



NSW VET Review

Interim Report | December 2023

Dr Michele Bruniges AM
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The Hon. Prof. Verity Firth AM

Acknowledgement of Country

The NSW VET Review Panel recognise the Traditional Custodians who have nurtured and stewarded the lands and waterways of NSW since time immemorial. We pay our respects to elders past and present and acknowledge the strength and resilience of all First Nations people in maintaining the world's oldest surviving cultures, despite so many experiencing social and economic exclusion and intergenerational trauma. The deep connection to Country and continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples highlights the enduring bond with the Australian landscape.



Deleila Roberts. Winner of the NSW Training Awards, pictured at her workplace at Ngambaga Bindarry Girrwa Community Services in Bowraville NSW. Pic: Lindsay Moller Productions

Panel acknowledgements

The NSW VET Review Panel extends its sincere gratitude to our valued stakeholders throughout our research and consultation phases. The guidance, resources, advice and perspectives provided through these phases were instrumental in shaping the direction of this Interim Report. We would also like to thank the NSW VET Review Secretariat for their valuable support during this process.

The Hon. Steve Whan, MP

Minister for Skills, TAFE and Tertiary Education
52 Martin Place
Sydney NSW 2000

Dear Minister

**NSW Vocational Education and Training (VET)
Review Interim Report**

In July 2023, the NSW VET Review Panel (the Panel) was appointed by the NSW Department of Education to lead the NSW VET Review, a comprehensive examination of the VET sector.

The Panel was asked to consider the current state of VET in NSW and draw on a broad range of insights to recommend actions across four key areas. This includes rebuilding a strong and sustainable TAFE NSW, improving equity of access and student outcomes, ensuring confidence in the VET system and its quality across all VET providers, and addressing skills shortages and needs now and into the future.

We are pleased to present you with our NSW VET Review Interim Report (Interim Report).

This Interim Report provides recommendations based on the Panel's findings to the NSW Government. It captures qualitative insights from our consultations and reflects on the extensive research we have undertaken to date. This has informed our seven recommendations for priority action.

Our first area of recommendation focuses on rebuilding TAFE NSW at the centre of the NSW vocational education system.

We have also made recommendations where we see an opportunity for immediate impact on critical VET delivery in NSW across strategic governance, the teaching workforce, facilities and infrastructure.

The Panel believe these recommendations will enable the NSW Government to take significant steps towards fostering a dynamic and responsive VET sector.

We also provide future directions on areas we will explore further in the lead up to the Final Report.

We want to emphasise there are reflections and lessons that those across the sector can also consider and act on before we deliver our Final Report. The responsibility for the VET system is a shared one with all stakeholders having a role in strengthening vocational education and building a future focused system for NSW.

We look forward to submitting our Final Report to you in mid-2024.



Dr Michele Bruniges AM

Chair of the NSW VET Review Panel
On behalf of Jason Ardler PSM and
The Hon. Prof. Verity Firth AM

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Executive summary

VET plays a crucial role in NSW, fostering a skilled workforce, promoting inclusivity, empowering individuals, supporting community development, and contributing to economic growth and sustainability.

We know that new jobs in the next decade will require increasingly more VET-qualified workers. We are more convinced than ever about the importance of a strong and vibrant VET system in NSW underpinned by a robust and future-focused public provider in TAFE NSW.

Since July 2023 when the Panel was formed, we have undertaken extensive consultations and research to inform our Review. This work, alongside key developments at national and state levels such as the signing of a new National Skills Agreement, has continued to reinforce to us the timeliness of this opportunity to carefully review the NSW VET system, examine its strengths and weaknesses and take action.

The Interim Report

This Interim Report provides recommendations based on the Panel's findings to the NSW Government. It captures qualitative insights from our consultations, reflects on the extensive research we have undertaken to date, and outlines priority recommendations and emerging opportunities for further exploration.

Our Final Report, due mid-2024, will incorporate the information obtained from public submissions, survey findings, ongoing analysis and research, and future findings from continued consultation.

This Interim Report is structured into two main sections:

- immediate priorities
- directions for further exploration

Immediate Priorities

The Review's immediate priorities focus on recommendations aimed at TAFE NSW and broader VET delivery settings.

Priority Area 1: TAFE at the Centre

The first item in our Terms of Reference asked us to consider how the NSW Government can 'rebuild a strong and sustainable TAFE at the centre of the NSW vocational education system'.

TAFE NSW is the largest vocational provider in the country and a strategic asset for both the government and the community. From our consultations, we heard from industry, private providers, community members and other sector stakeholders that understanding TAFE NSW's role in the system is an essential first step to broader sector reform. We also heard that TAFE NSW needs to operate in a way that instils confidence and shows leadership for the entire VET system.

The initial recommendations we have made in this report will allow the NSW Government to start that process now, while centring TAFE NSW's role in the context of a vibrant VET ecosystem that serves our learners and employers. Addressing the role of TAFE explicitly in our Interim Report positions us to provide distinct recommendations concerning other priority areas in the Final Report.

We have organised the following recommendations under three themes – role and purpose, operating model, and funding.

TAFE NSW's role and purpose

Recommendation 1: The NSW Government should clarify TAFE NSW's role and purpose through a TAFE NSW Charter based on the following key principles:

- i. TAFE NSW as a future-focused, strategic leader that meets the skills needs of NSW
- ii. TAFE NSW as a provider of a public good
- iii. A place based and locally-focused TAFE NSW
- iv. An industry-aligned TAFE NSW

TAFE NSW's operating model

Recommendation 2: To align with TAFE NSW's role and purpose, TAFE NSW should develop and implement a revised operating model that:

- i. Aligns educational delivery with industry needs. Teaching delivery should have an industry-aligned education focus to enhance teaching excellence and reduce place-based barriers for teachers and learners.
- ii. Prioritises local, regional and community engagement. This should include separate, specific functions that are focused on local and community stakeholder engagement and place-based skills planning.
- iii. Enhances support for teachers. This should include an approach to systems improvement (for example data collection and digital services) to improve student outcomes and to reduce administrative burden.

Recommendation 3: TAFE NSW and the NSW Department of Education should work with education regulators to pilot targeted self-accreditation processes across selected and agreed Australian Qualifications Framework (AQF) qualifications, including a robust evaluation approach to inform future TAFE NSW self-accreditation activity.

TAFE NSW funding directions

Recommendation 4: The NSW Government should consider the following funding directions to rebuild TAFE NSW:

- i. Remove TAFE NSW from the contestable funding market, providing a single funding envelope.
- ii. Streamline funding for TAFE NSW through a direct appropriation with estimates across the forward years, with appropriate accountability mechanisms through the TAFE NSW Charter.
- iii. Increase the TAFE NSW funding commitment to ensure it is, at minimum, reflective of general operating costs in the 2024-25 budget, allowing TAFE NSW to embed the reform outlined in recommendations 1 and 2.
- iv. Establish effective guidance and processes to enable TAFE NSW to maximise public assets for public good and establish clear guidelines on using TAFE NSW assets for sources of commercial revenue.

Priority Area 2: Delivering VET in NSW

We propose recommendations on key VET delivery issues that can be addressed immediately and implemented quickly by the NSW Government to build momentum, rather than waiting for the Final Report.

These issues sit across three themes and cover the broader sector, including how the system is governed and connects with industry, the permanency of the VET teaching workforce, and the current provision of infrastructure and facilities used to deliver VET.

Strategic governance

Recommendation 5: To ensure governance arrangements for the NSW VET system are strengthened, focused and appropriately set-up to represent industry, provider and workforce expertise, the NSW Government should review the:

- i. TAFE Commission Advisory Board to effectively support TAFE NSW's role and purpose and its reform progress. This should consider:
 - a) the composition and membership of the Board
 - b) appropriate reporting mechanisms
 - c) restating the status of the Board as an independent advisory body.
- ii. *NSW Skills Board Act 2013* to clarify the Skills Board's role and purpose, and renew its focus to include:
 - a) enhanced data-led advice on the NSW labour market, including advice and direction on evidence-based research and innovative skills and training models
 - b) stewardship of strategic priorities such as the NSW Skills Plan
 - c) strengthened strategic industry connection.

Priorities could be determined through an annual statement of expectations agreed with the Minister for Skills, TAFE and Tertiary Education.
- iii. NSW industry training advisory bodies (ITABs) program to ensure strategic alignment with the structure and function of the Australian Government's Jobs and Skills Councils (JSCs) and consider how ITABs could better support targeted objectives of the strategic governing bodies led by the NSW Department of Education and TAFE NSW.

VET teaching workforce

Recommendation 6: The NSW Government should prioritise the expansion and conversion of permanent roles for VET teachers in the NSW Department of Education and TAFE NSW workforce.

Infrastructure and facilities

Recommendation 7: The NSW Government should undertake an asset audit to ensure it has a clear understanding of current VET infrastructure across NSW, including its condition, age and geographic location. This should:

- i. include TAFE NSW, public schools and all other government-owned or funded VET assets (including working with the Australian Government on their funded assets where possible).
- ii. consider alignment between major tertiary education infrastructure announcements such as the Regional University Study Hubs program and VET needs.

Directions for further exploration

The second part of the Interim Report presents the Panel's preliminary perspectives on broader issues and our directions for further exploration across three main themes: 1) Delivering VET in NSW, 2) Boosting Student Success and 3) Future VET Success.

Exploration of our next steps is directed towards areas rich with emerging opportunities, with scope to consider issues in accordance with the Review's Terms of Reference. Final conclusions and recommendations will be presented in the Final Report.

Delivering VET in NSW

The Review Panel will consider the following opportunities:

- Funding
- Industry engagement and partnerships
- VET teaching workforce
- Infrastructure and facilities.

Boosting student success

To ensure that the NSW VET system continues to deliver strong outcomes for students, we will engage directly with students to ensure their voices inform our work as we continue to explore:

- Student outcomes
- Equity and access
- VET for secondary students
- Apprenticeships and traineeships

Future VET Success

To ensure the NSW VET system is looking to the future and supporting the evolving needs of industry and the NSW economy, we will continue to explore:

- VET perception and tertiary system integration
- Skills needs
- Emerging technology and future trends

It is important to highlight there are insights and lessons which are relevant for stakeholders across the sector to consider and progress. We have presented our ideas and areas for further exploration as a means of continuing our engagement with key stakeholders and to inform the next phase of the Review. Analysis of submissions, surveys and further research will form a critical aspect of our next phase

and help to ensure that our recommendations in the Final Report provide a clear direction for further reforms to foster a dynamic and responsive VET sector.



Introduction

Background

On 23 June 2023, the NSW Government announced a comprehensive review of the NSW VET system with the formation of the VET Review Panel.

The Interim Report provides the Panel's findings to the NSW Government. It captures qualitative insights, research and reflections and outlines emerging opportunities and priority recommendations.

