td>
</tr>
<tr>
<td>• Provide additional navigation support where appropriate</td>
<td>Through SV’s MFMs, and to some extent ITABs</td>
<td>Through SV’s MFMs on a regional basis</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channels for industry stakeholders to provide input into the review and development of training products</th>
<th>Current Architecture</th>
<th>Proposed Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide training products advice: on the suitability of national training packages</td>
<td>Input provided either directly to the ISCs or through ITABs</td>
<td>Input provided directly to the ISCs</td>
</tr>
<tr>
<td>• Provide training products advice: on state specific training curriculum</td>
<td>OMMs, including gathering input from ITABs</td>
<td>OMM role ongoing</td>
</tr>
<tr>
<td>• Provide training products advice: on the implementation of apprenticeships and traineeships (e.g. nominal duration of a contract)</td>
<td>OMMs, including gathering input from ITABs</td>
<td>OMM role ongoing, reduced need for industry input by State with move to national harmonisation</td>
</tr>
</tbody>
</table>
3.4.1 Chief Skills Officer

The Chief Skills Officer (CSO) would be a full-time or close to full-time statutory role reporting to the Minister and providing credible, industry advice, independent from the Department, to Government and leadership for industry in VET.

The responsibilities of the CSO would be to:

- Provide independent, high-level, strategic advice to the Minister to inform training policy formation, informed by industry and enterprise views across Victoria, including early identification of the potential impact of emerging industry trends and changing policy or economic settings on industry skill requirements;
- Provide an independent Victorian industry voice in the national debate, including through the relationship with Skills Australia, and relevant State and Federal Government inquiries;
- Meet regularly with the Department, the Adult, Community and Further Education (ACFE) Board and the national and state regulators to support information sharing and collaboration in areas of mutual interest and provide an industry perspective on matters relating to broader VET system objectives;\(^\text{15}\)
- Work constructively with Skills Victoria to bring the independent industry perspective together with Skills Victoria's broader policy and operational responsibilities to seek mutually supported outcomes wherever possible;
- Be an advocate for the effective functioning of the market, including for industry and enterprises to invest in training and build the capabilities needed to engage directly with the market to meet their skills needs; and
- Identify, from an industry perspective, critical training market opportunities and challenges, and facilitate an effective industry response.

The CSO could be established as:

- A single statutory officer, supported by a small, independent secretariat;
- A single statutory officer, supported by two, possibly part-time, non-statutory deputies; or
- A single statutory officer, backed by an advisory committee.

On balance, our preference would be for a single statutory officer. The role should be focused on critical strategic issues for industry, rather than the broader set of government skills objectives and detailed system oversight that currently sits with the VSC. A single CSO role, with an appropriately structured secretariat for support, would support recruitment of a suitable, high profile candidate.

A larger team, including deputies or a board, would allow the CSO workload to be shared, but this should not be necessary to support the targeted strategic role described, and may diminish the authority and clarity of the CSO's voice. A larger team would also provide for more explicit 'representation' of different interests to the CSO. However, it would remain a challenge even for a large board to represent the full breadth of employer and employee interests across industry sectors and geographies, and, in any case, the focus of the role should be on aggregating intelligence and providing strategic advice and leadership, rather than representing specific interests. Instead, we recommend a single CSO who is required to take a broad

\(^{15}\) The VSC currently provides a forum for such collaboration.
view of industry needs, including directly consulting employer and employee representatives across industry sectors and geographies.

The CSO would be appointed by the Minister after consultation with industry, for a term of three years. Ideally the CSO would have a background in a senior role at an enterprise or industry organisation and some profile within industry. He must have a strategic perspective, and an ability to work credibly with a range of industry stakeholders—including representatives of both employers and employees—across different industries and training issues. The CSO would report to the Minister, including meeting with the Minister bimonthly, as does the VSC Chair, and providing a formal annual report to parliament. The CSO would hold a limited discretionary budget to enable industry consultation, fund priority industry initiatives, hire a small independent staff and maintain an office outside Skills Victoria.

The office of the CSO should aim for transparency, to ensure intelligence is not filtered or captured by any particular interest group and avoid privileging any market participants through participation in consultation, while maintaining some scope for confidential consultation where appropriate (for example, on commercially sensitive material). Information-sharing requirements would need to be agreed with Skills Victoria and would typically result in advice to the Minister being provided to Skills Victoria at the same time.

Above all, the CSO would provide a voice for industry, independent from the Department, to gather industry intelligence that would otherwise be difficult for Government to access, and provide a mechanism for industry dialogue and leadership on training and skills matters. The CSO's office would draw on a range of published information from Government (including, but not limited to, Skills Victoria), ISCs and industry bodies to inform, target and sense-check the intelligence gathered through consultation, and to identify and prioritise the key strategic issues from an industry perspective.

Given the linkages between VET, secondary education and higher education through education pathways and the broader workforce development agenda, consideration should be given to expanding the scope of the CSO role to include some elements of secondary and higher education. A number of stakeholders have highlighted the potential crossover between VET and higher education, especially at the diploma and advanced diploma levels. At the national level, Skills Australia's role spans all post-school education, including both VET and higher education.

Several comparable roles exist in other sectors and jurisdictions. These vary in their degree of independence from Government and their focus on advice versus execution. Examples include the Victorian Small Business Commissioner, the Australian Chief Scientist and the United States Special Advisor for Green Jobs, Enterprise and Innovation.\(^\text{16}\)

The CSO would not:

- Have any specific regulatory or complaint handling functions, which would continue to reside with the VRQA in Victoria or ASQA for RTOs registered nationally, but may refer matters to these bodies as appropriate;
- Have regulatory responsibility for apprenticeships and traineeships;
- Duplicate research or analysis that is undertaken by Skills Victoria or other Government bodies, but draw on this work where appropriate;
- Play a direct role in the development or maintenance of training packages, which would remain the responsibility of the ISCs, with Skills Victoria managing State-specific issues; or
- Play a direct role in market facilitation or brokering training arrangements between enterprises and RTOs—enterprises would access information and support through various Skills Victoria channels,

\(^\text{16}\) See Appendix 8: Analogues to the CSO role
including the website, phone number and the market facilitation managers. However, the CSO would encourage enterprises to engage with the training market through these channels.

The success of the CSO role would be heavily dependent on hiring an individual who is capable, has credibility with industry and is (and is seen to be) independent of Government. The role is not intended to represent all constituencies, but to focus attention on priority strategic issues and be able to identify and bring together relevant constituencies as appropriate to resolve them.

3.4.2 Structured consultation process

The CSO would be expected to consult broadly with representatives of both employers and employees across industries and regions.

The primary mechanism for consultation would be through a series of regular industry forums, facilitated by the CSO’s office, with the CSO to determine their appropriate timing and composition. We expect that over a year, forums should provide for direct engagement between the CSO and a wide range of participants across industries and regions.

Forums should focus on high level strategic issues. The objective would be to identify training issues of significance to industry and facilitate industry-led problem solving where possible, as well as to inform the CSO advice to the Minister. Preference should be for an industry solution (e.g. enterprises coming together to form a critical mass to support the delivery of specialist training, industry groups approaching providers directly to address perceived shortcomings in training offered, or industry developing their own campaigns to attract workers in areas of shortage) before looking to Government for a response.

Forums should have targeted agendas and objectives, and might be tailored around specific topics or participants—for example by industry sector, cross-industry needs, business size, region or specific training challenge or opportunity. Some forums might be limited to senior representatives of enterprises or their peak bodies, others might include broader participation from bodies such as unions and RTOs to support direct problem solving. Technology could be used to make the forums accessible to the widest audience possible, given that employers are typically time-poor and might be unable to attend in person.

Forum outcomes would be made public to encourage transparency in the market and avoid privileging attendees.17 The forums would also identify and test strategic issues that the CSO would communicate to Skills Victoria and that the CSO might decide to play a role in addressing.

To manage the consultation process, the CSO’s office would be required to manage relationships with a range of industry stakeholders, including enterprises, industry associations, unions and RTOs, as well as national and inter-state training bodies. Beyond the regular forums, the CSO may also undertake other activities as relevant, e.g. submissions or surveys, and should be available to industry to raise training

17 The purpose of the forums should be to address strategic issues, rather than broker training solutions for particular enterprises. However, many strategic issues can be effectively addressed through enterprises, industry groups and providers working together in the training market, and industry solutions should be sought before looking for a Government response.
issues where they are not addressed through other channels (the CSO would appropriately refer concerns about training packages to the ISCs, and regulatory matters to the VRQA or ASQA).

3.4.3 Championing of RTO-enterprise engagement and partnerships

The CSO would champion direct engagement and partnerships between RTOs and enterprises or industry bodies. Such partnerships are critical levers in the training market for enterprises or industry bodies to provide feedback on the quality and relevance of training, and to foster continuous improvement to meet their needs. Enterprises in partnerships with RTOs typically achieve improved training outcomes by working with them to deliver, for example, after-hours, on-the-job or online courses, or to incorporate their own equipment or managers in training. Such partnerships require and encourage enterprises to put more effort into workforce planning and development activities so that they can clearly specify their future requirements, and they typically involve regular and rich feedback from enterprises to their partner RTOs about the quality of training being delivered.

AMCA and Box Hill Institute: An example of a successful partnership

Concerned about a growing disconnect between the industry and the VET sector, the Air Conditioning and Mechanical Contractors' Association of Australia (AMCA) approached Box Hill Institute of TAFE to set up a partnership to deliver industry-specific training. Box Hill was selected because it is a leading training provider in the sector. No government agencies or resources were directly engaged.

The partnership aims to address: access to modern training facilities that reflect industry practices, development of high quality, knowledgeable trainers, and development of post-trade training. A memorandum of understanding was established early in the partnership to outline intent and commitment.

The two parties regularly meet in roundtable forums to discuss solutions to training issues. These forums bring key decision makers together from a range of enterprises, including senior managers and owners of SMEs.

All work to date has been self-funded.

ACMA believes the partnership has improved the quality and industry relevance of the training provided, with results to date including the construction of a $34m trade training centre of excellence in Box Hill; the design of two post-trade training programs (with more in the pipeline), and the development of a new teacher release program. The improvements in training quality may also flow on to other RTOs, although some functions will be exclusively delivered by Box Hill.

