Australia: Confronting Institutional Impediments

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Country Study Summary

BACKGROUND

Few countries have pursued reform of vocational education and training (VET) as persistently as Australia. Change has been a constant theme since 1974. It began with a decade of significant expansion of VET, followed by the realization that expansion by itself was not a solution: the country needed to confront some institutional issues that were inhibiting progress. The issues that had to be faced were not unique to Australia and its experience confirms that these problems are not easily resolved.

Australia is and has been wealthy: Earlier this century the wealth was based on agriculture. There has also always been a manufacturing sector which till the 1960s was built behind tariff walls. The mid-1970s brought to an end the comfort that came from stable economic growth. Unemployment, which had been close to 2 percent began rising sharply in 1974. Whether Australia will be able to reduce the high unemployment that has persisted for over 20 years depends most on its ability to make the necessary trade and financial linkages with global markets. But the response of the VET system is also critical.

VOCATIONAL EDUCATION AND TRAINING SYSTEM

The VET system is embedded in two institutions: the government and the industrial relations framework. Each has affected the way the system was established, the way it developed, and the issues that have dominated the reform process.

Institutional framework

The government framework. The constitutional responsibility for VET is vested in state governments. The main element for VET has been an apprenticeship system with state governments providing formal training in technical institutes and employers providing on-the-job training. The arrangement is typical of what has become widely known as a “dual” system. Despite its limited role, the federal government has managed to play a strong role in education, particularly higher education. Until the mid 1970s, however, its influence in other education subsectors was limited: states managed both the school system and vocational education. When the federal government sought to influence VET in the 1980s, it did not prove as straightforward as it had for higher education.

The industrial relations framework. The industrial relations framework is unique to Australia. Federal and state governments maintain industrial courts to manage the relationship between employers and trade unions. The courts formalize industrial agreements through so-called ‘industrial awards’, setting wages and conditions of work. The apprenticeship system was built into this legal framework. Apprenticeship wages and training standards were defined in awards just as for any other occupational group or level.

Vocational education

Compulsory vocational education. There are now no vocational schools in Australia. Until the 1960s, students who were most likely to take up apprenticeships were directed towards technical schools. Such schools offered courses through to the minimum school leaving age (generally 15 years), at which apprentices were usually expected to take up indentures with firms. Higher achievers were directed towards general secondary schools. During the 1960s however, state education authorities abolished streaming and have since maintained a unitary system.

Technical and Further Education (TAFE). The major vehicle for publicly provided post-compulsory vocational education is the Technical And Further Education (TAFE) college system. With the economic changes of the mid-1970s, the federal government came to believe that it should take the initiative in fostering reform. TAFE became one

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of the starting points. While most of the funding for TAFE continued to come from state governments, the federal government began providing funds for capital investment. Table 1, which covers the period of rapid expansion for TAFE, shows that its role was far from confined to training apprentices. TAFE has been used to retrain disadvantaged people and, especially since 1975, as a means of retraining the unemployed (evidenced by the strong growth in the "other skilled" class in table 1).

**Labor market programs**

As unemployment rose after the mid-1970s, the government introduced schemes specifically designed to alleviate youth unemployment. These were designed to bring about a greater understanding of the "world of work" in schools, through implementing work-experience schemes and allowing students to participate in the post-compulsory vocational system. At the same time, the number of early school-leavers began to decline dramatically. In 1982, retention rates through to year 12 were about 30 percent while by 1995 they had risen to 75 percent. Three factors combined to bring about this increase. First, the federal government launched income support schemes which raised benefits for disadvantaged youth still in school but over the age of 15. Second, public awareness of the returns to education increased. Third, employers were able to lift their selection criteria for entry-level occupations; increasingly, apprenticeships were taken up by those with education beyond the school certificate.

**Traineeships, apprenticeships, and other enterprise training**

The most significant proposal accepted by the government was to introduce a new system of youth training known as traineeships. Traineeships did not replace apprenticeships but sought to do two things: first, to expand the concept of a dual system of training into areas not covered by apprenticeships - over 70 percent of apprentices were being trained in metal, electrical, and construction trades; and second, to introduce training shorter than the four years required by apprenticeships. Employers have always been heavily involved in training. Apprentices, for example, are trained mostly on-the-job, being released by employers for formal training in TAFE, typically for only one day a week. They are indentured to employers, generally for four years. Employers are also involved in on-the-job-training and skill-development and train in areas not covered by apprenticeships. Typically, this covers entry-level occupations in the service industries. Industries such as banking and tourism have built up considerable expertise of their own.

### MAJOR VET ISSUES

The period of expansion of government provision for VET, in fact, led to two major issues: (a) a need to reconsider the issues encompassing the institutional framework; and (b) the financing of VET.

**Institutional issues**

*Reform of government structures.* The relationship between the employment and education ministries at the federal level was redefined. The government had given the employment ministry increasing responsibilities in the sector: for developing traineeships, negotiating with employers and unions to determine the type of training required; and developing programs for the unemployed leading to an increase in the number of non-TAFE training providers. But TAFE, part of the state education ministries, remained the country's major vehicle for formal training. The federal government combined its employment and education ministries into
Table 2. The Scope of VET

<table>
<thead>
<tr>
<th>Secondary School</th>
<th>VET Sector</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Certificates</td>
<td>Certificate I</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Certificate II, III, IV</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>Diploma</td>
<td></td>
</tr>
<tr>
<td>Advanced Diploma</td>
<td>Advanced Diploma</td>
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</tbody>
</table>

Bachelor, Certificate, Masters, Doctorate

one, enabling it to bring about a closer relationship between the vocational education system and the labor market. The federal government’s action eventually led to some states also combining the labor and education portfolios.