The Interim Report is structured into two main sections:

- immediate priorities
- directions for further exploration

Our approach

Public consultation was the cornerstone of the Panel's efforts to assess the challenges facing VET in NSW while also seeking advice on solutions from those facing these challenges directly. On 11 August 2023, the Panel released a discussion paper and survey, and began conversations with local employers, trainers, educators, and providers.

Beginning our consultation journey in regional NSW highlights the importance of addressing issues of access and equity faced by learners in those areas.

Consultations were guided by the discussion paper's themes of:

- Boosting student success
- Placing TAFE at the heart of the system
- Delivering quality VET in NSW
- Preparing VET for the future

Consultation Summary

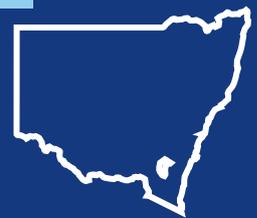


252

roundtable attendees across
18 online and face to face sessions

ROUNDTABLE LOCATIONS

- Albury
- Ballina
- Cobar
- Coffs Harbour
- Dubbo
- Greater Sydney
- Maitland
- Moree
- Moruya
- Tamworth
- Tuggerah
- Wollongong



THEMATIC FOCUS

- Care economy
- Digital industry
- Manufacturing
- Construction
- Engineering
- Primary industries
- Student outcomes
- Equity and access
- Quality delivery
- VET Workforce
- Future skills needs
- VET for Secondary students



> 5300 km travelled

across rural, regional and metropolitan
NSW to consult with stakeholders

SITE VISITS

- 10** Training providers
- 7** TAFE NSW campuses
- 3** High schools



Between August and October 2023, we engaged in a series of roundtables and regional tours with over 250 stakeholders. We travelled from Ballina to Moruya and Cobar to Greater Sydney. Our insights were enriched by visits to schools, TAFE NSW campuses, community colleges, universities, local businesses and councils, and private and enterprise registered training organisations (RTOs).

We engaged with government agencies, peak bodies, industry representatives and subject matter experts through face-to-face and online themed roundtables. These roundtables covered key industry areas of the care economy, digital industry, manufacturing, construction and engineering, and primary industries. In addition, roundtables were held for focus areas from the discussion paper including equity of access and student outcomes, quality delivery of VET, VET for secondary students, the VET teaching workforce and skills for the future.

Our conversations were extensive and broad, enabling deep insights into the sector. This report captures the prevailing sentiments around issues with strong consensus or concern, and where there is opportunity for NSW to uplift the current VET system. At the time of writing, the Have Your Say Survey and written submission process had only recently closed. Therefore, findings included in this report reflect perspectives obtained during the Panel's engagement with stakeholders during face-to-face and online events, as well as insights from our research.

Current context

Since the release of the discussion paper in August 2023, a series of significant developments have transformed the sector and shaped this Review. It is important to understand the context this Interim Report is being written and the pace of developments taking place.

The sector is transforming at the national level, with all state and territory governments signing a new National Skills Agreement (NSA) that will commence on 1 January 2024. This agreement not only brings funding certainty but also outlines a stewardship model that focuses on collective action in developing VET across Australia.

The Australian Government's commitment to 'Fee-Free TAFE' will provide NSW fee-free training opportunities that enhances accessibility and affordability for our learners.¹

Nationally, substantial reforms, reviews and reports will influence our thinking as we continue to develop our Final Report. These are expected to include issues of qualification reform, education quality, equity and access and industry engagement, and cross-cutting tertiary issues. Additionally, findings will continue to emerge from an inquiry into the perceptions and status of VET.²

In September 2023, we saw the release of reports that speak to the broader systems that affect VET, including Working Future: The Australian Government's White Paper on Jobs and Opportunities, the Disability Royal Commission's Final Report and the Review of Australia's Migration System Final Report.

Jobs and Skills Australia's inaugural Annual Jobs and Skills Report 2023, released in October provides an initial assessment of the national skills system and Australia's current, emerging, and future skills needs. Importantly, the report notes that, 'over the next 10 years, more than 9 out of 10 new jobs (approximately 92%) expected to be created will require post-secondary qualifications (Skill levels 1 to 4). Around half (48%) will require a bachelor degree or higher qualification as the primary education training pathway, and around 44% will have VET as the primary pathway'.³ This highlights the critical role VET has within the broader tertiary education sector in meeting the future workforce needs of the state, particularly when addressing the need for significant increases in workforce and education participation among equity cohorts.

These reports confirm that:

- NSW is experiencing significant skills shortages
- NSW needs to attract and retain more skilled trainers, educators, and assessors
- the VET funding model must evolve to be sustainable and viable for the long term
- NSW needs appropriate, accessible, and well-maintained facilities
- students with additional or complex learning needs require the right support.

These challenges are not confined to NSW alone. They hold national significance, which means collaboration at all levels of government and across the tertiary education sector is essential if we are to rebuild and strengthen our VET system as a state and nation.

¹ NSW Government, Tens of thousands more fee-free TAFE places for NSW [media release], NSW Government, 23 November 2023

² Parliament of Australia, Inquiry into the perceptions and status of vocational education and training, Australian Government, 2023

³ Jobs and Skills Australia (JSA), Towards a National Jobs and Skills Roadmap, Australian Government, 2023



Immediate Priorities

IMMEDIATE PRIORITY AREA

1. TAFE at the Centre

Throughout our consultations, we heard strong and committed views on the importance of TAFE NSW. Whether based on deep professional or personal experience, a single interaction, or a longstanding family connection, it is clear that TAFE NSW plays a central role in supporting individuals, communities, and industries across NSW and will continue to do so into the future.

Our first priority area in the Interim Report is a focus on ensuring TAFE NSW is at the centre of the NSW VET system. We have recommended that the NSW Government take immediate steps to clarify TAFE NSW's role and purpose, develop and implement a revised operating model and provide TAFE NSW with the right funding settings to deliver these changes.

1.1 TAFE NSW role and purpose

What we heard

TAFE NSW plays a critical economic role and a vital social and community role across the state

Our conversations strengthened our understanding that TAFE NSW provides immense social value alongside its significant contribution to the NSW economy. We know that TAFE NSW is responsible for the 'heavy lifting' in ensuring our economy has the key skills needed by industry, training around 80% of the state's apprentices,⁴ and more than 60% of government-funded enrolments in full qualifications.⁵

TAFE NSW delivers a crucial community service in reducing inequality and increasing opportunity. TAFE NSW facilities enable participants to upskill and reskill in high demand skills areas. Creating these opportunities contributes to and supports ongoing employment and education participation throughout a learner's life.

TAFE NSW plays a critical role for those in rural and remote areas and for learners requiring additional support. TAFE NSW delivers training to more people with additional or complex needs than any other VET provider in Australia. In 2021, 48% of TAFE NSW enrolments were students from low-socioeconomic cohorts.⁶

TAFE NSW is challenged by undefined focus and eroding community confidence

"TAFE can't be all things to all people."

Wollongong Roundtable participant, August 2023

"Since OneTAFE, our region has lost out – we've lost identity, individualism... TAFE became centric to Sydney, and we were forgotten about."

Tamworth Roundtable participant, August 2023

Many stakeholders we spoke to emphasised their uncertainty about the focus of TAFE NSW. We heard that TAFE NSW is challenged by trying to deliver 'everything to everyone'. Stakeholders reflected on expectations that it needs to be both a leading commercial and competitive provider, but also a 'provider of last resort' to deliver training in course areas and locations that the private market does not operate.

⁴ NSW Department of Education, NSW Apprenticeship and Traineeship Approvals 2021 Tableau, NSW Government, 2023

⁵ National Centre for Vocational Education Research (NCVER), Government-funded students and courses 2022, NCVER, 2023

⁶ National Centre for Vocational Education Research (NCVER), Government-funded students and courses 2022, NCVER, 2023



Many share the sentiment that TAFE NSW has declined in its reach and impact over the last decade. We heard multiple comments that TAFE NSW lacks capacity to provide courses that people want to do, in the local areas where people want to do them. We also heard frustrations with under-utilised and aging facilities, particularly in regional areas, further adding to the uncertainty of TAFE NSW's role and capacity to deliver.

Further clarity on the role and purpose of TAFE is needed

“What is the value of TAFE? Is it a social construction or is it a business? We have that mismatch...”

Ballina Roundtable participant, August 2023

With many of our discussions focusing on the scope of TAFE NSW, clarifying the role of TAFE NSW is a priority for the NSW VET Review and this Interim Report.

Since the introduction of a competitive market approach through the NSW Government's Smart and Skilled program in 2015, TAFE NSW's status has fundamentally changed. Subsequently, from 2015, TAFE NSW has had to compete with private RTOs, alongside not-for-profit and adult and community education (ACE) providers, in addition to meeting significant legislated responsibilities

such as providing VET access to educationally or vocationally disadvantaged groups. While there have been positive developments within TAFE NSW resulting from the push to be more competitive, it also leaves TAFE NSW in a difficult position where it is attempting and expected to meet all educational and training gaps.

Since the TAFE Commission was established in 1974⁷, competing priorities were articulated for the institutions, focusing on 'the needs of the individual for vocationally oriented education' and 'the manpower needs of industry... as the context for courses'.⁸ In 2001, a National Centre for Vocational Education Research (NCVER) report by Gillian Goozee outlined the challenges TAFE experienced across Australia in trying to play every role required in the VET sector:

'Today, TAFE is expected to provide the vocational education and training (VET) needs of industry, the entry-level VET requirements of 15-19 year olds, the special needs of disadvantaged groups within society and the retraining needs of those who wish to re-enter the workforce after an absence or as a result of redundancy. Whilst the other two sectors of education have clearly defined roles, the schools by age and the universities by awards, TAFE, throughout its long history, has been required to fill all the other educational needs of the community and industry.'⁹

⁷ TAFE NSW, Our history - TAFE NSW, NSW Government, 2023

⁸ M Kangen, 'TAFE in Australia: report on needs in technical and further education', Australian Government, 1974

⁹ G Goozee, The development of TAFE in Australia, National Centre for Vocational Education Research, 2001



The difference between public providers and private and specialist providers, in how and why they operate, must be better understood and considered by policymakers. Improving this understanding will lead to more effective partnership approaches to meeting skills needs and a clearer sense of where different providers can add best value across the skills sector. The first step in doing this is to clarify and articulate the role and purpose of TAFE NSW.

How TAFE NSW's role is currently defined

TAFE NSW is established as a public sector authority under the *Technical and Further Education Commission Act 1990*. The Act details TAFE NSW's primary purpose which is to 'provide technical and further education services to meet the needs of individuals and the skill needs of the workforce.' The guiding legislation is broad and flexible rather than proscriptive and makes it clear that the TAFE Commission is subject to the control and direction of the Minister for Skills, TAFE and Tertiary Education. TAFE NSW is subject to annual funding agreements that set out base funding arrangements and expectations against defined programs, government election commitments, and Australian Government funded programs.