The parties believe that success has come from a focus on substantial training issues and the ability to bring the right people together to address these issues.

While Government was not involved in the formation or maintenance of the partnership, it has a potential role to play in facilitating the sharing of best practice.

We believe the recommended VET system architecture for industry engagement will encourage these mutually beneficial partnerships to continue to develop in the market without the need for Government intervention. However, the CSO's day-to-day role should include championing good practice and educating
industry by promoting examples of outstanding partnership and the need for effective workforce planning and development to identify skills needs, and by using forums and events to bring potential partners together. In practice this might mean the CSO:

• Collects and publishes (through channels used and valued by enterprises) examples of effective partnerships between RTOs and enterprises or industry groups;
• Collects and publishes case-studies on the productivity impact of training for specific enterprises;\(^\text{18}\)
• Maintains a register of enterprises willing to talk to other enterprises about the value of training delivered; or
• Maintains a register of enterprises interested in directly engaging with RTOs through advisory committees.

3.4.4 Industry taskforces

We expect that industry bodies and enterprises will work together and with other system players (e.g. RTOs) to resolve training market issues as they arise, whether through the CSO's regular forums or by other means. However, the CSO would also take direct action on certain issues that come to his or her attention through market reports or the consultation process. In these cases the CSO might:

• Refer the matter to an existing industry association or regional body;
• Refer the matter to Government to consider a policy response, take action through existing programs or structures (e.g. MFMs), or obtain input from industry on a technical issue; or
• Support industry to develop a response through, for example, targeted co-funded grants from the CSO's limited budget.

Where a matter is strategically important and requires a coordinated industry response that cannot be achieved through the above mechanisms, the CSO might convene an \textit{ad hoc} taskforce to resolve it. This suggests a small number of taskforces and funded responses to address only the most significant issues. We expect the CSO's limited budget to provide an incentive to ensure that each taskforce has a robust business plan and that its work and tenure are regularly reviewed. Any additional budget to fund taskforces or other responses would require alternative funding sources.

The types of matters that it might be appropriate for taskforces to address include emerging, cross-industry and cross-regional considerations, such as green skills, or approaches to ensure employer confidence in training assessment processes.

3.4.5 Input into critical occupations reports for Skills Victoria

In the current architecture, ITABs provide advice on changes and trends in occupations in demand (particularly specialist and in-shortage occupations). ITAB Executive Officers consult with stakeholders (employers and unions) to develop advice that is produced in a standard format and annually endorsed by ITAB Boards. This advice is a primary input into the \textit{Industry Skills Needs Report} and is validated against and integrated with broader macro analysis.

The report provides important input to assist Skills Victoria in its core business activities, though the extent of consultation by ITABs and the quality of their contributions are variable. The activities to which the \textit{Industry Skills Needs Report} contributes include:

\(^\text{18}\) These activities are currently undertaken to some extent by Skills Victoria. Under the proposed model, these responsibilities would be shifted to the CSO, although Skills Victoria staff, particularly the Market Facilitation Managers, may utilise these case studies and examples in their interactions with enterprises.
• Measurement of the extent to which the training market is responding to labour market requirements (particularly specialist and in-shortage occupations);
• Identification of occupations in demand/shortage that are eligible for exemptions;
• Development of regional-specific market profiles;
• Advice on Government policy and research activities (e.g. input into parliamentary inquiries on particular sectors);
• Identification of niche or thin markets for market facilitation responses if required; and
• Information provision for clients on occupations and careers.

Under the proposed architecture, ITABs would no longer exist as permanent statutory bodies to provide input on areas of skills needs. The CSO, through his or her regular consultation process, would be expected to identify major trends and issues likely to have an impact on the training market overall, but not to focus on detailed areas of need at an occupation level.

We recommend that in future Skills Victoria go to the market to secure the services of a provider for specific advice on areas of skills needs at the occupation level across key industry sectors.

Skills Victoria could seek expressions of interest in providing advice in a single bid across all industries, or in providing industry-specific (or potentially region-specific) advice in multiple bids delivered in a common format. However, bids are most likely to be successful where they are aligned to the national ISC structures to enable a complete solution. Potential bidders could include the former ITABs (where they continue to exist independent of Skills Victoria's support), ISCs (some of which have similar contracts in NSW), consultancies or other industry associations.

This is a similar model to that used by NSW to contract certain ITAB services (although NSW contracts focus on a different set of services). These services are delivered by a mix of NSW-specific bodies and ISCs.

The contracts should specify both the advice to be delivered and its format, to ensure it meets Skills Victoria's needs and is comparable across industries. They should also require contractors to demonstrate that the advice provided represents the breadth of industry views across the State for example through their approach to consultation, and the establishment of a Victoria specific board or reference committee with representation from industry and unions. Multi-year contracts (subject to good performance), that incorporate some element of on-call advice, are likely to deliver the most cost-effective and flexible input to Skills Victoria.

The contracting arrangements described here would replace the existing contracts with the ITABs, with a much more specific and targeted set of services. Skills Victoria's role would shift from managing the relationship with a set of statutory bodies to managing a contract or contracts with other providers.

A competitive bidding process would encourage innovation, and multi-years contracts based on performance would provide an incentive to focus on service quality and address specific issues as they arise (e.g. to continue to refine the format for receiving advice, or to address identified inadequacies in industry representation).

The risk is that insufficient competition in some areas could result in variable performance or an increase in costs. However, this does not seem to have occurred in NSW, where a number of ISCs now provide industry advice services. At worst, a tendering approach would not result in improved outcomes, while providing greater scope for innovative and alternative arrangements to develop. This option repurposes existing Skills Victoria resources that were previously used to support ITABs.
Whatever the formal architectural arrangements, there are opportunities to better leverage intelligence from across government on skills needs. Other relevant Government departments should also be invited to provide input on skills and training requirements where they have relevant stakeholder relationships or a policy interest in particular workforces. This input will be most useful if provided in a standard format across departments and industries, and may be part of broader collaboration arrangements between Skills Victoria and other departments.

3.4.6 Technical input into training products

As is the case today, ISCs under the new architecture would be responsible for developing and maintaining training packages at the national level, and required to consult broadly across industry associations, enterprises, unions and others to support that role.

At present, Victorian ITABs are required to provide annual advice on State training products for their industry and on the determination of apprentice/apprenticeship pathways. The value of this advice is that it is separate from and has no conflict of interest with responsibility for training product development. Skills Victoria has an ongoing requirement to ensure:

- Victorian needs (training and regulatory alignment) are met by the ISCs in the national development and maintenance of training packages;
- Authoritative advice is received through appropriate industry bodies to ensure the national product is relevant, responsive and comprehensive for Victorian needs;
- Skills needs are effectively and rapidly identified to inform the development of Victorian Crown curriculum to support VCE VET, or to respond to local issues or to address changing skills needs in the absence of a national training package; and
- Authoritative industry advice is provided to the statutory bodies responsible for the oversight and management of VET in the school curriculum.

While some stakeholders believe ISCs already draw on wider sources that the ITABs for advice (though approaches vary), we recognise the value of the aggregated industry voice they provide. However, many enterprises, RTOs, industry groups and unions—particularly those that operate in more than one State—already go directly to ISCs. Those that do work closely with ITABs today would need to engage directly with ISCs under the recommended architecture.

Skills Victoria is responsible for implementing training packages in Victoria. In developing the Victorian Purchasing Guides for training packages, Curriculum Maintenance Managers (CMMs), on behalf of Skills Victoria, seek input from ITABs on the following matters:

- Which qualifications should be available as apprenticeships and which as traineeships;
- The proposed full-time nominal duration of a training contract;
- The State training wage category that should apply (for those employees not bound to federal awards or the national training wage award).

The current move towards national harmonisation of licensing and regulated training will reduce the requirement for this type of input at the State level.

The CSO would not usually be involved in matters of technical input. However, where issues arise or gaps are identified in the course of regular consultation, the CSO might refer enterprises to ISCs to provide input into national training packages, or to Skills Victoria in relation to the State curriculum. The CSO might also, based on information obtained through consultation, identify major gaps in training products
and, where appropriate, suggest a response at the State level or, in conjunction with Skills Victoria, pursue
the matter in the national debate.

As an advocate for the value of training, the CSO would have a role in raising enterprises' awareness of the
flexibility of training packages, and encouraging them to collaborate with each other and with RTOs to
devise appropriate solutions to meet their needs.
3.4.7 Navigation support through existing Government structures

Under any of the architecture options, enterprises will need time and assistance to adapt to the new way of engaging directly in the training market, and certain enterprises (particularly SMEs, or those with very specific needs) will need ongoing support to identify their training options and obtain suitable training in the market. This has been a role proposed for, and to some extent played by, the ITABs as the market has been introduced.

On balance, we see this support as best provided through the development of the existing Market Facilitation Manager (MFM) role in Skills Victoria rather than through the creation of a parallel set of market navigators in the broader system architecture. The MFMs work on a regional basis to support the full range of enterprises in their region, across industry sectors and addressing the full range of skills needs. They work alongside staff from DBI and Regional Development Victoria (RDV) to cover a broad range of individual businesses and provide an integrated range of industry support.

We expect MFMs to continue to work to realise two clear objectives: identify instances of market failure and deliver navigation support to enterprises. The approach to the role should be flexible to allow it to develop as enterprises become more familiar with the operation of the market.

As with Option 2, the recommended model for industry engagement will require a strengthened whole of government effort to ensure skills needs are integrated into broader engagement with industry and that sufficient support is available for those who need it, and that broader government structures are effectively leveraged to capture industry input. This will include strengthening existing relationships with DBI and RDV.

3.5 Cost implications of architecture recommendations

Preliminary estimates suggest new industry architecture will be broadly cost neutral (including a small reallocation of funding to support new information and navigation recommendations\(^\text{19}\)), with a small once-off cost incurred for its establishment. The increase in expenditure to resource the CSO (compared to the VSC) is expected to be offset by savings from replacing ITABs with less resource-intensive consultation and competitive tendering for advice (allowing for Skills Victoria resources required to support this activity). The costing should be developed in more detail during implementation, as details of architectural elements are confirmed, including the resourcing of the CSO office, the discretionary budget associated with the role and the appropriate number and composition of taskforces. Further analysis is also required on the likely costs of contracting for technical advice.