Reform of tripartite structures. Another major reform was the establishment of the Australian National Training Authority (ANTA) by the federal and state governments. ANTA was required to work on behalf of all the governments acting in unity. Employers and unions were incorporated into ANTA making it a tripartite authority. Through ANTA, governments and the industrial partners embarked on an ambitious plan to develop new accreditation procedures, industry-based competency standards, encourage new training providers and develop a nation-wide system of assessment and certification.

Accreditation. A major concern was the inconsistent accreditation procedures across states. The development of competency-based training and the adoption of a set of national competency standards gave the opportunity to overcome some of these problems. The skills in demand and the standards to be achieved are set by industry. TAFE is required to adhere to those standards as are major enterprises which conduct training. Private training providers may also subscribe to the accreditation processes though whether they do so is their decision. An advantage of this move is that it allows students flexibility in moving between education systems: from secondary school to VET and from VET to higher education (see Table 2). For example, Level I certificates from the VET system are regarded as educationally equivalent to Senior certificates from secondary schools.

Financing VET
Federal and state governments have taken steps to bring about greater cost-sharing.

Cost sharing with employers. Most of the cost of training has traditionally been borne by employers. In the case of apprentices, for example, employers pay full-time wages, including for periods of release to TAFE college, and bear many other direct costs. This direct cost made training susceptible to employers’ responses to economic cycles. The federal government’s approach during the period of expansion of TAFE was to provide wage subsidies for apprentices as countercyclical measures. In 1996, the government announced new measures designed to re-align the cost sharing of training for apprentices by introducing a training wage. It proposed that this wage compensate the trainees for their productive work, but not for time spent on training - the time spent on training and productive work is to be determined by an agency established for the purpose. Trainees are thus to be asked to bear a far greater share of the cost of training. If the training wage falls below an acceptable standard, the government will top it up to an agreed minimum.

Payroll Taxes. The government was concerned that many employers were failing to make even a minimum provision for the training of their employees. It introduced what is called the “training guarantee”. Employers were obliged to pay a levy equivalent to their shortfall in achieving a set minimum target for spending on training. The minimum was defined as equivalent to 2 percent of payroll. Employers meeting the minimum paid no levy. The revenue collected was returned to employers in the form of training activities to be determined by tripartite committees. However, by the third years of the scheme, virtually nothing had been collected - as employers demonstrated they were training significantly. The government then set the minimum at zero - effectively reversing the earlier policy.

Student charges. By the mid-1980s, the federal government, facing tight budgets, introduced a higher education fee, initially covering about 20 percent of the actual cost of higher education. However, the federal government took no action over student charges or fees in TAFE. This was left to the states to consider. The states did not consider the wholesale introduction of student charges, regarding most TAFE course as alternatives to senior secondary schooling.
The move to a market system
Governments have been concerned with improving the efficiency and effectiveness of the TAFE system. The most important moves for the long-term future of the system have come about through the federal and state governments introducing market elements into the VET system, deliberately trying to shift it from a 'suppliers' to a 'buyers' market. The federal employment ministry introduced competitive bidding among training providers. Training courses were tendered and although TAFE maintained its position as the major supplier, private providers began entering the field at a rapid rate.

LESSONS FROM AUSTRALIA
It is reasonable to ask what relevance the experiences of a country like Australia can have for developing countries or transition economies. It is, after all, developed both economically and institutionally. It is the latter, though, that shows what pointers can be found for others. Typically, countries seeking to bring about reforms in VET have a tradition that is focused strongly on the public sector. Australia's experience shows that a public sector system, by itself, will eventually prove inadequate.

Expansion of VET without institutional change is rarely an answer In itself
The Australian experience shows up the importance of basing reform on sound institutions. One particular problem concerns the relationship between the government, industrial partners, employers and unions; and between them and the VET system. With the establishment of ANTA, the government sought to engage the employers and unions, not as advisors, but as integral parts of the executive management of the VET system. While such an approach is difficult to adopt in countries which have depended on the public sector, getting full value for the investments they make will depend on it happening.

Linkages with the labor market must be predominant
Australia's experience demonstrates how difficult it is to forge relevant links between the VET system and the labor market. Part of the answer lies in forging links with industry in the management of VET. But part of it lies too in the government looking more closely at its own internal structures. Many countries have experienced a tension between achieving educational and labor market objectives. The solution in Australia was to amalgamate the players into one portfolio. The establishment of a single national ministry encompassing employment, education and training ensured that competing priorities could be resolved more effectively and reduced conflict among trainers and confusion among students.

The financing of VET should support the direction of market forces
Allowing market forces to work does not only depend on setting an institutional framework which involves industry in determining its training needs, but also to put in place financial mechanisms that will support market directions. This can be achieved partly by ensuring that costs are shared but this is not entirely the answer. Too often, for example, training levies are seen in countries contemplating reform as a way of financing VET, particularly as a way of expanding and strengthening the public sector system. Such measures have not worked well, as Australia's experience shows. The Australian experience shows that it is important that industry should become the main force behind the development of VET: the development of training standards, assessment procedures and accreditation. Accreditation is important to most employers only in so far as it genuinely provides them with information they would not otherwise have about the type and quality of training being offered. It cannot and should not be used as a means of enforcing licensing on training providers, which serves more to protect public sector providers than consumers.

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