Over the years, the NSW Government has published vision statements or statements of expectations for TAFE NSW.¹⁰ However, the most recent public-

facing statement was in 2016, and NSW Government direction since this point has not typically been made public.

Legislation and budget documents are not well-aligned to providing both TAFE NSW and the public a clear and concise position on the role of TAFE NSW in the broader VET ecosystem. Currently, there is no established public-facing mechanism to communicate the NSW Government's expectations of TAFE NSW. This issue is not new and was clearly identified in December 2020 by the Audit Office of NSW when examining the OneTAFE NSW Modernisation program.¹¹ The Audit Office noted that:

'The Act defines the purpose of TAFE NSW is to provide technical and further education services that meets the needs of the workforce and industry as well as ensuring access by disadvantaged communities and groups.... These social objectives are not a requirement for TAFE NSW's commercial competitors... Clearer direction around how TAFE NSW should balance the social objectives in the Act with the commercial objectives of the modernisation program would have helped TAFE NSW to set up appropriate governance arrangements to deliver the reform agenda.'¹²

¹⁰ The two most recent examples are: NSW Government, A Vision for TAFE NSW, NSW Government, 2016 and NSW Government, Statement of Owner Expectations, NSW Government, 2013

¹¹ Audit Office of NSW, Performance Audit: One TAFE NSW Modernisation Program, Audit Office of NSW, NSW Government, 2020

¹² Audit Office of NSW, Performance Audit: One TAFE NSW Modernisation Program, Audit Office of NSW, NSW Government, 2020

Areas of opportunity

The national policy environment is strongly focused on TAFE

The current policy environment provides a real opportunity for the NSW Government to clarify the role of TAFE NSW. Governments have placed a strong emphasis on skills, training and jobs including a key focus on placing the TAFE system at the heart of the VET sector. The new National Skills Agreement includes significant commitments to TAFE NSW.

This provides a renewed opportunity for the NSW Government to build on national developments and reposition TAFE NSW as a leader in the VET sector. To do this, the NSW Government and TAFE NSW need to work together to position TAFE NSW effectively, and address community and industry concerns regarding TAFE NSW's declining reach, prominence, and impact.

The language around TAFE NSW 'at the heart' of the VET system in NSW was challenged throughout the consultation period. Feedback from stakeholders across the system, including TAFE NSW, emphasised that the role of providers and educators every day, was to put students at the heart of VET. This 'student-first' perspective creates a shared outcome and focus for the sector as a whole and places the following principles in the context that all providers across the VET system should put student outcomes and wellbeing first.

To better understand the role of different stakeholders in the broader NSW VET system, the first step is providing clarity on TAFE NSW's role and purpose. With TAFE NSW's role in the VET system clarified, broader system priorities to ensure better coverage, access, opportunity and quality provision across NSW can be defined. The Panel acknowledges that TAFE NSW cannot be everywhere and all things to all people. The focus needs to be on where it can have the greatest impact.

TAFE NSW is putting effective frameworks, policies and procedures in place to determine focus and priorities

One area of opportunity for providing greater clarity for TAFE NSW comes from within. New approaches and planning frameworks have been implemented recently to assist TAFE NSW to better understand the needs of industry, learners, government, communities, and the broader education system, and to plan accordingly.

TAFE NSW's Strategic Plan highlights the evolving capability of TAFE NSW to meet current and emerging skills demands. It sets out a five-year strategy to achieve the vision of being the leading provider of lifelong learning, meeting the evolving needs of industry and learners in communities across NSW. However, the focus of TAFE NSW should not only come from within, it needs to be more directly provided by the NSW Government.

A public-facing NSW Government Charter based on core principles would strengthen TAFE NSW's focus

The Panel's view is that the NSW Government should clarify its expectations on TAFE NSW through the development and public release of a Charter, that defines the role and purpose of TAFE NSW over the long term. In developing this charter, the NSW Government should consider the following:

- A public-facing Charter should be developed as a priority for TAFE NSW.
- It should include, as a minimum, a statement of purpose, expected outcomes, and role (including what is in and out of scope), agreed measures of success, ways of working, governance, and values.
- Critically, the Charter should be guided by several key principles at its core (detailed below).
- The Charter should provide TAFE NSW with clarity of purpose over the medium-term, covering a period of no less than four years. To inform this clarity of purpose, the Panel have included key considerations in Table 1.
- The Charter should be reviewed annually and refreshed if required.
- As part of developing the Charter, the NSW Government should examine the *TAFE Commission Act 1990* to ensure it remains fit for purpose.
- The Charter should also consider how the broader VET system is aligned to these expectations and ensure that system goals are mirrored in publicly available documents such as the impending NSW Skills Plan.

In our view, key principles for the development of the Charter should include:

Principle 1: TAFE NSW as a future-focused, strategic leader that meets NSW's skills needs

- TAFE NSW is a strategic asset of the government, with a focus on addressing NSW's skills and workforce needs.
- Accordingly, TAFE NSW should have a central leadership role in VET in NSW. To do this, TAFE NSW needs to continually demonstrate best practice in facilitating access to training, leading in innovation and quality, and in connecting stakeholders within communities and across NSW.
- TAFE NSW should continue to enhance its responsiveness to the needs of students and NSW's economic and social developments. This includes taking a leading role in responding to major challenges such as the transition to renewable energy and the increased demand on the care sector.
- TAFE NSW should be a leader in teaching and learning excellence, acknowledging that a core role of a public provider in a mixed market is to set and drive quality standards for other providers.
- When skills and workforce pressures are considered by the NSW Government, TAFE NSW should be the first choice in addressing these concerns. This includes a leading role in the development of innovative education models and partnerships.

Principle 2: TAFE NSW as the public provider of a public good

- TAFE NSW's role as the state's public provider should be reflected in how it is managed and funded. TAFE NSW and the NSW Government should work collaboratively to ensure it is provided with appropriate levels of funding and funding certainty, and less administrative and regulatory burden. TAFE NSW's primary purpose should be to deliver high quality education and training, not make a commercial return. Operating within an appropriate budget is critical to doing this sustainably, but providing a public good should be TAFE NSW's overriding purpose.

- TAFE NSW has a role as a leader in addressing inequities that create barriers to individuals and communities achieving their education and employment aspirations. This includes learners with complex needs, those from regional communities and other priority cohorts.
- Acknowledging that TAFE NSW is part of a broader system of providers, the NSW Government should recognise that its public provider is central to meeting the breadth and depth of NSW's skills needs into the future.

Principle 3: A place-based and locally-focused TAFE NSW

- TAFE NSW should be considered a pillar of its local community, particularly in regional areas. Its offerings, people and campuses should be known and valued.
- TAFE campuses should be 'unlocked' for use by members of the community and community organisations.
- A local TAFE should be representative of its area, providing access to the right courses, from basic skills training to lifelong learning.
- Engagement and outreach should be a core responsibility of the public provider, playing a role in improving the quality of life and vibrancy of its local community, in all its diversity.

Principle 4: An industry-aligned TAFE NSW

- Strong and collaborative relationships with businesses, unions and industry should be embedded in the way TAFE NSW does business and operates.
- TAFE NSW should continue to support the needs of industry, enhancing its agility and responsiveness to ensure courses fulfill employer needs and students are supported to transition into employment.
- TAFE NSW should 'lean out' to industry, ensuring employers are prioritised and facilitated to engage with TAFE NSW through a concierge or priority approach.

Recommendation

Recommendation 1: The NSW Government should clarify TAFE NSW's role and purpose through a TAFE NSW Charter based on the following key principles:

- i. TAFE NSW as a future-focused, strategic leader that meets NSW's skills needs
- ii. TAFE NSW as a provider of a public good
- iii. A place based and locally focused TAFE NSW
- iv. An industry-aligned TAFE NSW

Table 1: Key considerations to inform the TAFE NSW Charter

Areas for consideration	VET Review Panel Commentary	What is required in the Charter?
i. Commercial viability expectations	Reduce ambiguity for TAFE NSW on expectations around its commerciality. As a public provider with a strong social purpose, there should be clear recognition that not every course provided by TAFE NSW can and should be delivered profitably. However, as a leading provider TAFE NSW may attract commercial revenue and business-to-business (B2B) opportunities.	Provide a clear public-facing statement on commercial viability expectations for TAFE NSW.
ii. Student support (particularly for equity cohorts)	Support provided by TAFE NSW to its students, particularly for those with complex needs, is critical to meet legislated responsibilities and support strong outcomes for students across NSW. This should be recognised within the Charter, and expectations on the extent of student support provision should be clarified.	Recognition of the key role of TAFE NSW in providing additional support for students. To be informed by current TAFE NSW information on support provision (types, level, and need), estimated future need and the funding support required.

Areas for consideration	VET Review Panel Commentary	What is required in the Charter?
iii. Scope of qualifications delivered	High-level expectations should be provided to TAFE NSW as to which qualifications it should deliver, and where. This should align with the NSW Skills List and emerging NSW Skills Plan. The Panel's view is that TAFE NSW should be directed to provide statewide provision of a comprehensive range of qualifications, alongside a suite of 'core' qualifications delivered at every campus. This should be augmented by a strong focus on meeting the skills needs of local areas and economies.	Detail expectations for TAFE NSW on its service delivery scope and approach, and expectations around regional, rural, and thin market provision. Enable TAFE NSW to provide a strategic mix of vocational qualifications, microcredentials, and higher education programs which best meets industry and locality.
iv. Online delivery	Provide appropriate considerations on how TAFE NSW can clarify its delivery modes for prospective and current learners, taking into account educational intent and purpose to inform mode of delivery. Online delivery should be appropriately leveraged to maximise TAFE NSW's economy of scale through virtual and/or blended delivery where applicable and enhance digital literacy.	Enable TAFE NSW to set clear guidelines for its learners on online and face-to-face delivery options available to them.
v. VET teaching Workforce	Recognise that the TAFE NSW workforce is the critical input to determining how effectively TAFE NSW can deliver high-quality training. NSW Government expectations should be clarified for TAFE NSW to cultivate a skilled and adaptive workforce, that is aligned to current and future delivery needs.	Detail expectations on workforce planning to meet current and future skills needs. This to be informed by current TAFE NSW information and projections on workforce requirements.
vi. Infrastructure and facilities	Clarity on how TAFE NSW should maximise its physical infrastructure, campuses, and facilities to ensure training is provided in modern, fit-for-purpose and industry standard teaching and learning environments.	Recognition of the central role of TAFE NSW's campus footprint to deliver training and support local communities. Include government expectations on how this campus footprint should be maintained, expanded, or consolidated where appropriate.

1.2 TAFE NSW operating model

What we heard

TAFE NSW's scale is unique, operating from 156 campuses and supporting over 400,000 enrolments each year. The breadth of TAFE delivery is also significant, offering approximately 550 VET qualifications across all industry sectors and providing higher education qualifications and non-accredited training.