3.6 Risk mitigation and management

Several risks associated with the proposed structure and the transition from the current arrangements will need to be managed. These concern the roles of the CSO and the ITABs, as described below. Mitigation strategies have been prepared—many of them incorporated into the new architecture design—and will be developed in more detail during implementation.

The risks associated with the new CSO role include failure to identify an appropriate candidate, role definition that is too broad for the CSO to cover, and inability establish the CSO as an effective, credible voice for industry. To manage these risks it will be important to ensure that the scope of the new role is clearly defined, does not duplicate any of the range of VET system functions that are the responsibility of

\(^{19}\) See section 4.4 for more information.
Skills Victoria, but is broad enough to attract a suitable candidate, support a public profile, and deliver impact.

The CSO must have credibility with industry and ideally some existing public profile, which should be reflected in the remuneration and standing of the role. His or her role charter should include accountability for building legitimacy and credibility with industry stakeholders (e.g. through consultation employer and employee representatives in metro and regional Victoria, and through transparency around that consultation and any resulting decisions and advice).

The CSO's office should not duplicate the work of Skills Victoria, result in a proliferation of taskforces, or provide advice beyond its specified role. Again, a clear role charter will be important here, along with a budget that provides some discretion but does not allow unreasonable growth in the number of taskforces or other activities. While the CSO might at times provide advice from an industry perspective that differs in focus from that provided by Skills Victoria, the scope should be focused on those issues identified by industry and potential impacts on industry. Regular formal and informal interactions between the CSO, SV and agencies such as the ACFE Board and VRQA, should support sharing of information and encourage consensus building across the unique perspectives.

The CSO's office, while small, must be able to provide appropriate administrative and strategic support to the CSO. Again, the CSO's budget should be such that the office cannot grow beyond the size envisaged here.

There is a risk that a number of the functions delivered by the ITABs are lost in the transition to the new architecture. These include a shift away from formal bipartite input, the loss of engagement history, expertise and corporate knowledge, and reliance on ISCs to consult Victorian industry, with the result that Victoria's requirements are not met in national training packages.

However, the bipartite approach will remain in other aspects of the VET system architecture, including through the ISCs nationally, and through the requirement for the CSO to consult with representatives of both employers and employees.

The transition to the new architecture will need to be carefully managed to retain the most useful aspects of the current model and transfer knowledge where appropriate, but avoid duplication. Ideally the CSO and the CSO's office will be in place before discontinuation of the ITABs' formal role. A strengthened whole-of-government effort to engage with industry on skills issues, and a focus on CSO consultation, particularly in the first year, will be important to ensure that enterprises retain avenues to address their skills needs (including regional and cross-sectoral needs) and build their trust in the new architecture. Skills Victoria should continue to monitor and engage with national bodies to ensure that Victoria's training requirements are met.

4 Information and navigation

4.1 The role of information and navigation in the VET market

Effective markets provide clear signals so that more resources flow to those offers that provide the best value for money—in this case, innovative, high quality and responsive training. When market participants have access to reliable and comprehensive information, they can make informed choices that drive competition. Enterprises need to be able to identify the training options that meet their business needs. Prospective students need to be able to make choices on the basis of reliable information about career options and prospects. Both need easily navigable channels to access that information, and a reliable means to identify provider quality.
In the Victorian system, higher quality cannot be rewarded or signalled through pricing, although a recently completed review of funding and fee structures by the Essential Services Commission (ESC) has recommended the removal of the maximum cap on tuition fees where markets are declared to be competitive, paving the way for pricing flexibility that would support better outcomes over time. The ESC has also recommended the Government investigate options to improve publicly available information on course outcomes to support efforts to improve quality.

While some of the information needed for informed enterprise and student decision-making may be readily available from providers, private information intermediaries (e.g. brokers) and the media, such information is likely to be insufficient and, in some cases, may be misleading. For example:

- Some types of information will only be useful if published using meaningful, standardised metrics that enable comparability;
- Other types of information may be unattractive to publish for some providers—for example, a provider is unlikely to advertise unsatisfactory job market outcomes for its graduates; and
- Many types of information would be costly and impractical for enterprises and prospective students to check and validate.

The Victorian Government has a clear role as a provider of readily accessible training information and navigation that fosters industry engagement and promotes competition among providers. The provision of such information also supports other Government objectives in relation to the VET system—for example, the continued viability of critical occupations; access for hard-to-reach learners and SMEs; and students' effective use of their training entitlements.

Considerable information and navigation resources already exist through Government and private provision. These include:

- Websites developed by both the Victorian and Australian Governments, as well as by ITABs, ISCs, RTOs and other bodies, which offer varied amounts of information on career and training pathways, courses and RTOs;
- Government programs and resources such as MFM, the Skills for Growth Program for SMEs, and the TAFE and Training telephone line; and
- Onsite support such as careers counsellors in schools and human resources personnel in businesses.

In addition, the accreditation system provides a critical 'minimum floor' that all providers must meet, sustained by the auditing function. However, it does not permit enterprises or students to differentiate approved offerings on the basis of quality.

Both the Victorian and the Australian Governments plan to make significant new information and navigation resources available to VET system users.

The Victorian Government's plans, outlined in Skills Victoria's *Training market client information and engagement strategy 2011-2015*, include a new public register of information on training pathways, the development of a digital training marketplace, and support for MFM and regional managers to inform and engage with employers and other clients, and to establish relationships with third parties to widen the reach of the training market. The strategy is expected to address gaps in availability and accessibility for core system and course information.

However, gaps remain in public information to help assess course and provider quality. The Council of Australian Governments (COAG) has agreed that governments will work cooperatively on enhanced information sharing through a National VET Data Strategy to improve the relevance, timeliness, accuracy and usefulness of VET data for national reporting and research purposes. The strategy includes the
implementation of a My Skills website to improve access to provider information. Phase One is scheduled for implementation later this year, though its scope remains uncertain.

4.2 Information and navigation recommendations

We recommend two new actions in relation to information on provider quality:

1. Mandate the publication of a common set of performance indicators for all RTOs receiving government funding (e.g. years registered, student numbers, course completion rates, student satisfaction, and employment outcomes such as employment status six months after course completion); and
2. Support the development of industry-specific quality evaluation and promotion.

We understand that Skills Victoria's Training market client information and engagement strategy 2011-2015 will:

3. Build a single, simple public register of VET information and demand for particular skills, supported by a single phone number, to provide a first-stop-shop for enterprises and prospective students; and
4. Supplement the basic information with additional, targeted support for higher needs enterprises and students.

In total, the recommendations will complement rather than replace or duplicate existing information and navigation mechanisms and resources, and in some cases will broaden their application.

The role Government plays in the information and navigation space should be approached flexibly, recognising that the needs of the market are likely to evolve as it matures and that market players will play a greater role in meeting them.

4.3 Recommendation details

4.3.1 Mandate the publication of a common set of RTO performance data

Making a common set of RTO performance indicators available to enterprises and prospective students would facilitate quality signalling in the market and give providers a clear incentive to deliver training that meets industry's needs. Enterprises would engage with this information in two ways:

- First, enterprises participating directly in the market as purchasers of training would have an objective basis on which to differentiate providers, providing them with confidence to engage in the system and encouraging providers to respond to the issues or opportunities the information reveals;
Second, enterprises as employers would be more readily able to identify providers who are trusted to provide high quality training, and their decision-making on this basis would, over time, influence students to choose training that delivers skills at the level required in the workplace.

The information provided should include both objective measures that describe the individual provider's student outcomes performance (e.g. course completion rates, student satisfaction and employment outcomes such as employment status six months after course completion) and the provider's context (e.g. student numbers, age profile, distribution of field of study and distribution of level of study) to allow for meaningful comparisons between different providers’ performance. To minimise the compliance burden, the number of measures should be small and drawn from readily available data sources. Most of these data are already collected by Skills Victoria, the VRQA and the National Centre for Vocational Education Research (NCVER) through accreditation requirements according to agreed statistical standards, or through standardised surveys. However, they are not available publicly at a level that identifies individual training providers.

Ideally, the performance indicators would include some measure of employer satisfaction at the individual provider level. However, employer satisfaction is much more difficult to reliably collect in reference to individual providers. The existing Survey of Employer Use and Views does not measure this and some work is needed to understand what measures might be used and how they would be collected. This should be investigated for the longer term, but the absence of good indicators of employer satisfaction should not stop the publication of other useful information now.

The recommended performance indicators would not provide a comprehensive assessment of training provider or course quality, but would be an important element of a broader quality strategy that includes accreditation, auditing, (potentially) price-setting, partnerships between enterprises and RTOs, and industry-led quality evaluation. If available for every provider, their publication would provide a meaningful way to compare RTOs, using data from a trusted source. We therefore propose a Government mandate to provide such information in a prescribed form as a condition of Government funding.

To build confidence in the representativeness of the measures, quality providers who offer additional support to high-needs learners should also be recognised, but different metrics or programs might be appropriate. In the Learn Local and non-profit provider sectors, the use of the Learn Local brand aims to deliver this type of quality recognition.

Proposals to publish provider performance data at a national level have been discussed for some time, but none has been implemented. We suggest that Victoria move ahead on this rather than wait for implementation of a national scheme.

Ideally, provider performance information would be accessible through a single website, consistent with Commonwealth plans through MySkills, but these plans may take some time to implement. In the interim, and as preparation for this shift, Victoria should require all RTOs contracted to deliver government-subsidised training to post a common set of data on their own websites. To maximise consistency and streamline compliance, Government should provide a template for the information and require it to be linked directly to the provider's homepage. At the same time, Victoria should continue to monitor the development of MySkills and related Commonwealth initiatives to ensure that its approach is complementary rather than duplicative.

Finally, Government need not develop or publish information that directly compares the performance of individual training providers, but nor should it prevent the emergence in the market of initiatives that do so, such as websites similar to the current HotCourses and Compare Courses offerings.