With this scale comes challenges. During our consultations, we heard of experiences from businesses and prospective learners trying to engage with TAFE NSW or enrol in training through local campuses. There was a strong sentiment from many respondents that local connections have declined, and that some businesses struggle to engage with TAFE as effectively as they had in the past. For this reason, some are choosing to use other providers.

Given the centrality of TAFE NSW to our VET system and its role as a public provider, addressing these concerns should be a priority for the NSW Government and TAFE NSW. Providing TAFE NSW with greater clarity on its purpose and role as detailed in Chapter 1.1, will only be effective if it occurs together with immediate steps to improve its on-the-ground operations.

Effective industry connection is hindered by structural constraints and inconsistent approaches to engagement

“We’ve now established our own RTO because for us, we don’t feel we can get enough support from TAFE. So, we are creating our own just to get our needs met.”

Future Skills Needs Roundtable participant, Sept 2023

“TAFE was our only RTO partner, but now we use 12 different RTOs as, unfortunately, engagement with TAFE has declined.”

Dubbo Roundtable participant, August 2023

TAFE NSW has a long history of partnering with industry to meet the skills and training needs of NSW communities. Industry looks towards TAFE to grow the skills base and productivity of their existing employees, and address skills gaps within the local workforce. From an industry perspective, TAFE was seen as ‘the only game in town’ for a long time.

However, we heard that employers and industry groups have found engagement with TAFE NSW to be increasingly challenging. The introduction of Smart and Skilled in 2015 significantly changed how the VET system operated in NSW. The implementation of the ‘One TAFE’ model, announced in 2016, combining 11 institutes into one organisation, affected TAFE NSW’s standing with industry partners. This is evidenced by a recent NCVER survey on employers’ views of the VET system, which found that while 84% of employers were satisfied with the overall quality of TAFE NSW’s nationally recognised training, 91% of employers were satisfied with private training providers.¹³

We heard how structural changes within TAFE NSW have contributed towards this. Previously, TAFE NSW was a single institution with a faculty model structured by industry alignment. In 1992, TAFE NSW was split into ten separate competing regional institutes with program leads and one online institute (Open Training and Education Network or OTEN).

When these institutes were brought back together under the OneTAFE model, institutional divides remained based on locality. This undermined the capacity of industry disciplines within TAFE NSW to build a shared understanding of good practice and presented challenges to implementing consistent approaches to engagement. While we heard many positive case studies, our engagement has highlighted the varied quality and effectiveness of TAFE NSW’s industry engagement across different areas of the state, and different sectors.

¹³ National Centre for Vocational Education Research (NCVER), Employers’ use and views of the VET system, NCVER, 2021

Given that the needs of industry are changing rapidly, TAFE NSW needs to be able to support industry partners with agility, responsiveness, and consistent quality. This will require structural changes to the way it engages with industry and delivers training.

TAFE NSW’s local connections have declined in recent years

TAFE contributes enormously to community connection at a regional and local level across NSW. Based on TAFE NSW data for the 2022 calendar year, over 104,000 learners living in regional and remote areas are enrolled at TAFE NSW in more than 132,600 course enrolments.¹⁴ Through the scale, reach and impact of its operations, TAFE NSW enables local employment opportunities for people from a wide range of backgrounds and cohorts.

Alongside TAFE NSW’s role as a training provider, we also heard many examples of TAFE NSW providing its spaces and infrastructure for the community to connect. TAFE staff and facilities played a key role in responding to natural and economic disasters and supporting community recovery. Notably, this included significant support for areas impacted by bushfires in 2019-2020, and flood-affected communities in 2022. For example, TAFE NSW campuses served as key evacuation centres at both Kingscliff and Murwillumbah campuses during the floods.

However, a consistent theme emerging from our consultations has been that the OneTAFE reforms resulted in a decline in local identity and connection for many TAFE NSW campuses.

“One thing that I’m asked a lot is, is TAFE still open? There is a lot of mixed messaging... get the wrong person on the end of the phone at TAFE and people look elsewhere...”

Dubbo Roundtable participant, August 2023

Examples provided included constantly changing local contacts, and reduced access to campus facilities and open days in regional areas.

[on TAFE NSW campuses] “... they’re not welcoming anymore, the support services aren’t there, there are facilities that are empty, that thriving nature has been lost...”

Western Sydney Roundtable participant, August 2023

“We’ve had lots of difficulties engaging with TAFE NSW... it is a behemoth. There is a lack of continuity, and we’ve no idea who the right contact is...”

Dubbo Roundtable participant, August 2023

The issue of declining local connection was exacerbated by TAFE’s customer service approach, which directed enquiries to a centralised call centre where operators have limited understanding of the local context or issues. Some respondents noted that for many students, not having that ‘human factor’, or connection with their VET provider was a deterrent to enrolment. This likely has a particular impact on students from disadvantaged backgrounds or those re-entering the education system for the first time in many years.

Both TAFE teachers and school representatives highlighted the importance of good local connections between high schools and their TAFE NSW campus. Local connections are considered essential for both the quality delivery of externally delivered VET (EVET) to Year 11 and 12 students, and easing pathways and transitions between the institutions.

¹⁴ TAFE NSW, TAFE NSW Enrolment Data [data set] from TRIP Enrolment Cube through TAFE Finance, Management Accounting –Regulatory Reporting & Business Intelligence Team [verified data], TAFE NSW, NSW Government, 2022



We heard that while TAFE NSW campuses and facilities remain important community hubs, they are increasingly under-utilised and require significant modernisation and investment. The TAFE NSW facilities portfolio has an average age of 37 years with many facilities having associated heritage considerations. This has resulted in the condition, cost, functionality and performance of many local campus facilities not meeting contemporary learning requirements.¹⁵ The view that local TAFE campuses are in decline strongly contributes to the sense that TAFE's local prominence has diminished. This issue is explored in more detail under Chapter 2.3: Infrastructure and assets.

There are operational and systems issues across communication, course enrolments and delivery

Contributors to our consultations raised frustrations with current TAFE NSW training delivery and administrative practices.

“TAFE forms are way too hard. [There is a] need to remove the red tape, re-look at minimum numbers, and increase funding and resources.”

Cobar Roundtable participant, August 2023

Complexities with enrolment processes, including timing issues with applications for courses (which require significant lead in time, but often provide no certainty to the applicant that the course will go ahead) were a continual concern. There were many stakeholders who recalled instances of TAFE NSW cancelling courses due to low numbers, often at late notice.

Commenters reflected on TAFE's teaching delivery being less hands on than in previous years with reduced levels of student-teacher interaction at local campuses. We know from our consultations that a range of issues are contributing to increased teaching stress within TAFE NSW, including an overbearing volume of administrative responsibilities being placed on teachers. These issues serve to detract from the TAFE teaching workforce's primary role of providing education and training to learners. These challenges are explored in more detail under Chapter 2.2: VET teaching workforce.

Other issues raised included block delivery being inflexible to learner needs, and courses being run from geographically distant locations due to the lack of local availability. This was said to have a disproportionate impact on cohorts that require additional local, in-place support to engage successfully with training.

TAFE NSW teachers raised broader issues around data collection and digital systems, which were referred to as outdated and clunky. In one consultation a local teacher mentioned that the disconnect between management and on-the-ground delivery became clear when questions were raised about a classroom no longer being used at the expected capacity. The reality was that the room was regularly used but the booking system was not.

Providing better support to TAFE NSW teachers to enable them to concentrate on their primary role of delivering training to learners needs to be a strong focus for immediate reform. TAFE NSW raised with us directly the strong desire to reduce red tape for TAFE staff including the potential for greater self-assurance and self-accreditation activity.

¹⁵ TAFE NSW, 20 Year Infrastructure Strategy 2022-2042, TAFE NSW, NSW Government, [unpublished]

Areas of opportunity

In Chapter 1.1, we reflected on the crucial importance of TAFE NSW but it is clear from our consultations that the current operating model is not working as effectively as it could and should.

Current operations can make TAFE challenging to navigate or engage with. The journey from 11 former institutes into one organisation with separate regional divisions and shared corporate services has seen several change programs. These changes have supported effective and efficient state-wide models for some functions. However, they also left a legacy of inconsistent approaches to engagement and poor industry connections at the local level.

The Panel's view is that adjustments to TAFE NSW's operating model are an immediate priority to ensure it meets the needs of its learners, communities, industry, and teaching workforce.

TAFE NSW's operating model should align with industry needs

TAFE NSW's current operational model is structured around five geographical regions and one digitally-focused division (TAFE Digital). The Panel note that this current structure does not reflect how connections between localities, communities and areas within NSW function in practice. The regional structure also embeds irregularities across NSW, often resulting in six duplicate versions of the same delivery teams and support functions with the same industry focus, but with significantly different operating practices, approaches and effectiveness.

Our view is that TAFE NSW should return to an industry-first, state-wide faculty model. This would better enable TAFE NSW to engage strategically with industry, leverage best practice in teaching, and provide a consistent approach to industry engagement and delivery.

A new industry aligned approach would provide a strong basis for strengthened partnerships. This would enable more mature, consistent, and strategic engagement with industry, which would have flow-on benefits in attracting industry professionals into teaching. Enhanced industry alignment will also enable TAFE NSW to understand and plan consistently for meeting the skills needs in traditional and emerging industries.

Prioritising local, regional and community focus

TAFE NSW's connections to the communities it serves are vital to its success. Our consultations informed us that TAFE NSW needs to take strategic action to better understand local needs, connect at the local level and enhance its role as a vibrant part of local communities.

TAFE NSW should increase its capacity for community engagement with the aim of providing greater alignment between TAFE NSW, local communities, and regional priorities. This should include a specific functional capability within TAFE NSW that is focused on local community stakeholder engagement, developing local knowledge and connection and place-based skills planning.

The goal of this new structural component should be to reconnect with communities and better enable local community voice to shape TAFE delivery. This function should also facilitate greater engagement of communities on campuses to support campus vibrancy and learner engagement.

A revised operational model should better empower teachers and ultimately improve outcomes for students

The implementation of a state-wide industry aligned delivery model, augmented by strong and targeted local connection, will enable TAFE NSW to increase collaboration between its teachers, communities, industry and product development. The overall outcome for TAFE NSW will be better connection with industry and greater opportunities for communities to have more of a say in how they can work together with TAFE. Aligning TAFE NSW teachers to industry areas will also have flow-on benefits in providing greater opportunities for professional development and industry currency.

To ensure these changes result in positive outcomes for learners, more must be done to ensure TAFE NSW teachers are focused on training delivery rather than administration. Reducing the administrative burden on teachers will be a critical step in rebuilding confidence in TAFE NSW and vocational education more broadly.

As a key component of organisational change, TAFE NSW should look to expand the services that support its teachers to ensure their time is best spent where they are adding the most value. This should also involve reassessing the administrative support needs of TAFE NSW teaching staff, alongside systems upgrades that make necessary administration easier to manage.

TAFE NSW needs to be given appropriate timeframes and have good governance in place to appropriately embed a new operational model

In December 2020, the Audit Office of NSW released a report on the One TAFE NSW Modernisation Program. It concluded that:

‘Several factors contributed to TAFE NSW not effectively managing the program to deliver on planned timeframes and objectives. These factors include unclear expectations of the primary role of TAFE NSW, unrealistic timeframes, undertaking a large number of complex projects concurrently, governance arrangements that were not fit-for-purpose and poor-quality data’.¹⁶

The report was clear that commercial objectives of the modernisation program were conflicting with TAFE’s broader purpose as a public provider under its Act. TAFE NSW was also expected to implement the changes over a three-year period while running several complex digital transformation and commercial programs.

This Interim Report speaks to both the governance arrangements and role and responsibilities for TAFE NSW that need to be made clear before any implementation of a new operating model can take place. These elements must support and not undermine each other. The NSW Government must also ensure that its expectations of the timeframes to deliver operational transformation are appropriate and consider TAFE NSW’s capability and capacity to undertake reform.

Changes to the operating model need to be undertaken through consultation, with a best practice change management method, over an appropriate timeframe, and with clear accountability, decision-making and governance arrangements in place from the outset.

Opportunities for more responsive and agile regulation should be explored, to pilot innovative approaches to self-accreditation.

There are significant opportunities emerging for trusted providers who can demonstrate effective assurance and accreditation processes to education sector regulators. This would enhance TAFE NSW’s ability to respond to industry need and support a reduction in the overall administrative and regulatory burden placed on TAFE NSW. We support proposed actions in the Australian Universities Accord Interim Report to pilot self-accreditation for dual sector higher education providers, and selected TAFEs who meet minimum thresholds.

Self-accrediting authority allows a provider to self-accredit some or all of its courses without external approval. Currently, the Australian Skills Quality Authority (ASQA) has strict guidelines in place on course accreditation for providers of nationally accredited VET training,¹⁷ which often results in lengthy approval processes for providers and reduces agility. Before introducing the national training system and ASQA as a national regulator in July 2011, TAFE NSW had self-accrediting status.

As a government-owned, public educational institution, TAFE NSW has clearly established educational and corporate governance arrangements in place. As such, we see significant opportunities for the NSW Department of Education and TAFE NSW to trial limited TAFE NSW self-accreditation across selected and agreed Australian Qualifications Framework (AQF) qualifications for a pilot period. This would need to be done with the support of and in close partnership with Australian Government regulators. The Panel recognise that although AQF self-accreditation is not directly within the control of NSW Government it should be prioritised in terms of both advocacy and partnership activity.

Self-accrediting status would enable TAFE NSW to create, approve and deliver new courses to market more quickly, helping it to respond in a timely fashion to emerging industry needs, such as clean energy, cybersecurity, and artificial intelligence (AI). It could also enable TAFE NSW to modify courses being built for industry without protracted regulatory approval.

¹⁶ Audit Office of NSW, Performance Audit: One TAFE NSW Modernisation Program, Audit Office of NSW, NSW Government, 2020

¹⁷ Australian Skills Quality Authority (ASQA), Course Accreditation, ASQA, 2023

Recommendation

Recommendation 2: To align with TAFE NSW's role and purpose, TAFE NSW should develop and implement a revised operating model that:

- i. Aligns educational delivery with industry needs. Teaching delivery should have an industry-aligned education focus to enhance teaching excellence and reduce place-based barriers for teachers and learners.
- ii. Prioritises local, regional and community engagement. This should include separate, specific functions that are focused on local and community stakeholder engagement and place-based skills planning.
- iii. Enhances support for teachers. This should include an approach to systems improvement (for example data collection and digital services) to improve student outcomes and to reduce administrative burden.

Recommendation 3: TAFE NSW and the NSW Department of Education should work with education regulators to pilot targeted self-accreditation processes across selected and agreed Australian Qualifications Framework (AQF) qualifications, including a robust evaluation approach to inform future TAFE NSW self-accreditation activity.

1.3. Funding directions

In our consultations we heard about the impact of the NSW VET funding settings on providers, industry and students. The NSW VET system delivers demonstrated economic and social value, contributing to income uplift, employment, skills development and productivity as well as personal confidence, community connectedness and cultural assuredness. The more support we can give to learners facing education and/or employment barriers, the greater the benefits to individuals, local communities and NSW. These VET outcomes and benefits are well understood.¹⁸ NSW Government sets funding policies that support VET providers to deliver on these outcomes, using a range of mechanisms from grants to fully contestable funding.

Stakeholders have expressed the view that the VET system does not function like a traditional competitive economic market, and have noted significant barriers and asymmetries around information and access to training for prospective learners. We also heard a strong message that the current funding system will need to continue to evolve to meet new expectations for TAFE NSW and support high quality providers to meet the student and skills needs of NSW. This chapter considers both TAFE NSW and our private and community RTOs.

Background

How VET is funded in NSW

In 2012, the National Partnership Agreement for Skills Reform (NPASR) changed the government-funded VET system, building on pilots and programs that tested government funding of RTOs other than TAFE NSW. The agreement required a contestable funding entitlement to deliver more student choice, whilst also maintaining a strong public provider. Smart and Skilled, NSW Government's contestable training program, commenced on 1 January 2015 with the objectives below. Program features and objectives have evolved over the past 9 years but these original principles continue to strongly influence the program design.

Smart and Skilled program objectives

- Increase student participation in VET
- High quality training – the NSW Quality Framework sets the bar for quality and only the best providers will be approved to deliver training.
- Consumer choice – a demand-based entitlement to government-subsidised training for qualifications (up to and including Certificate III qualifications) delivers greater competition and choice.
- Responsible budget management – training funded under Smart and Skilled remains within budget
- Strong public provider – TAFE NSW remains a strong and viable public provider of VET services and becomes more competitive.

Smart and Skilled is the core government program operating a managed market for contestable funding. It also includes a non-contestable annual grant to TAFE NSW for targeted priorities (Certificate IV to Advanced Diploma training) and a Community Service Obligation (CSO) funding grant to enable TAFE NSW to provide wraparound supports to funded students.

¹⁸ A range of reports and reviews have addressed the economic value of vocational education and/or TAFE NSW. This includes: T Griffin, Costs and benefits of education and training for the economy, business and individuals, National Centre for Vocational Education Research, 2016 and The Allen Consulting Group, The complete package: the value of TAFE NSW, The Allen Consulting Group, 2016

Current Smart and Skilled settings: prices, student fees, loadings and payment instalments

Smart and Skilled is open to people living or working in NSW, aged 15 years and over, who are not in school, and enrol in a course on the NSW Skills List. The NSW Skills List governs which qualifications and courses will be funded and is updated regularly by the NSW Department of Education. The program includes pre-vocational and part qualifications for locally designed training and skills to meet emerging needs.

Funding is paid to providers on a per student basis. Prices and student fees are set by the department, removing price-competition from the factors influencing student choice in the government-funded training market. The pricing methodology, designed in 2013 by the Independent Pricing and Regulatory Tribunal (IPART), seeks to establish an efficient price. To develop the price, IPART consulted industry, providers and the community, and examined cost data from TAFE NSW, other NSW providers and other states.

Loadings are applied based on student characteristics and training location or modes and are a percentage of the qualification price. Students can attract multiple loadings. This student-based funding model is not intended to fully address the issues of small class sizes in face-to-face delivery in all circumstances. This is the purpose of thin market funding, which is available to TAFE NSW and ACE providers, but has been under-utilised.

To manage training activity within the available budget and ensure regional training activity, financial caps are allocated to training providers for full qualifications, based on the types of skills they deliver, the quality of their student outcomes, past performance and funding utilisation and contract compliance.

Payments are made in instalments to encourage course completion, as recommended by IPART. Payment is weighted toward the end of the course, incentivising providers to deliver high-quality training and to meet individual student needs. Students who withdraw before completing attract proportionally less funding.

Funding for TAFE NSW

TAFE NSW is the dominant provider of most streams of training under Smart and Skilled and responsible for over 70% of apprenticeships and full qualifications at all levels. By contrast, non-TAFE providers predominantly deliver traineeships and part-qualification training. While TAFE NSW delivers around 90% of foundation skills training, adult and community education (ACE) providers and private providers contribute the remaining share since July 2023.

In 2023-24, TAFE NSW was allocated over 73% of the NSW skills budget. TAFE NSW receives most of its funding from grants (46%). Approximately 19% of the TAFE NSW total budget is contestable funding, 11% is capital funding and 24% is commercial and fee revenue which is subject to student demand.

What we heard - TAFE NSW funding

TAFE NSW needs a funding model that supports its role and responsibilities and its operating model

“The role of TAFE NSW as a public provider and what is expected within the TAFE Commission Act is very much at odds with the notion of contestability and the way the funding flows.”

Student Outcomes and Equity Roundtable, August 2023

How TAFE NSW is funded was a major focus of our consultations. Due to its size and role as the public provider, TAFE NSW's training delivery shapes the overall VET system outcomes in NSW.

Since contestable funding was introduced, TAFE NSW has been expected to maintain the services required of a comprehensive public provider while competing with specialised RTOs. TAFE NSW operates as a full-service provider, with an intensive delivery and student support model as required by the *TAFE Commission Act 1990*. In contrast, we heard that private RTOs often have greater flexibility and lower-cost delivery models, with less infrastructure and facilities and lower staffing costs.

• TAFE NSW organisational and efficiency issues

Despite the intent for TAFE NSW to become more efficient under the contestable funding system, the NSW Government's expectations of the scope, focus and workforce settings for TAFE NSW did not change. As a result, TAFE finds itself increasingly challenged by its budget position as its limited resources are stretched across various demands.

TAFE NSW has struggled to meet targets for efficiency and sustainability reform in recent years. Additional temporary funding for organisational reform in 2021 ceased at the end of 2022-23 without reaching training delivery and cost reduction targets.

Relative to TAFEs in other jurisdictions, the TAFE NSW workforce is higher paid.¹⁹ TAFE NSW identifies a significant compliance and administrative burden associated with contract management processes and reporting as well as regulation compliance. TAFE

NSW state that a full-time TAFE teacher spends at least an hour on administration for every hour in the classroom.²⁰

A further impact on TAFE NSW has been an unprecedented volume of training package changes in recent years, with over 270 package changes during 2022 against a normal rate of around 30 changes per year. This has placed limits on TAFE's ability to adapt to emerging industry needs and created additional administrative burdens for teachers. Continuous changes in training packages have required an increased allocation of resources for course development, course updates and teacher training, further placing strains on TAFE NSW's budget and workforce.