Employment status before training should also be taken into account, for example through publication of employment status before commencement of training as well as 6 months afterwards.
4.3.2 Support development of industry-led training quality evaluation and promotion

We recommend that Government publicise best practice partnerships between enterprises or industry bodies and individual RTOs, and support the development of industry-led RTO quality evaluations. As discussed earlier, such partnerships provide the most direct and compelling opportunity for enterprises to influence the training delivered to ensure it leverages workforce planning and meets their skills needs.

As well as encouraging enterprises and RTOs to enter into partnerships, publicising the benefits they deliver can:

- Improve quality signals in the market by strengthening recommendations and referrals;
- Support the development of provider expertise to benefit a wider group of enterprises;
- Establish competitive points of difference between providers that promote the emulation of best practices; and
- Support the longer term or more finely tuned evaluation of training outcomes.

We also recommend that Government encourage the development of industry-specific and industry-led quality evaluations for providers and courses, where they are published by credible sources. Industry associations often have a substantial body of knowledge about individual provider and course quality, as well as access to employers who can identify the training outcomes they want. Government may choose to provide a strategically important industry body with seed- or co-funding to support the development of such evaluations (within a limited discretionary budget), although to be sustainable over the longer term they should operate without the need for ongoing Government funding.

Several different evaluation approaches in the VET sector have been tried or are under development nationally or through specific industry bodies. These include the Australian Quality Training Framework (AQTF) excellence criteria, the Institute for Trade Skills excellence star ratings and Service Skills Australia's Right Way program. Wider use of the TVET toolkit might also prove useful. Successful examples in other sectors include the Transport Accident Commission's (TAC's) preferred provider panel.

Whatever quality evaluation systems are developed, each should:

- Be sufficiently relevant to the particular industry to give training providers an incentive to participate without imposing an unacceptable cost burden;
- Add value beyond publicly provided information through, for example, subjective assessments, industry feedback and expert assessments;
- Allow enterprises to provide valuable feedback to providers on the components of training that enterprises regard as value-added programs;
- Be sustainable without ongoing Government funding, although Government might elect to provide a strategically important industry body with seed- or co-funding to support its development.

We would expect Government to champion the use of training provider quality evaluations and encourage industry to adopt them. We envisage the incremental development of such systems, led by a few priority industries. Learnings would be shared across sectors as more industries develop their own approaches based on their needs and experience.
4.3.3 **Build an online register of VET information and of demand for particular skills**

Government already has plans to deliver a single, simple public register of VET information and demand for particular skills, supported by a single phone hotline, as outlined in Skills Victoria's *Training market client information and engagement strategy 2011-2015*. This will be a critical 'first-stop-shop' for enterprises and potential students, and a central component of the information and navigation support required for the effective operation of the market.

We recommend the register:

- Provide the basic, accurate, up-to-date information required by both students and enterprises to engage in the system, including courses available, pathways for graduates, entry requirements, time to complete, course cost (including potential subsidies and eligibility), the providers that deliver the courses, and links to providers and other sources of detailed information;
- Enable both students and enterprises to easily navigate to the information that reflects their particular requirements, most likely through different front-ends;
- Provide objective, comparable information for students on job prospects (for example, remuneration levels and career paths by occupation);
- Provide or link to additional information that enterprises need to engage in and leverage the training market, including return on training investment, methods to assess training needs—over time, diagnostic tools and mechanisms to connect with providers (e.g. a 'digital marketplace') may be valuable additions;
- Aim to get the basics right and deliver less information well, rather than being all things to all people—this includes linking to rather than duplicating existing information sources where appropriate (e.g. other Government careers information websites) and clearly distinguishing between the objective, comparable data provided by Government and any additional, more subjective sources; and
- Be searchable on meaningful dimensions (for example, the training required to join a specific occupation, or training providers in a particular location).

The proposed register should complement existing and planned activities at the Commonwealth level and in other Victorian agencies.
4.3.4 Provide additional, targeted support for selected market participants

Consistent with the Training market client information and engagement strategy 2011-2015, Government will need to supplement the basic information described above with additional, targeted support for higher needs enterprises and students, who should be reached through their existing preferred channels and key intermediaries wherever possible.

As described in Section 3.4.7, certain enterprises (particularly smaller enterprises that interact infrequently with the training market) will need ongoing support to identify and select their training options. They will be supported by the MFMs in an enhanced role.

Other enterprises and individuals might be best supported through trusted third party intermediaries able to deliver information to a broader range of market participation in forms are relevant to their interests and needs.

At times, enterprises in a particular industry or region might need limited-duration, tailored assistance to engage with the training sector. For example, where an industry is experiencing structural adjustment, a coordinated or customised approach may be warranted that would benefit from additional Government involvement or resources. Such responses from Government should be consistent with its overall approach to information and navigation.

4.4 Cost implications of information and navigation recommendations

We understand that funding has been allocated for the information and navigation initiatives included in Skills Victoria's Client information and engagement strategy 2011-2015, principally the public register of VET information and additional, targeted support for selected market participants.

The mandatory publication of training provider performance data, using a small number of objective measures drawn from existing data sources, is additional to the measures in Skills Victoria's Training market client information and engagement strategy 2011-2015. It will require a small allocation of funds to audit provider websites for compliance. The promotion of industry-led training quality evaluations should fall within the CSO's broader role and budget. Government may consider providing a small amount of seed funding to support the development of quality evaluations, but they will need to be self-funding over the longer-term to be sustainable. We expect these small additional costs to be funded out of the existing budget for industry and enterprise engagement.

4.5 Risk mitigation and management

The major risks for these recommendations are that, through poor design or execution, the information is not accessed, does not meet the needs of market participants, or duplicates existing information in the market. Mitigation strategies for the risks discussed below have been prepared. They will be developed in more detail during implementation.

Risk will be managed in part by delivering simple, accurate information that addresses users' most important needs, integrated through the channels they use—it is better to deliver less information well than to try to be all things to all people. Phased implementation of the Training market client information and engagement strategy 2011-2015 should provide opportunities to understand users' needs, test and refine the approach, and build up information over time. In addition, Skills Victoria should continue to monitor similar developments at the national level to influence their design where appropriate and avoid duplication.
The risk that published performance indicators are misleading or confusing, or resisted by providers, should be mitigated through the use of a small number of objective, reliable measures, drawn from existing data sources for clarity and to minimise cost and effort. While the selected measures are likely to attract some criticism based on what they do or don't include, it will be important to resist the temptation to add more and risk confusion, or water them down and risk their becoming meaningless.

In addition, industry-specific quality evaluations must be agreed and supported by the relevant industry and deliver information that it values. Government should encourage the development of such schemes (and particularly the sharing of good practices) where they are initiated and supported by industry groups and sustainable without government funding.

All efforts to support the communication of training provider quality must be supported by rigorous registration and auditing processes, whether at the State or national level, to maintain agreed minimum standards.

5 Conclusion

In summary, the review recommends a VET system architecture for industry and enterprise engagement that is tailored to the needs and realities of a more market-based system, where Government's role is less about market shaping and more about market facilitation to meet training needs.

We propose a more flexible, responsive architecture, with a Chief Skills Officer performing some of the functions now performed by the VSC and ITABs, but—consulting widely and working closely and collaboratively with enterprises and industry bodies—also bringing a more holistic, strategic and forward-looking lens to State-wide training issues. Other functions that are currently within the role of the VSC and ITABs would become formally the responsibility of Skills Victoria, or in some cases other appropriate bodies, including national bodies.

We also recommend a range of mechanisms to ensure that Skills Victoria continues to receive appropriate, informed and timely advice on training matters, and that technical input to national training packages includes consideration of Victoria's needs.

In addition, we recommend action on training information and navigation, going beyond the work already in train, to support informed decision-making on the part of enterprises and students, and to foster the development of a competitive training market.
Appendix 1: Stakeholder consultation

Interviews and workshops were conducted with a broad range of stakeholders from TAFEs, private RTOs, Skills Victoria, other Government departments, unions, industry associations, ITABs and experts in the field.

BCG is grateful for the time, information and expertise provided by the following individuals.

State Government departments

Kym Peake
Deputy Secretary, Skills Victoria, DEECD

Wendy Timms
Executive Director, Market Facilitation and Information, Skills Victoria, DEECD

Lee Watts
Executive Director, Sector Operations, Skills Victoria, DEECD

Phil Clarke
Executive Director, Tertiary Education Planning and Governance, Skills Victoria, DEECD

John Spasevski
Director, Market Facilitation, Skills Victoria, DEECD

Keith Gove
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Sian Lewis
General Manager, Adult, Community and Further Education, Skills Victoria, DEECD

Pradeep Philip
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Simon Kent
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Anna Faithful
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Karen Spindler
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John Robinson
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Acting CEO, Regional Development Victoria, Department of Planning & Community Development

Lill Healy
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Regional Development Victoria, Department of Planning & Community Development

Simon Phemister
Acting Executive Director, Industry, Workforce and Strategy Division, Department of Human Services Victoria

Michelle Roberson
Director, Policy and Client Outcomes Branch, Department of Human Services
Alex Brown
Harold Klein

Department of Human Services
Director, Community Building and Economic Participation,
Department of Human Services

State Government departments (Cont'd)
Simon Scrase

Mgr, Economic Participation, Community Building and
Economic Participation, Department of Human Services

Other State Government agencies
Ron Ben-David
Matthew Butlin
Lynn Glover

Chairperson, Essential Services Commission (ESC)
Chair, Victorian Competition and Efficiency Commission (VCEC)
Director, Victorian Registration and Qualifications Authority (VRQA)

Australian Government and national bodies
Terry Moran (now retired)
Rebecca Cross
Peta Furnell
Paul Ronalds
Robert Griew
Sue Beitz
Chris Robinson
Tom Karmel

Secretary, Department of Prime Minister and Cabinet
Acting Dep Sec, Social Policy
Executive Coordinator, Domestic Policy
First Assistant Secretary, Department of Prime Minister and Cabinet
Deputy Secretary, DEEWR
Head of Secretariat, Skills Australia
Acting Chief Commissioner & CEO
Australian Skills Quality Authority (ASQA)
Managing Director, NCVER