We heard throughout our consultations of the impacts on TAFE NSW of out-of-date systems and high-cost assets. These issues hamper TAFE NSW's capacity to respond to new initiatives or policy changes in short timeframes, with broad impacts on NSW's VET system given TAFE NSW's size and reach. Industry and students also expect TAFE NSW to be responsive to shifting demand and needs.

TAFE NSW is taking steps to provide greater internal visibility of costs and revenue at an activity (unit) level to better align resource allocation to the cost of delivery. These efforts seek to drive efficiencies in resource allocation aimed at achieving a range of benefits, including operational efficiencies, more effective scheduling, training quality improvements, improved planning around maintenance and capital programs, enhanced training access and improved responsiveness to industry. However, implementing these changes requires time and significant investment across service delivery, processes, assets and systems.

• Contestable market challenges

TAFE NSW issues with the current funding system are experienced by many other providers across NSW. However, TAFE NSW has specific challenges as the public provider. Non-TAFE providers can target higher profit qualifications and choose not to enter –or withdraw from –markets where Smart and Skilled prices do not meet costs. This can leave TAFE NSW as the de-facto 'provider of last resort' for qualifications with lower prices and for students in regional and remote areas where no other RTOs provide a service. TAFE NSW estimates losses on several high-enrolment qualifications due to the mismatch between Smart and Skilled prices and its actual costs of delivery.

¹⁹ Based on comparison of Enterprise Agreements for TAFE NSW, TAFEs in Victoria, and TAFE Queensland

²⁰ S Brady, 'How red tape is crippling TAFE', Australian Financial Review, 5 November 2023

TAFE NSW has an important role in supporting students with additional learning needs, including support for foundational literacy and numeracy skills. Issues relating to funding support for disadvantaged and vulnerable learners have been exacerbated since the COVID-19 pandemic, increasing concentrations of disadvantage and amplifying student support requirements. Loadings may not adequately account for the additional costs of supporting these learners and we heard that other RTOs, including community-based non-profit providers, face similar challenges. The current funding model does not accommodate a differentiated delivery model for TAFE NSW or its role in meeting government priorities.

- **TAFE NSW funding certainty**

The annual budget appropriation for skills includes specified recurrent and capital funding for TAFE NSW and is managed by the NSW Department of Education. Despite a significant proportion of TAFE NSW's funding coming from sources outside of Smart and Skilled, the ability of TAFE NSW to plan long-term is hindered by the requirement to negotiate much of its funding on an annual basis with the department and NSW Treasury. Alongside the main Funding Deed that governs the bulk of government funding to TAFE NSW, it also has a vast number of other funding arrangements that amplify its administrative burden. The annual negotiation of many of these arrangements reduces funding certainty for TAFE NSW over the forward estimates. Submission of training data should also be streamlined to reduce the burden on an entity the size and breadth of TAFE NSW, noting that quarterly reporting in line with national government funded reporting requirements will serve to alleviate pressure on TAFE NSW whilst new reporting systems and approaches are established.

Current funding uncertainty and contractual complexity places limits on TAFE NSW's ability to strategically plan over the longer term for course delivery, but also for investment in and maintenance of its infrastructure and assets.

- **TAFE NSW capital and maintenance**

TAFE NSW campuses and facilities provide valuable community assets and public good beyond the primary mandate for training. However, not all facilities are used in an effectively manner and many suffer from a lack of investment.

TAFE NSW operates from 156 campuses with an asset replacement value of \$10.7 billion. This portfolio has an average building age of nearly 40 years and includes many heritage-listed buildings, and the NSW Government has committed to keeping TAFE NSW campuses in public hands. An asset renewal program would require a significant investment to ensure health, safety, security and reliability. Improvements such as air conditioning, heritage restoration (including statutory minimum maintenance requirements) and sustainability would be additional.

Stakeholders noted that TAFE's outdated digital infrastructure prevents it from effectively engaging in more innovative ways. Despite significant NSW Government investment into TAFE NSW systems,²¹ some key aspects of TAFE NSW's digital infrastructure have not been upgraded since design and implementation in 2009. TAFE campuses lack reliable network connectivity, have limited Wi-Fi coverage, poor accessibility to modern devices and increased exposure to cyber security risks. TAFE's core corporate systems can be outdated, resulting in manual interventions and administrative burden for staff including teachers, an inability to make data-driven business decisions and impacting students who are not able to benefit from intelligent learning systems.

Areas of opportunity

Ensure a clear and sustainable funding model for TAFE NSW

In recent years, TAFE NSW has received additional funding from the NSW Government to cover recurrent expense funding gaps. Further work is required by both TAFE NSW and the NSW Government to drive efficiencies and reasonably reduce costs through technical system updates and changes to its operating model. Consideration of these opportunities will need to be balanced with the NSW Government's expectations of TAFE NSW as the public provider at the centre of the NSW VET system, to ensure ongoing sustainability. Funding for TAFE NSW also needs to be considered as part of the system more broadly, noting that private RTOs play a key role in training delivery in conjunction with TAFE NSW.

²¹ Audit Office of NSW, New South Wales Auditor-General's Report Performance Audit: The Learning Management and Business Reform Program, Audit Office of NSW, NSW Government, 2014; and Audit Office of NSW, Performance Audit: One TAFE NSW Modernisation Program, Audit Office of NSW, NSW Government, 2020

Provide TAFE NSW with funding certainty and flexibility to embed reform

TAFE NSW continues to struggle with administrative burden associated with regulatory compliance and reporting. This is a major barrier to meeting reforms required to improve its efficiency and operations. Compounding this is the lack of certainty offered by existing funding arrangements, which do not allow TAFE NSW to effectively plan out the necessary investments to improve systems. Consolidation and simplification of funding arrangements will allow TAFE NSW to prioritise resources towards its reform agenda.

The current contestable funding model does not adequately cover TAFE NSW's training delivery costs for several high-cost and high-volume courses. Smart and Skilled funding is provided annually via yearly contracts and includes reporting requirements for VET providers who receive this funding. This presents a challenge to TAFE NSW's ability to meet public expectations on its provision and fails to offer funding certainty. Smart and Skilled contestable subsidies currently represent around 20% of TAFE

NSW's annual budget. Given these uncertainties and reporting requirements, a new approach should be considered which provides TAFE NSW with a direct appropriation and greater funding certainty over the forward estimates.

Ensure TAFE NSW can deliver a modern and vibrant campus experience for students and local communities

To facilitate improvements to the training experience, TAFE NSW needs to explore ways in which its physical and digital infrastructure and assets can better funded, developed and used. TAFE NSW should work with key NSW Government stakeholders to establish robust processes that can maximise TAFE NSW's assets for public good and expand commercial opportunities. Key considerations for increased asset utilisation would include community use policies, long term leasing arrangements, safety and amenity of TAFE NSW students and staff, heritage values, asset condition and suitability. Obtaining a better understanding of TAFE NSW's asset usage can support this process.

Recommendation

Recommendation 4: The NSW Government should consider the following funding directions to rebuild TAFE NSW:

- i. Remove TAFE NSW from the contestable funding market, providing a single funding envelope.
- ii. Streamline funding for TAFE NSW through a direct appropriation with estimates across the forward years, with appropriate accountability mechanisms through the TAFE NSW Charter.
- iii. Increase the TAFE NSW funding commitment to ensure it is at least reflective of general operating costs in the 2024-25 budget, allowing TAFE NSW to embed the reform outlined in recommendations 1 and 2.
- iv. Establish effective guidance and processes to enable TAFE NSW to maximise public assets for public good and establish clear guidelines on using TAFE NSW assets for sources of commercial revenue.

The Panel acknowledge there are a range of funding policy and implementation options to consider in relation to the funding directions provided in recommendation 4. Key considerations are detailed in Table 2.

Table 2: Key considerations to inform Funding Directions

Areas for consideration	Considerations for NSW Government in implementing funding directions
TAFE NSW's funding baseline	<ul style="list-style-type: none"> The NSW Government will need to consider options to ensure a viable funding quantum for TAFE NSW, including through the National Skills Agreement, that reflect reasonable efficiencies. The Panel do not consider it appropriate to redirect funding from the private market, which would likely see a drop in training delivered in NSW (noting TAFE NSW will be focused on embedding reform rather than increasing its volume of training delivery in the first instance). The NSW Government can consider options to enhance funding available to TAFE NSW (and skills overall), including through its approach to subsidies and fees.
TAFE NSW's role within the contestable funding market	<ul style="list-style-type: none"> To remove TAFE NSW from the contestable funding market, NSW Government should consider appropriate settings, system management approaches and policy frameworks for TAFE NSW and the broader government-funded VET sector. The Panel notes that having different fees or student eligibility operating at TAFE NSW than for the contestable market may cause confusion for students and employers. Options for removing TAFE NSW from the contestable market could include: <ol style="list-style-type: none"> Maintain current funding for qualifications at TAFE NSW in line with Smart and Skilled settings, but not contestable. TAFE NSW still uses Smart and Skilled policy settings internally (pricing, fees, student eligibility, concessions), however the NSW Government reporting requirements are reviewed to ensure that appropriate financial accountability mechanisms and tracking of efficiency and performance objectives for TAFE align with national reporting requirements. Alternatively, TAFE NSW could be free to use its own policy settings, for example having its own pricing arrangements. Options A & B should acknowledge that further consideration of Smart and Skilled pricing and settings will likely be required to ensure it is fit for purpose and supports all providers to deliver the training needed by the state.
TAFE NSW funding appropriation	<ul style="list-style-type: none"> In providing TAFE NSW funding through a direct appropriation, the NSW Government needs to consider how to set and track efficiency and performance objectives for TAFE NSW and report on training activity. To manage this effectively, TAFE NSW will also need to ensure that its internal systems are appropriately set-up to capture and report on student outcomes.
Ensuring VET system coordination	<ul style="list-style-type: none"> While removing TAFE NSW from onerous funding deeds and reporting requirements will allow TAFE to focus on opportunities for efficiency, we recognise that independent system-wide coordination optimises outcomes from the entire VET system. The NSW Department of Education currently sets policies that apply across the whole NSW Government funded VET system, including analysis to identify priority qualifications through the NSW Skills List, student eligibility (including fee concessions or exemptions) and setting statewide skills targets and responses to national agreements. The department and TAFE NSW will need to work together on eliminating duplication of functions and activities while seeking opportunities for improved collaboration between the organisations, with key issues to be addressed including responsibility for policy and expectations on data-sharing. The NSW Skills Plan and TAFE NSW Charter will be key levers for the NSW Government. This is further explored in Chapter 2.1: Strategic governance and industry engagement.

What we heard – Broader VET funding settings

A clear message received was that TAFE NSW must be supported to deliver on its role as the public provider, but at the same time that it can't be all things to all people. The prevailing view was that the NSW VET system should be viewed as a network that requires high quality public, community and private providers to operate effectively. These providers play a vital role in ensuring the NSW VET system is truly responsive to current and emerging training needs. Of note, we heard about the importance of adult community education (ACE) in the provision of foundation skills and the wide range of providers ensuring training is accessible in regional areas. Appropriate funding arrangements are essential for all parts of this system to thrive.