National Industry Skills Councils (ISCs)
Bob Paton
Michael Hartman
Robert Adams

CEO, Manufacturing Skills Australia
CEO, Forest Works
CEO, Transport & Logistics, Industry Skills Council

Victorian Industry Training Advisory Bodies (ITABs)
Kevin Redfern
Genevieve Wearne
Ian McMillan
Sandi Fallshaw

Executive Officer, Automotive Training Victoria (ATV)
Chief Executive Officer, Skills Hub
Executive Officer, Transport and Distribution Industry
Training Board
Board member Electrotechnology, Printing, IT and
Communications Industry Training Board
**Victorian Skills Commission**

Yvonne von Hartel  Chair, Victorian Skills Commission (VSC)
Roger Leeming  Member, Victorian Skills Commission (VSC)
Megan Lilly  Director, Education and Training, Australian Industry Group Vic (AIG)

Member, Victorian Skills Commission (VSC)
Julie Warren  President, National Union of Workers (Victoria)
Peter Coyne  Executive General Manager of Human Resources, Crown Melbourne

Member, Victorian Skills Commission (VSC)
Rowena Allen  Chair, ACFE

Ex-Officio member, Victorian Skills Commission (VSC)

**Industry Associations**

Claire Thomas  Director, Policy, Business Council of Australia (BCA)
Tim Piper  Director, Australian Industry Group Vic (AIG)
Andrew Rimington  Senior Mgr, Employment, Education and Training, VECCI
Shane Infanti  CEO, Australian Manufacturing Technology Institute Ltd (AMTIL)
Gil King  Executive Director, Housing Industry Australia
Keri Langes  Business Development Mgr, Victorian Transport Association (VTA)
Nickie Beresford  Executive Officer, GTN
David Eynon  Executive Director, Airconditioning and Mechanical Contractors' Association, Victoria (ACMA)
Claude Cullino  CEO, Victorian Branch, Civil Contractors Federation
Catherine Stephensen  General Manager, Training & Development, Victorian France, Civil Contractors Federation
Leyla Yilmaz  General Manager, Industrial Relations, OHS & Training, Victorian Automotive Chamber of Commerce (VACC)

**Unions**

Anne Duggan  Coordinator, Education and Training Unit, CFMEU
David Cragg  Assistant Secretary, Trades Hall
Greg Barclay  Branch Deputy Vice President, TAFE & Adult Provision, Australian Education Union
Erin Aulich  Branch Deputy Vice President, Secondary, Australian Education Union
Liam O'Hearn  Apprenticeship Officer, CFMEU
### Registered training organisations

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<thead>
<tr>
<th>Name</th>
<th>Position/Institution</th>
</tr>
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<tbody>
<tr>
<td>Darrell Cain</td>
<td>Deputy CEO, Box Hill Institute</td>
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<tr>
<td>Jennifer Oliver</td>
<td>Senior Executive Director, Education &amp; Training, Box Hill Institute</td>
</tr>
<tr>
<td>Christine Robertson</td>
<td>Deputy Director, TAFE RMIT University</td>
</tr>
<tr>
<td>George Pappas</td>
<td>Chancellor, Victoria University</td>
</tr>
<tr>
<td>Maria Langwell</td>
<td>Executive Officer, Vic &amp; Tas, Australian Council for Private Education and Training (ACPET)</td>
</tr>
<tr>
<td>Claire Field</td>
<td>Chief Executive Officer, Australian Council for Private Education and Training (ACPET)</td>
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### Employers

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lisa Eccelston</td>
<td>Group GM HR, Amcor Australia</td>
</tr>
</tbody>
</table>

### Other

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kim Bannikoff</td>
<td>Director, Flashlight Pty Ltd</td>
</tr>
<tr>
<td>Jim Davidson</td>
<td>Principal, Flander Pty Ltd</td>
</tr>
<tr>
<td>Chris Eccles</td>
<td>Director-General, Department of Premier &amp; Cabinet, NSW</td>
</tr>
<tr>
<td>David Collins</td>
<td>General Manager, State Training Services, Department of Education &amp; Training, NSW</td>
</tr>
</tbody>
</table>

### ITAB workshop attendees

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation/Certification</th>
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<tbody>
<tr>
<td>Alex Frazer</td>
<td>EPIC</td>
</tr>
<tr>
<td>Ian McMillan</td>
<td>TDT</td>
</tr>
<tr>
<td>Jo Kellock</td>
<td>TCF</td>
</tr>
<tr>
<td>Lee-Anne Fisher</td>
<td>MESAB</td>
</tr>
<tr>
<td>Ian Nicholson</td>
<td>Service Skills</td>
</tr>
<tr>
<td>Alexandra Mannell</td>
<td>BICC IAB</td>
</tr>
<tr>
<td>Steve Bird</td>
<td>Water</td>
</tr>
<tr>
<td>Richard Brooks</td>
<td>FurnITAC</td>
</tr>
<tr>
<td>Anna Henderson</td>
<td>BusinessSkills</td>
</tr>
<tr>
<td>Genevieve Wearne</td>
<td>Skills Hub</td>
</tr>
<tr>
<td>Colin Ross</td>
<td>Food</td>
</tr>
<tr>
<td>Elaine Downs</td>
<td>CS&amp;H</td>
</tr>
</tbody>
</table>
**Metropolitan enterprise workshop attendees**

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sue Carter</td>
<td>Robert Bosch (Aust)</td>
</tr>
<tr>
<td>James Constable</td>
<td>Nissan Motor Company (Aust)</td>
</tr>
<tr>
<td>Mark Curnow</td>
<td>Toyota Boshoku</td>
</tr>
<tr>
<td>Garry Doyle</td>
<td>Nissan Motor Company (Aust)</td>
</tr>
<tr>
<td>Scott Gibson</td>
<td>Spotless</td>
</tr>
<tr>
<td>Michael Grogan</td>
<td>Sutton Tools</td>
</tr>
<tr>
<td>Geoff Jackson</td>
<td>Toll IPEC</td>
</tr>
<tr>
<td>Ray Kerrison</td>
<td>AIGTS (Australian Industry Group Training Scheme)</td>
</tr>
<tr>
<td>Bob Rafferty</td>
<td>Boeing Aerostructures Australia</td>
</tr>
<tr>
<td>Robert Wolff</td>
<td>Stonnington Economic Development</td>
</tr>
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</table>

**Regional enterprise workshop attendees**

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Steve Hall</td>
<td>GippsAero</td>
</tr>
<tr>
<td>Nerelle Foster</td>
<td>GippsAero</td>
</tr>
<tr>
<td>John Parker (delegated)</td>
<td>Gippsland Trades and Labour Council</td>
</tr>
<tr>
<td></td>
<td>AMWU</td>
</tr>
<tr>
<td>Dave Gover</td>
<td>Gunns Timber</td>
</tr>
<tr>
<td>Mike Walker</td>
<td>Biogreen, Turf Association</td>
</tr>
<tr>
<td>Lauren</td>
<td>Latrobe City Council (observing)</td>
</tr>
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**Skills Victoria internal workshop attendees**

<table>
<thead>
<tr>
<th>Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Wendy Timms</td>
<td>Market Facilitation</td>
</tr>
<tr>
<td>Angela Elson</td>
<td>Market Facilitation</td>
</tr>
<tr>
<td>John Spasevski</td>
<td>Market Facilitation</td>
</tr>
<tr>
<td>Kemal Sedick</td>
<td>Market Facilitation</td>
</tr>
<tr>
<td>John Stapleton</td>
<td>Market Facilitation</td>
</tr>
<tr>
<td>David Baber</td>
<td>Regional Market Facilitation Manager</td>
</tr>
<tr>
<td>Michael Coppola</td>
<td>Strategic Projects and Implementation</td>
</tr>
<tr>
<td>Angela Jolic</td>
<td>Industry Engagement, DBI</td>
</tr>
</tbody>
</table>

**RTO workshop attendees**

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Damira Lopes</td>
<td>Victoria University of Technology</td>
</tr>
<tr>
<td>Mrs Patricia Sincock</td>
<td>Flexible Training solutions</td>
</tr>
<tr>
<td>Anthony Lander</td>
<td>Franklyn Scholar</td>
</tr>
<tr>
<td>Steve Kennedy</td>
<td>Apprenticeships Group Australia</td>
</tr>
</tbody>
</table>
Regional TAFE workshop attendees (Central Gippsland TAFE)

Phil Thompson  Manager Business Development Unit
David Bruce  Yallourn Campus Manager
Phil Harris  Manager IT Department
Jackson Long  Team Leader Industry Programs
Maxine DeGraaff  Business consultants – marketing
Paulette Ware  Business consultants – marketing
Lisa Simpson  Business consultants – marketing

Metropolitan TAFE workshop attendees

David Draper  Deputy Chief Executive Officer – Director Programs (Northern Melb)
Christine Robertson  Deputy Director TAFE Operations (RMIT)
Franklin O’Carroll  Manager New Industry Programs (RMIT)
Joe Piper  CEO (South West)
Linda Brown  CEO (Swinburne)
Prof Barry White  Dean School of Manufacturing & Construction (University of Ballarat)
Nicholas Hunt  CEO (William Angliss)
Michael O’Loughlin  CEO (Wodonga)
Jamie Eckett  Executive Director, Organisational Development (Bendigo Regional)
Darlene Bull  Acting Executive Director Education & Training (Bendigo)
Andrew Kong  Chisholm Institute
Herman Gerryts  Chisholm Institute
Jane Ponting  Executive Manager – Business & Organisational Development (East Gippsland)
Rob McAllister  Executive Projects (Gordon)
Shane Hellwege  Executive Officer – Rural and Manufacturing Industries (Goulbourn Ovens)
Ray Griffiths  CEO (Kangan Batman)
Appendix 2: Objectives of the VET system

Table 1 outlines the key VET system objectives for Government, industry and students (based on information from Skills Victoria and stakeholder interviews). While the project focused on industry engagement, these broader objectives informed the thinking throughout the review.