Targeted and effective VET funding will be central to meeting NSW's future skills needs

Current VET funding models in NSW have been in place since 2015. While there have been some program level updates and revisions to arrangements during this period, funding has not been substantially reformed or reviewed. The need for change came through strongly during our consultations. For example, we heard about the strong focus on nationally accredited qualifications and courses, and prioritisation of full qualifications ahead of part qualifications or skills sets. Stakeholders are concerned that these arrangements may not align to emerging needs of industry, particularly employers who want to upskill their workers or obtain targeted skills.

We heard that fee-free initiatives, delivered in conjunction with Smart and Skilled, have acted to stimulate training demand while cost-shifting from students or employers to government. While these arrangements support students, particularly those from disadvantaged backgrounds, consultations suggested that excessive fee-free funding programs can act to lower completion rates and disincentivise both individuals and industry from paying for training in the long term. Training may be devalued and employer training budgets are reduced accordingly with the expectation that the government will fund it.

Given the growing role of VET in meeting NSW's skills needs, the NSW Government will need to consider how it can optimise funding arrangements to meet future needs of the sector and create a

skilled workforce. Key concepts to explore to support effective funding arrangements include considered approaches to contestability and system stewardship for the training market. System stewardship is a key direction for governments within the new National Skills Agreement, intended to support governments to work collaboratively and purposefully towards national priorities, while preserving flexibility to align local skills supply with demand.²²

Further considerations include the NSW Government's clear commitments to net zero emissions by 2050²³, contributing to housing targets under the National Housing Accord²⁴ and improving the recognition and support of carers in NSW²⁵. These commitments will require significant targeted investment in VET. Consistent, targeted and effective funding arrangements are required to ensure that the NSW skills system is set up for success over the long term.

Funding arrangements are characterised by too much red tape and a lack of long term certainty

“RTOs are finding it hard to secure their future with the lack of certainty of funding.”

Wollongong Roundtable, August 2023

Many RTOs provided feedback on the short-term nature of contracts offered under Smart and Skilled, noting this can restrict planning and long-term investments in infrastructure and equipment. Although high performing providers are offered the opportunity to apply for 3-year contracts, the application process was viewed by some as overly burdensome and heavily focused on full qualification completions. Some stakeholders commented that the value proposition of contracting under Smart and Skilled is questioned when considered against the resources required to apply for the contract, and ongoing compliance with contract terms.

Overall, we heard that compliance and processes need to be better balanced with innovation and flexibility. For example, industry noted that restrictive eligibility requirements for subsidised training could act to disadvantage employers who are particularly reliant on certain cohorts. As an example, existing employees being ineligible for traineeship funding is a significant issue within the early childhood sector, where there is a focus on upskilling or growing local workforce in regional areas.

²² Department of Employment and Workplace Relations (DEWR), National Skills Agreement, Australian Government, 2023

²³ NSW Government, NSW Climate and Energy Action – Net Zero Plan, NSW Government, 2023

²⁴ Australian Government, National Housing Accord 2022, Australian Government, 2022

²⁵ NSW Department of Communities and Justice, NSW Carers Strategy: Caring in New South Wales 2020-2030, NSW Government, 2023

Adjustments to Smart and Skilled settings are needed to reflect the costs of training and meet training needs of all cohorts and areas

Many RTOs noted the need for prices to be increased to meet the actual cost of delivery. While having set prices and student fees means that providers do not need to compete on price, they are also constrained from filling revenue gaps by increasing student fees. Participants noted that prices are not reviewed as regularly as required, suggesting that the model used to determine qualification prices should be reviewed to ensure it is adjusted to contemporary costs of delivery and reflective of the current economic environment.

“It cost us \$28,000 at a minimum to put a trainee through over two years and the only funding we’re eligible is for \$5,000 through Smart and Skilled. So every time we sign up a trainee, it’s a financial loss to our company.”

**Primary Industries Roundtable,
September 2023**

“We need to not be constrained by the funding, for example, the fact that we need 12 or more learners to run a course.”

**Student Outcomes and Equity Roundtable,
August 2023**

Stakeholders suggested that loadings for students with complex needs, although recently improved, may still be insufficient to provide effective support. Similarly, participants noted that the loadings offered for regional and rural delivery were not sufficient to cover the costs of delivery. In incentivising delivery to regional and rural areas, participants suggested that current thin market provisions were too restrictive, and only available to TAFE NSW and ACE providers.



Next steps

Exploring broader funding reform for the entire VET system, particularly acknowledging the important role of private, enterprise and community providers, including:

- Examining funding models to meet NSW's future skills needs, including the role of system stewardship in the training market and approaches to contestability.
- Considering the current review of Smart and Skilled pricing to ensure it is fit for purpose and supports all providers to deliver the training needed by the state.
- Enhancing certainty in funding for private providers, including more access to multi-year contracts for high quality private providers, with a focus on ACE and Aboriginal Community Controlled Organisations (ACCOs).
- Identifying the impact of funding on priority cohorts and in regional/ thin markets.

IMMEDIATE PRIORITY AREA

2. VET Delivery in NSW

Alongside immediate steps to put TAFE at the centre of the NSW VET system, the Panel note there are critical VET delivery issues impacting the broader sector which need to be addressed as a priority.

Addressing key VET delivery issues, including how the system is governed and connects to industry, the permanency of the VET teaching workforce, and the current provision of infrastructure and facilities used to deliver VET should be prioritised by the NSW Government for action.

2.1 Strategic governance and industry engagement

Background

Ensuring that the NSW VET system can respond to current and future skills needs, including the ability of TAFE NSW to deliver on an ambitious reform agenda, requires suitable governance and industry connection. VET system governance at state and federal levels has been considered. The Panel noted the key role of the Ministerial Council for Skills and Workforce, the Australian Government Department of Employment and Workplace Relations, and training regulators. Recent industry engagement reforms and the establishment of agencies leading on skill and workforce planning were considered. These include:

- Jobs and Skills Australia (JSA), established as a statutory body under the *Jobs and Skills Australia Act 2022* to provide independent advice on Australia's current, emerging, and future workforce, skills and training needs.²⁶
- A national network of ten sector-specific Jobs and Skills Councils (JSCs), with responsibility for workforce planning, training product development, sector-specific alignment and information and industry stewardship.²⁷

The NSW governance framework includes a mix of legislated bodies responsible for provision of broad skills advice to the NSW Government, and as well as skills demand and supply planning.

- The NSW Skills Board (established under the *Skills Board Act 2013*) provides independent, high level and strategic advice to the NSW Government on strategies to meet the skills and training needs of NSW individuals, industry, regions and the economy.²⁸
- The TAFE Commission Advisory Board (established under the *Technical and Further Education Commission Act 1990*) is a formal advisory body to support the management and operations of TAFE NSW. It holds no executive power, but provides the Minister for Skills, TAFE and Tertiary Education with advice on TAFE NSW's training delivery, commercial activities, and relationship to other education sectors.²⁹
- NSW Industry Training Advisory Bodies (ITABs) are autonomous bodies providing sector-specific advice to identify skill needs and priorities for funded training in NSW, including apprenticeships and traineeships and advice on national training products.³⁰

²⁶ Jobs and Skills Australia (JSA), *Jobs and Skills Australia – Our role*, Australian Government, 2023

²⁷ Department of Employment and Workplace Relations, *Jobs and Skills Councils*, Australian Government, 2023

²⁸ NSW Department of Education, *NSW Skills Board*, NSW Government, 2023

²⁹ TAFE NSW, *TAFE Commission Advisory Board*, NSW Government, 2023

³⁰ NSW Government, *Industry training advisory bodies (ITABs)*, NSW Government, 2023

What we heard

Our insights on governance of the VET sector have been shaped by conversations with the NSW Department of Education and TAFE NSW and enriched through roundtable discussions. We heard that industry partnerships and their contributions to formal governance arrangements are instrumental to the VET system. Structures and engagements need to be better aligned to support partnership opportunities at all levels as well as strategic priorities.

Aligning the NSW and Australian Government governance architecture

With the commencement of JSA in 2022 and the introduction of JSCs at the start of 2023, there have been significant changes to Australian Government industry engagement arrangements. NSW governance settings have been largely unchanged since the establishment of the TAFE Commission Advisory Board in 1990 and the NSW Skills Board in 2013.

This means there is now potential misalignment and overlap at the Commonwealth-state levels. For example, ITAB sectoral responsibilities do not align with the JSC structure, resulting in some ITABs operating across multiple JSCs. This creates challenges for providers and industry in navigating skills governance structures. It also introduces structural barriers for coordination between Commonwealth and state level industry support and training package development functions, with a risk of duplication. Clarity around how existing governance bodies interact in both form and function with new Australian Government arrangements is a priority.

Enhancing NSW VET advisory functions to government

Consultations revealed concerns that the current set up of the boards that provide advice on VET in NSW (notably, the NSW Skills Board and TAFE Commission Advisory Board) are not as effective as they could be for skills planning and sector management purposes.

For instance, the TAFE Commission Advisory Board is focused on making recommendations to the Minister for Skills, TAFE and Tertiary Education on the operation and management of TAFE NSW and the effectiveness of its connection with industry. Enhancing the Board's strong sectoral leadership, through key industry leaders appointed for their expertise and connection, would allow for TAFE NSW to better plan to meet emerging skills needs.

A key role of the NSW Skills Board is providing independent advice to the Minister for Skills, TAFE and Tertiary Education on how to better align workforce supply and demand within NSW that will ultimately support NSW's economic growth. The Skills Board is funded to initiate research that supports its advisory function, and in recent years has funded labour analysis on priority sectors. This function could be enhanced to further strengthen advice and direction on evidence-based research, priority workforce needs, and innovative skills and training models.

A further consideration is the potential overlap of functions and responsibilities between the TAFE Advisory Board and NSW Skills Board noting both have a responsibility to provide independent advice to ensure the NSW skills system is meeting current and future skills needs. This potential overlap in terms of role and purpose causes duplication and misalignment across key governing bodies.

Areas of opportunity

Supporting TAFE NSW's role and purpose through the TAFE Commission Advisory Board

The effectiveness of the TAFE Commission Advisory Board (the TAFE Board) in supporting reform activity has been an issue for both the NSW Government and TAFE NSW. Findings from the Audit Office NSW's review of the One TAFE reforms identified that governance arrangements to deliver on the modernisation program were not fit-for-purpose, stating that 'the role of the TAFE Commission Board was ambiguous... This blurred accountabilities for decision-making, created conflicting priorities and increased reporting requirements.'³¹

Whilst the composition and focus of the TAFE Board has since been revised, our view is the NSW Government should be proactive in ensuring the board is set up to support TAFE NSW's future direction as recommended in this Interim Report. We see a refreshed TAFE Board as critical to TAFE NSW effectively working to its agreed role and purpose identified through a new Charter, and central to the development of a new operating model.