Table 1: VET system objectives

<table>
<thead>
<tr>
<th>Government objectives</th>
<th>Industry objectives</th>
<th>Student objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Produces the skills needed by the Victorian economy</td>
<td>• Delivers enough skilled graduates in the areas of industry demand</td>
<td>• Gain marketable skills and qualifications in order to improve employment position</td>
</tr>
<tr>
<td>• Is competitive, efficient and student-centred</td>
<td>• Delivers graduates of a quality that meets industry requirements</td>
<td>• Fulfill personal ambitions</td>
</tr>
<tr>
<td>• Assists the unqualified to gain qualifications</td>
<td>• Efficiently uses any industry funding</td>
<td></td>
</tr>
<tr>
<td>• Helps the already qualified access qualifications that support their advancement in the labour market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Encourages key cohorts to complete their qualification</td>
<td>• Efficiently uses any industry funding</td>
<td></td>
</tr>
<tr>
<td>• Caters for higher-needs learners e.g. equity groups, Victorians with a low socio-economic status, students with poor prior records of educational achievement</td>
<td>• Efficiently uses any industry funding</td>
<td>• Fulfill personal ambitions</td>
</tr>
</tbody>
</table>

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As outlined in the Terms of Reference to the ESC VET Fee and Funding Review
Appendix 3: Summary of changes due to Victorian Training Guarantee

The Victorian VET system recently moved to a market-based model with an uncapped entitlement system. The objective was to support increased and more responsive training. The move means individual students can exercise greater choice in relation to courses and providers for Government-funded training.

The Victorian Training Guarantee (VTG) is a key feature in the new system. It allows any eligible student to access Government funding to complete any accredited course at any accredited RTO. Setting aside any citizenship or residency constraints, a student is eligible if he or she is one of the following:

- A young person under 20 years;
- An applicant seeking a foundation skills course;
- An applicant who is an apprentice; or
- An applicant seeking a higher qualification than the highest qualification already held.

The new system has four goals:

- Increasing the number of people undertaking training in the areas and at the levels where skills are needed for Victoria’s economic and social development;
- Developing a training system that engages more effectively with individuals and enterprises, and is easier to navigate;
- Ensuring the skills system is responsive to the changing needs of Victoria’s industry and workforce; and
- Creating a culture of lifelong skills development

The VTG was rolled out in three phases. From mid 2009, the changes were applied to all courses at diploma level and above. In January 2010, they were extended to all qualifications for students aged 15-24. From January 2011, they were extended to all eligible students, as described above.

Activities to support the VTG included:

- The Skills For Growth workforce development program;
- A review of fees and charges;
- Additional support for the TAFE workforce and Learn Local providers; and
- More recently, a commitment to develop of a state register of VET courses and providers.

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22 As described in Securing jobs for your future
Appendix 4: Current functions of ITABs and the VSC

**ITAB functions**

ITABs are statutory bodies with key functions defined under the *Education and Training Reform Act 2006*:

- Prepare training plans that detail industry skill requirements, the quantity and types of training needed by industry and training arrangements;
- Promote training within the industry;
- Liaise with or participate on national industry training advisory bodies; and
- Participate in accreditation and recognition processes.

To fulfil these functions, ITABs are contracted under the 2011-12 Performance Agreement with the VSC to provide the following functions:

1. **Data collection**
   
   Each ITAB is required to produce an annual market effectiveness report to deliver industry advice on potential market failures, identify implications for training market responses of industry developments (such as regulatory and licensing changes), build on intelligence from other Government departments (such as ISC e-scans, DBI information), and identify issues to target for solutions.

2. **Information sharing (with training market and VSC)**
   
   ITABs are expected to host a website that complies with minimum content standards, provide information on training policies and career opportunities, and share case studies of good practice businesses. ITABs also participate in regular VSC-hosted strategic forums to discuss effectiveness of the Victorian training market and gain cross-industry perspectives. VSC will also share information with ITABs.

3. **Demand stimulation**
   
   ITABs promote training, workforce planning and development practices. They also support government programs, promote RPL and assist employers by directly dealing with training providers to obtain suitable training.

4. **Facilitating training solutions**
   
   ITABs assist employers/industry in sharing information with RTOs and cooperating together to address skills needs gaps.

5. ** Strategic issues advice**
   
   ITABs advise on strategic workforce development issues to assist VSC in prioritising its taskforces and to evaluate the impact of policy reforms.
6. Training products advice

ITABs ensure training products are fit for Victorian industry by consulting and advising ISCs and Skills Victoria on the suitability of training packages.

An ITAB may also perform a range of other functions including those funded by its particular industry group.

VSC function

The Victorian Skills Commission is a statutory body defined in the Education and Training Reform Act 2006 (ETRA). It continues the work of the Victorian Learning and Employment Skills Commission (VLESC), which operated between 2001 and 2007 under the Vocational Education and Training Act 1990, and superseded the State Training Board (1987-2001), created under the provision of the Post Secondary Education Act 1978. Under ETRA the Commission's core functions are to:

- Advise the Minister about vocational education strategies and spending, the planning, development, and implementation of policy for post-compulsory training, the provision of adult, community and further education in TAFE institutes, and any other matter that the Minister refers to the Commission;
- Provide for the delivery of VET in Victoria by RTOs;
- Promote research in relation to post-compulsory education and training;
- Monitor outcomes of post-compulsory education and training; and
- Act as the State Training Authority under the Skilling Australia's Workforce Act 2005 (while this act was still in force).

In practice, some of these functions are delegated to Skills Victoria.

Within this broad framework, the VSC has recently developed a role statement and 2011-12 priorities. The VSC's role is to:

- Gather market information through engaging with ITABs, commissioning research, receiving direct input from priority industry sectors and communities through strategic industry forums, board presentations and site visits, and reviewing various training relevant reports such as those produced by VRQA, ITABs, and the ACFE Board;
- Monitor the effectiveness of provision of labour and training market information;
- Promote good practice within the training market;
- Recommend actions on strategic opportunities to improve training market responsiveness to industry needs. Actions can be for the VSC itself, such as research or taskforces on strategic industry sectors or skill issues, or for other bodies that have a role in the training market;
- Monitor response to recommended actions;
- Advise government on the impact of state and Commonwealth government policy settings on training outcomes and influence policy to accommodate Victorian needs through engagement with other State training agencies and participation in national forums;
- Advise the Minister on the effectiveness of the training market in meeting industry and community needs;
- Publish findings and advice in an annual public "Skills market effectiveness report";
• Regulate the apprenticeship and traineeship system in Victoria as outlined in the Education and Training Reform Act 2006 (ETRA). Regulation includes approving training schemes; approving employers; determining the length of training contracts; compliance, enforcement and dispute resolution in relation to responsibilities of parties under the Act; maintaining a register of apprentices and trainees; overseeing the provision of support services including advice and coaching for apprentices and trainees, and payment of relevant bonuses and allowances;

• Act as the fund holder for government training funds and overseeing Skills Victoria’s business processes for contracting and making payments, and controls and authorises the release of funds accordingly; and

• Supporting Skills Victoria’s training market analysis and assurance processes.

Within this role context, the VSCs 2011-12 priorities are:

• Overseeing the performance of Victoria’s training market and advising on areas for optimisation or of potential market failure;

• Informing implementation of Skills Victoria’s training market facilitation strategies to boost labour productivity;

• Using the VSC’s market oversight evidence to work with the ACFE board to inform implementation of the Government’s participation and pathways agenda; and

• Using the VSC’s market oversight evidence to advise young people and schools on better aligning their vocational interests and activity with labour market needs.
Appendix 5: Key themes from stakeholder consultation

The key themes from stakeholder interviews and workshops are outlined below.

Employers

Employers find it difficult to navigate information to engage in training, especially related to training quality:
- Difficult to find a basis on which to differentiate providers when faced with large amounts of provider advertising—often the only way to understand the quality of training on offer is to meet individually with each provider, which is time consuming;
- In some cases, difficult to differentiate job applicants’ capabilities—while several applicants may have the same qualifications, the components or quality of training from different providers can be vastly different;
- Unsure where to look for some VET system information (non-quality related), though they know it is available;
- Find everything is much easier if you know who to talk to; and
- Need information direct to the right people in an enterprise—important to engage with line managers who really know what their employees need, not just HR managers.

Are not currently able to meet some areas of skills need, with particular concern over lack of interest from youth:
- Need to change students’ and parents’ perceptions of vocational careers. Industry promotion is necessary;
- It can be hard to get providers interested in delivering training in niche areas when students are not interested;
- Current system does not sufficiently incentivise providers to deliver in areas of skills shortage. Private RTOs in particular are less likely to be interested in delivering niche training.

Partnering with providers is an effective way to meet training needs:
- Able to tailor training to meet specific needs, as ‘off the shelf’ training is often insufficient;
- Subject to capability and willingness of providers to build partnerships; and
- Enterprises need to work hard to get what they want.

Mixed views about ITABs’ performance:
- Some do not believe ITABs represent industry, do not engage with ITABs, or are unaware of ITABs’ existence; and
- Others value ITABs’ expertise and have had positive experiences where ITABs were able to broker training or influence training packages to better reflect training needs.

Training providers

Providers’ reactions to the new market-based model are mixed, with TAFEs having the greatest concerns:
- Some see the new market-based model as an opportunity for growth and are increasing business development activities to remain competitive;
• Some TAFEs concerned over the low barriers to entry for private training providers who are able to offer courses requiring less infrastructure investment than the TAFEs; and
• Some are concerned that poor quality providers threaten the integrity of the VET system, while others believe these will be pushed out once the market matures.

Strong relationships or partnerships with enterprises are valuable:
• Employers need providers to be flexible and deliver the training they need, rather than simply meeting training package requirements;
• Partnerships enable providers to improve product offerings and stay in touch with industry needs—if these needs are not met, enterprises will take their business to other providers; and
• Providers are increasingly measuring the success of their training against business metrics (e.g., absenteeism) as well as training metrics—this helps demonstrate the value of training to employers.

Students and enterprises need better information:
• Concern that information directs students and parents towards higher education over VET—better reporting on the benefits of VET for students would change perceptions;
• Many enterprises (especially SMEs) do not understand the system well, and don't always differentiate between VET and higher education; and
• A broker role is needed to link enterprises with providers.

Mixed views about ITABs, ISCs, and VSC:
• Some providers work closely with ITABs and/or ISCs; others do not;
• VSC is very rarely in contact with providers;
• Some feel that ITABs are not well suited to Victoria's market model;
• Need to include regional, not just industry representation;
• Some providers believe ITABs could be valuable in promoting industry training; and
• Some providers (particularly those working with national enterprises) prefer to go straight to ISCs because they are closer to the training packages.

ITABs

Navigating the system is often difficult for enterprises:
• Enterprises have low awareness of VET, do not know who to call or how to obtain good value training that meets their needs;
• Even some large enterprises are not fully up to speed;
• Enterprises often rely on RTOs who may offer biased advice;
• Important to have an independent source of advice in the market; and
• ITABs sometimes offer navigation support using their knowledge and connections, and some meet regularly with providers and industry.

Training quality is an issue:
• There are indications that some providers may be delivering sub-standard courses;
• Enterprises are poorly equipped to understand the quality of training product;
• Inconsistency in assessment compromises the quality of training;
• ITABs can sometimes offer support; they are sometimes notified when quality issues are identified and can provide feedback to Government/regulator.
ITABs can and do play a role in addressing training issues, but results and efforts vary and are dependent on resources:

- It is important to have channels that link industry advice to government (without vested interests);
- ITABs can offer independent information and advice to support navigation issues;
- Some ITABs facilitate relationships between providers with industry; some see offering an opinion on quality as inconsistent with their Government-funded status;
- Some ITABs work with industry and ISCs to develop training packages, but efforts vary and a few industries are not covered;
- Functions all depend on the availability of funded staff to support them; many ITABs deliver a lot with very limited resources;
- ITABs have no teeth, no real space to operate in; and
- Regional areas are generally under-served, although some ITABs do meet with regional groups.

ITABs are not well engaged with VSC:

- Many ITAB representatives have not met with the VSC; but
- Recently seen more movement from VSC in meeting with industry.

Others (Government agencies, VSC, ISCs, unions etc)

Better navigation and information support is very necessary for enterprises and students:

- System is very hard to navigate;
- More at stake now that many students are entitled to one subsidised qualification at each level under the VTG—if potential students are not well informed, industry may not be able to get the skills it needs;
- No one-size-fits-all solution; SMEs in particular need additional Government support; and
- Need to make better use of existing resources improve collaboration between Government departments to deliver information and navigation support.

Current engagement architecture (VSC/ITABs) is struggling to meet required functions, but can be valuable when it works well:

- Important to have channels for industry input to Government;
- Bipartisan nature is a strength of the model;
- Issues with quality of industry intelligence supplied;
- Focus is typically on current issues, it is more difficult to identify emerging issues;
- Limited cross fertilisation of ideas;
- Existing bodies (VSC/ITABs) have evolved over time, hard to define their roles;
- Some believe only peak organisations and large enterprises are able to access the system;
- Some enterprises would rather deal directly with ISCs than ITABs because of the national structure;
- ISCs could operate without ITABs but would need to do things differently. ISCs would find it more difficult to undertake environmental scans without state-level data for Victoria.

Quality of training is a concern:

- Inconsistency is a significant issue; many have heard reports of poor quality training;
- A quality-identification system would be helpful, but would need to taken into account issues such as potential disadvantage for providers dealing with hard-to-reach students.
Navigation for enterprises

The need for better navigation and information support for enterprises was a common concern in many stakeholder consultations. The following three step framework reflects the type of navigation support that enterprises and industry associations believe would be valuable to facilitate their engagement in the training market.

Exhibit 8: Navigation support required

- **Find out how training works**
  - What is the right entry point?
  - I have someone I can speak to who will advise me?
  - What are the steps needed to make training happen?
  - How can I use my VMS?

- **Identify your training needs and benefits**
  - How do I know the qualification my employee needs and if they are eligible to go through and fund it?
  - How will training help meet my business needs?
  - Who can help me assess my training needs?

- **Learn how to connect with a provider**
  - How do I know which providers offer the course I want?
  - How do I choose between providers?
  - What documentation do I need to have with the provider to arrange the training?
  - How do I provide feedback on the training outcome?
Appendix 6: VET Architecture in other jurisdictions

A variety of industry engagement architectures exist in other Australia and overseas jurisdictions. These are described in tables 2 and 3.

Table 2: VET architecture in other Australian jurisdictions

<table>
<thead>
<tr>
<th></th>
<th>Industry Advisory Bodies</th>
<th>Training Authority Board</th>
<th>Other Notable Features</th>
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<tbody>
<tr>
<td><strong>Name (Number)</strong></td>
<td>Features</td>
<td>Name</td>
<td>Industry representation on Board</td>
</tr>
<tr>
<td>SA</td>
<td>Industry Skills Bodies (9)</td>
<td>Help industry &amp; government plan for emerging skills and workforce issues</td>
<td>Skills Queensland</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To be retained under training market reforms – role will include increasing industry/employer commitment to skills development and utilisation</td>
<td>Industry rep: 3/9 (plus 3 union reps)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chair: Watpac MD</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Described as ‘industry-led’</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Role includes partnering with ISBs and stimulating demand/workforce development</td>
</tr>
<tr>
<td>QLD</td>
<td>Industry Skills Bodies (14)</td>
<td>Provide advice on a range of workforce development and skills matters to Govt (e.g. market intelligence on emerging skills needs) and businesses (e.g. workforce development)</td>
<td>State Training Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Industry rep: 5/9</td>
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<tr>
<td></td>
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<td></td>
<td>Chair: Verve Energy/ Former Shell executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Described as ‘peak industry training advisory body’</td>
</tr>
<tr>
<td>WA</td>
<td>Training Councils (10)</td>
<td>Promote training to industry</td>
<td>Board of Vocational Education and Training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Advise Board on training needs and industry priorities</td>
<td>Industry rep: 2/8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gather market intelligence esp. on emerging skills needs</td>
<td>Chair: Former CEO Metal Trades Association</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Oversees policy and planning and fosters partnerships; limited ‘industry’ role</td>
</tr>
<tr>
<td>NSW</td>
<td>ITABs (10)</td>
<td>Advise Govt on training priorities, formulate policy, implement reforms, design industry related strategies and partner on industry skills initiatives</td>
<td>Board sits across the whole of Skills Tasmania, whose role includes advice and administration of VET in Tasmania</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contracted mix of NSW specific bodies and ISCs</td>
<td>Industry Liaison Officers with industry specialties, whose main functions is to “gather and convert industry intelligence into useable information”</td>
</tr>
<tr>
<td>TAS</td>
<td>None</td>
<td>Some bodies (e.g. ForestWorks) continue to operate but not as formal ITABs</td>
<td>Skills Tasmania</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SkillsTasmania engages directly with industry and business through Industry Liaison Officers</td>
<td>Industry rep: 5/7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chair: Former BOC South Pacific MD, Barefoot Power director</td>
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<td></td>
<td></td>
<td>Board sits across the whole of Skills Tasmania, whose role includes advice and administration of VET in Tasmania</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Industry Liaison Officers with industry specialties, whose main functions is to “gather and convert industry intelligence into useable information”</td>
</tr>
<tr>
<td>VET product structure</td>
<td>United Kingdom</td>
<td>New Zealand</td>
<td>Germany</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>---------</td>
</tr>
<tr>
<td>VET qualifications defined by standards administered by government</td>
<td>VET qualifications defined by standards administered by government</td>
<td>Dual system with heavy emphasis on apprenticeships and employer led training</td>
<td></td>
</tr>
<tr>
<td>All qualifications and institutions are regulated by New Zealand Qualification Authority</td>
<td>Different regulatory bodies across the different countries</td>
<td>Industry is integrated as a &quot;social partner&quot; in VET development</td>
<td></td>
</tr>
<tr>
<td>A component of funding provided to training institutions is tied to the number of students served</td>
<td>Funding is delivered by the Skills Funding Agency, allocated based on government strategic focuses</td>
<td>Training regulation devolved to states</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry engagement structure</th>
<th>Key entities</th>
<th>Key entities</th>
<th>Key entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>25 Sector Skills Councils (SSC)</td>
<td>38 Industry Training Organisations (ITOs) channel industry input through committees (regional or industry based), boards and associations</td>
<td>Board of the Federal Institute for VET</td>
</tr>
<tr>
<td></td>
<td>UK Commission for Employment and Skills (UKCES)</td>
<td></td>
<td>Vocational Training Committees (state level)</td>
</tr>
<tr>
<td></td>
<td>Regional development agency</td>
<td></td>
<td>Vocational Committees (regional level)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Competent bodies, includes chambers of industry (regional)</td>
</tr>
<tr>
<td>Roles</td>
<td>Research skills needs and advise government</td>
<td>Set training standards</td>
<td>Decision making at all levels</td>
</tr>
<tr>
<td></td>
<td>Coordinate training plans</td>
<td>Broker training delivery</td>
<td>Set regulations and guidelines</td>
</tr>
<tr>
<td></td>
<td>Promote training</td>
<td>Identify training needs, develop solutions, and inform government</td>
<td>Set curriculum</td>
</tr>
<tr>
<td></td>
<td>Provide feedback from industry</td>
<td>Offer training advice and promote training</td>
<td>Set final examinations</td>
</tr>
<tr>
<td></td>
<td>Set National Occupation standards which inform qualification design</td>
<td></td>
<td>Deliver training</td>
</tr>
<tr>
<td>Funding</td>
<td>SSC funded by government through UKCES</td>
<td>ITOs funded by the NZ government</td>
<td>Offer training advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A component of funding is tied to amount of training brokered</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 7: Potential arrangement for the establishment of an Industry Skills Consultative Committee (ISCC) under option 2

The Industry Skills Consultative Committee (ISCC) would be established as a non-statutory advisory body by the Minister for Higher Education and Skills.

Functions of the ISCC

The ISCC would:
- advise the Minister on current, emerging and future economic and workforce productivity challenges, and associated training issues;
- advise the Minister on training market conditions that restrict or discourage participation of businesses in training and/or are failing to meet the requirements and expectations of employers;
- provide a forum to for Government to consult with industry on national and state Government training policy and associated initiatives; and
- provide opportunities to facilitate the sharing of industry intelligence and understanding of labour and skills trends.

The Committee would have the capacity to establish Taskforces and sub-committees as required and pending approval of the Minister for Higher Education and Skills.

The Committee would meet at a minimum twice per year.

Proposed membership of the ISCC

The Minister for Higher Education and Skills would chair the ISCC and would provide oversight and direction.

Membership of the ISCC should comprise a mix of industry perspectives, through representatives of critical industry associations and employers. Membership should be flexible and may change to reflect changing industry or training priorities or emerging issues. The mix of members should also include some based in regional areas. Table 4 outlines a range of industry perspectives that should be considered for inclusion in the ISCC.
Table 4: Examples of industry sectors that could contribute to the ISCC.

<table>
<thead>
<tr>
<th>Industry sector</th>
<th>Importance</th>
</tr>
</thead>
</table>
| Industry Peak Bodies                     | • Represent employers across a range of industries, and across large, medium and small businesses  
  • Promote skills acquisition across member organisations |                                                                                                                                                                                                                                                                                                                                 |
| Manufacturing                            | • The manufacturing sector is under pressure (e.g. from a high Australian dollar)  
  • While manufacturing enterprises are major employers in Victoria, the industry has been experiencing restructuring |                                                                                                                                                                                                                                                                                                                                 |
| Transport                                | • Large employer in Victoria (143,355), forecast to grow  
  • Transport and logistics enterprises will be impacted significantly by the Carbon Tax |                                                                                                                                                                                                                                                                                                                                 |
| Health Care and Social Assistance        | • This sector is forecast to be Victoria’s leading employer by 2017  
  • Occupations in this industry are experiencing significant skills shortages, including in aged care and nursing. |                                                                                                                                                                                                                                                                                                                                 |
| Technology & Research                    | • The Government has committed to supporting Victoria’s world-class science research infrastructure and capability  
  • Pathways through the VET system into this sector are important |                                                                                                                                                                                                                                                                                                                                 |
| ICT/ Infrastructure                      | • Broadband will act as an enabler for all industry and will drive productivity  
  • Forecast to provide significant jobs growth |                                                                                                                                                                                                                                                                                                                                 |
| Construction and civil construction      | • Key pillar of the Victorian economy  
  • Experiencing pressure on skills due to the interstate movement of skilled workers to mining jobs |                                                                                                                                                                                                                                                                                                                                 |
| Banking and finance                      | • Financial services is a major employer in Victoria (103,687) - the sector is predicted to experience moderate growth in the next three years  
  • The specialised occupation Accountants has been identified as in skills shortage in Victoria |                                                                                                                                                                                                                                                                                                                                 |
| Management                               | • Human resources, risk management and planning capability is emerging as a skills shortage across all industry sectors |                                                                                                                                                                                                                                                                                                                                 |
| Green Auto Manufacturing                 | • Green automotive technology and manufacturing is an important emerging industry in Victoria.  
  • It is anticipated that this type of manufacturing will support the sustainability of the broader automotive and defence manufacturing sector. |                                                                                                                                                                                                                                                                                                                                 |
| Agriculture                              | • Represent the needs of primary industries and farming which are currently transitioning and experiencing structural adjustment.  
  • Agriculture has been the subject of recent parliamentary enquiries  
  • Currently experiencing skills shortages |                                                                                                                                                                                                                                                                                                                                 |
| Electrical and communication             | • Represent the electrotechnology contracting industry |                                                                                                                                                                                                                                                                                                                                 |
| Retail                                   | • Retail Trade became Victoria’s largest industry employer in 2010 taking over from manufacturing.  
  • Skills needs in the sector are focused around training in entry level skills. |                                                                                                                                                                                                                                                                                                                                 |
| Labour Hire                      | • Labour hire companies play a pivotal role in the Victorian economy.  
|                                | • Provides an important perspective on a large range of skill fields. |
| Aviation/ Defence/ Engineering  | • Advanced manufacturing will be critical to Victoria’s manufacturing future.  
|                                | • Experiencing skills shortages.                                      |
| Regional employers             | • These companies will be identified by Skills Victoria, RDV and DBI.  |
## Appendix 8: Analogues to the CSO role

Several analogues to the CSO role exist. Table 4 outlines their key characteristics and they are described in more detail below.

### Table 5: CSO analogues

<table>
<thead>
<tr>
<th>Role category</th>
<th>Expert/technical advice</th>
<th>Policy advocate/influencer</th>
<th>&quot;Connector&quot; between government, community and industry</th>
<th>Advocate/influencer with some regulatory functions</th>
<th>Executive with operational and line management responsibility</th>
<th>Embedded public service role</th>
</tr>
</thead>
</table>

### Role category: Expert/technical advice

**Example:** Expert advisor, Emergency Management (1992)

**Roles and functions:** Provided an overview of international trends in emergency management to the government of Victoria

**Reporting and independence:** Provided expert research and advice to departments

### Role category: Policy advocate/influencer

**Example:** Chief Scientist (Australia)

**Roles and functions:** Provides independent and technical scientific advice. "To be a champion of science, research and the role of evidence in the community and government"

**Appointment process:** Appointed by Minister for Innovation following EOI process. Negotiable tenure (2-5 yrs)

**Reporting and independence:** Reports directly to Minister, but supported by a unit/secretariat in the Dept of Innovation

**Board/office structure:** No Board. Chief Scientist holds the position of Executive Officer to the Prime Minister's Science, Engineering and Innovation Council

**Success/Challenges:** New Chief Scientist appointed May 2011, previous (first full-time) Chief Scientist resigned mid-appointment, with reported tensions arising from advocacy role particularly in the area of climate change
Role category: "Connector" between government, community and industry

Example: Special Advisor for Green Jobs, Enterprise and Innovation (US)
Roles and functions: The "switchboard operator" for Obama's grand vision: "connecting the phone lines between all the federal agencies invested in green economy".
Appointment process: Appointed directly by the President, no Senate confirmation required
Reporting and independence: Member of the White House Council on Environmental Quality (CEQ) (division of Executive Office of the President)
Board/office structure: No Board.
Success/Challenges: Political appointment, subject to political pressures (Van Jones resigned after several months following political pressure).

Role category: Advocate/ influencer with some regulatory functions

Example: Small Business Commissioner (Vic)
Roles and functions: "To enhance a competitive and fair operating environment for small business in Victoria": provides independent advice, advocacy, mediation and regulation (e.g. investigating complaints)
Appointment process: Statutory officer appointed by the Governor in Council
Reporting and independence: Staff employed by DBI; commissioners are independent from executive government, and report directly to the parliament; required to submit a report to the Minister annually, to be tabled in parliament
Board/office structure: No Board.
Success/Challenges: Similar officers being introduced in NSW, SA and WA.

Example: Child Safety Commissioner (Vic)
Roles and functions: "To provide a strong and independent voice for children, to promote their safety and wellbeing and provide advice to the Minister for Children"; functions are defined under the Child Wellbeing and Safety Act 2005 and include promoting child-safe environments, monitoring out-of-home care system, conducting inquiries into deaths of children known to protective services and reviewing the administration of the Working with Children Act
Appointment process: Appointed by the Minister for Children
Reporting and independence: Administrative office linked to the Department of Human Services. Provides an annual report to the Minister for Children, Attorney-General and Secretary of the Department of Justice on the Department's administration of the Working with Children Act; conducts an inquiry and prepares a report on the deaths of any child who was a child protection client.
Board/office structure: No Board; office of 30 staff supported by funds allocated from the Department of Human Services
Success/Challenges: Same commissioner since the position was initiated in 2004; provides public comment on child-related issues.
Role category: Executive with operational and line management responsibility

Example: Fire Services Commissioner (Vic)

Roles and functions: Takes control of statewide operations during a major bushfire; advises State Government on bushfire-related issues

Appointment process: Statutory officer appointed by the Governor in Council

Reporting and independence: Reports to Minister for Police and Emergency Services

Board structure: No Board; small staff (~11); forms the State Fire Control Team with the Chief Officers/Chief Fire Officers of MFB, CFA and DSE

Success/Challenges: Established post Black Saturday bushfires, following a recommendation by the Royal Commission, to oversee greater integration between CFA, DSE and other interested organisations.

Role category: All of the above

Example: National Security Advisor (Australia)

Roles and functions: Develops partnerships with the national security community, improves national security strategic direction, supports policy development and crisis response

Appointment process: Competitive selection process in line with public service requirements

Reporting and independence: Fully embedded in the Department of Premier & Cabinet, a member of the PM&C Executive as a Deputy Secretary, reports directly to Secretary of PM&C.

Board/office structure: No Board, staff part of the Department.

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The following reports and documents were consulted during the course of the project (this list includes key documents only, it is not exhaustive).

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Glossary of abbreviations and acronyms

ACFE  Adult, community and further education
AMCA  Air Conditioning and Mechanical Contractors Association
AQTF  Australian Quality Training Framework
ASQA  Australian Skills Quality Authority (new national regulatory body)
CMM   Curriculum Maintenance Manager
COAG  Council of Australian Governments
CSO   Chief Skills Officer
DBI   Department of Business and Innovation
DHS   Department of Human Services
DoH   Department of Health
DoT   Department of Transport
DPI   Department of Primary Industries
ISC   Industry Skills Council, national government-funded industry training body
ITAB  Industry Training Advisory Body
Learn Local  Formerly Adult and Community Education (ACE)
MFM   Market Facilitation Manager
NCVER National Centre for Vocation Education Research
RDA   Regional Development Authority
RDV   Regional Development Victoria
RPL   Recognition of prior learning
RTO   Registered training organisation
SME   Small and medium enterprise
SV    Skills Victoria
TAC   Transport Accident Commission
TAFE  Technical and further education (Government funded registered training organisation)
TVET  Technical and Vocational Education and Training, TVET Australia Ltd is a company owned by members of the Ministerial Council for Tertiary Education and Employment (MCTEE) that provides secretariat services for the peak bodies of the National Training System
VCAA  Victorian Curriculum and Assessment Authority
VET   Vocational education and training
VRQA  Victorian Registration and Quality Authority
VSC   Victorian Skills Commission
VTG   Victorian training guarantee