The TAFE Advisory Board should provide robust and independent advice on TAFE NSW's performance against its Charter and be a critical enabler of effective industry and community partnerships. Steps to refresh the TAFE Board should include:

- examining the composition and membership of the board, particularly on how it is set up to

³¹ Audit Office of NSW, Performance Audit: One TAFE NSW Modernisation Program, Audit Office of NSW, NSW Government, 2020

engage with and advise on key industry sectors for TAFE NSW such as digital, care, advanced manufacturing and renewables

- establishing appropriate reporting mechanisms between the board and NSW Government on TAFE NSW's performance against the Charter
- restating the position of the board as an independent advisory body, noting that this position should be maintained as outlined in the Audit Office of NSW's 2020 report.

Strengthened and streamlined NSW governance

There should be greater collaboration on skills issues between the Australian and NSW Governments, and a stronger sense of purpose and focus to existing governance structures in the NSW VET system.

The *Skills Board Act 2013* has been in place for over a decade, and would benefit from a full review to better clarify the role and focus of the Skills Board. While there have been recent changes to Skills Board member composition to enable a stronger industry focus, its role as stated in the Act is very broad. It includes advisory functions that range across the implementation of major VET reform, oversight of quality assurance, and ensuring accurate consumer information is available.³² Fulfilling this diverse set of functions is challenging for the Board and requires review.

Outlining a specific role for the Skills Board would provide greater clarity on its responsibility and a consistent mandate for the Board over time. Clarity of purpose would also enhance consideration of board member appointments. Our view is that the NSW Skills Board should be:

- An independent strategy-focused advisor, to support NSW Government in leveraging Commonwealth opportunities and enhancing the implementation of state priorities (including through the NSW Skills Plan and the National Skills Agreement).
- An independent industry-focused advisor, to support industry and employer connectivity for Government initiatives (detailed in a statement of expectations from the Minister for Skills, TAFE and Tertiary Education).
- An independent source of data, research and analysis relevant to economic, skills, and workforce needs of NSW (complementing JSA activity).

The NSW Skills Board is also well placed to lead on the facilitation of effective and strategic industry partnerships in the NSW VET sector, for example its recent support in the development of the NSW Digital Skills and Workforce Compact. In our roundtables we heard about the positive work and partnerships developed during the design of this Compact, and the continued use of industry working groups in priority areas and targeted employer consultations could be considered as a key role of the Skills Board.

We suggest the NSW Government undertake a review of the current structure and functions of NSW ITABs to ensure they are aligned with broader national industry reforms. We note that a review of ITABs is currently being explored, with alignment of the ITAB structure and JSC responsibilities a key consideration. However, the NSW Government would benefit from a broader exploration as to the purpose and objective of maintaining the current ITAB program, given potential overlap with the functions of JSCs. It is important there is strategic alignment across national and state architectures to facilitate a seamless interaction for mutual productivity.

³² NSW Government, Skills Board Act 2013 No 99, NSW Government, 2023

Recommendation

Recommendation 5: To ensure governance arrangements for the NSW VET system are strengthened, focused and appropriately set-up to represent industry, provider and workforce expertise, the NSW Government should review the:

- i. TAFE Commission Advisory Board to effectively support TAFE NSW's role and purpose and its reform progress. This should consider:
 - a) the composition and membership of the board
 - b) appropriate reporting mechanisms
 - c) restating the status of the Board as an independent advisory body.
- ii. *NSW Skills Board Act 2013* to clarify the Skills Board's role and purpose and renew its focus to include:
 - a) enhanced data-led advice on the NSW labour market including advice and direction on evidence-based research and innovative skills and training models
 - b) stewardship of strategic priorities such as the NSW Skills Plan
 - c) strengthened strategic industry connection.

Priorities could be determined through an annual statement of expectations agreed with the Minister for Skills, TAFE and Tertiary Education.

- iii. NSW industry training advisory bodies (ITABs) program to ensure strategic alignment with the structure and function of the Australian Government's Jobs and Skills Councils (JSCs) and consider how ITABs could better support targeted objectives of the strategic governing bodies led by the NSW Department of Education and TAFE NSW.

What we heard - industry engagement and partnerships

Engagements and partnerships between industry, government and education providers are instrumental to a thriving VET system. In the absence of effective partnerships, the VET system cannot effectively deliver against the training and skills needs of the state. However, there are clear opportunities for improving these relationships to deliver better education outcomes for students, productivity outcomes for industry, and strategic outcomes for NSW Government.

Stakeholders widely acknowledged the key role industry plays, including through the development of training packages and related products, determining priorities for workforce planning, and supporting skill development including on the job training. However, we also heard that the complexities of the VET system are hard for industry partners to understand, and that current industry engagement practices and partnership arrangements with training providers could be enhanced.

“A lot of employers in our industry are flummoxed by VET. They just don't understand how it works and they don't know where to start.”

Primary Industries Roundtable Participant, September 2023

The role of industry in identifying skills needs and building the workforce

The relationship between training providers and industry in identifying current and future skills needs is critical, especially in fields where disruptions caused by technology or regulatory changes require a rapid response to subject matter or teaching methods. We heard that existing relationships and partnerships between training providers and industry are critical to quickly identifying any potential mismatch between graduate skills and knowledge and industry standards.

How industry can better promote careers, facilitate practical opportunities for learners, and the broader question of industry's investment into training its own workforce were key topics in our discussions. We heard that industry must play an important role in promoting pathways, particularly for apprenticeships and traineeships. This includes engaging with schools to assist with career advice and helping to articulate the options that are available.

“The employers have to have skin in the game and get involved in the training experience at the outset. That can range from workshop experience options to excursions, demonstrations, being involved in some of the teaching or coming and talking to students about the options available.”

Student Outcomes and Equity Roundtable Participant, August 2023

Research reveals that work-based education such as work-placements can lead to better employment outcomes for VET students, and provide productivity gains for employers in the form of job-ready workers.³³ Despite a shared consensus on the value of these opportunities, there was a view from some training providers that industry could be doing more to support practical workplace opportunities, including investing in training. Some perceived and actual barriers include administrative burden (especially for smaller organisations) and employer expectations of return on investment.

“I think the first thing that needs to be done is for industry to change their views on who actually invests in their future workforce. Currently, there's an expectation that the government will pick up the tab for all education and training.”

Primary Industries Roundtable Participant, September 2023

Government has a central role in working with industry and facilitating connections

During our consultations we heard strong views from many in industry who want government to play a stronger role in facilitating a more responsive VET system that is better aligned to skills needs. Respondents provided examples where government has helped build and maintain effective partnerships within specific industry sectors, with enhanced engagement and skills outcomes for both learners and employers.

There may be opportunities for government to better coordinate effective industry partnerships, share data and knowledge, and be more open about plans for future VET settings and priorities. These opportunities would assist industries in planning for and investing in their workforce, while strategic alliances between government and key industries creates more robust workforce projections and targeted training programs.

Given recent Australian Government reforms including the establishment of JSCs, it is important that efforts to strengthen industry engagement occur effectively at the state level. An examination of the mechanisms in place within the system, which are intended to facilitate meaningful engagement across the diverse functions that industry serves and the role of government in supporting these functions, would be beneficial in identifying and then leveraging these engagements.

There are opportunities to enhance engagement and partnerships with industry to make them more effective, mutually beneficial and better aligned to meet overarching strategic needs of the broader VET ecosystem. The role of the NSW Department of Education (and other agencies) and TAFE NSW in facilitating partnerships should be considered.

³³ K Osborne, M Ackehurst, L Chan and R Polvere, Work-based education in VET, National Centre for Vocational Education Research, 2020

Next steps

The Review Panel will consider the following opportunities:

- strengthening government engagement with industry by providing a clear authorising environment (such as a framework and principles), leveraging successful examples of effective partnerships within specific industry sectors.
- improving industry engagement at the state level, aligning with recent Australian Government reforms associated with the establishment of Jobs and Skills Councils.
- facilitating improved sharing of data, evidence and analysis with industry to support workforce planning and training priorities.

2.2 VET teaching workforce

What we heard

Sufficient skilled VET educators are fundamental to the delivery of quality vocational education and training in a state economy with growing demand for highly skilled workers. Without these skilled educators, student experience will be sub-optimal and industry confidence in the VET system's ability to meet its needs will decline. In the current context, supply and retention of skilled VET teaching workforce poses significant challenges.

The NSW Government is a major employer of VET teachers, trainers, and assessors. However, current Jobs and Skills Australia data rates Vocational Education Teachers as 'in shortage' in both NSW and Australia-wide.³⁴

Our consultations highlighted the importance of addressing VET workforce attraction and retention issues, including complex training qualifications, compliance requirements and overall workforce conditions.

“Retaining staff and attracting staff are two big areas that are constant problems at the moment [for VET providers].”

Primary Industries Roundtable Participant, September 2023

“TAE...is too hard to do, not really (fit) for purpose and a barrier to employment.”

Workforce Roundtable Participants, September 2023

VET teacher qualification and compliance

A significant barrier to entry for potential VET teacher workforce is qualification and compliance requirements, which by themselves are complex and also creates a financial disincentive for prospective teachers. The Standards for RTOs (2015) (RTO Standards) are seen by some as overly rigid for teacher competency and supervision, and inconsistent interpretation of 'industry currency' was seen as an issue. The Certificate IV in Training and Assessment (TAE) is viewed as overly complex, affecting completion rates. Despite updates to TAE implemented in 2022 (TAE40122) aimed at supporting flexibility, its adoption remains limited.³⁵

The NSW Government launched several programs to increase the supply of VET teachers and remove the financial barriers to TAE participation, for example through the joint Commonwealth-state NSW Job Trainer (Skilling for Recovery), NSW fee-free initiatives and TAFE NSW's Paid-to-Learn program. While stakeholders acknowledged the benefits of these programs, they flagged concerns about additional costs of training to learners, including accommodation, travel, equipment, and lost earnings. TAFE NSW raised questions about future funding sustainability, noting the significant expenses they face in delivering scholarship-based programs.

³⁴ Jobs and Skills Australia, Jobs and Skills Atlas, Jobs and Skills Australia, Australian Government 2023

³⁵ NSW Department of Education, Smart and Skilled Commencements, S&S commencements for 2022-23: TAE40116-1237, TAE40122-252, NSW Department of Education, NSW Government, 2023

NSW Government employee workforce conditions

“I didn’t see the leap into teaching as burdensome - I see the compliance as the problem.”

**Maitland Roundtable participant,
September 2023**

The public VET sector experiences challenges retaining staff, due to heavy administrative workload, stringent regulations and an aging workforce. Stakeholders noted that administrative tasks consume as much time as teaching, fueling concerns about bureaucracy and broken systems.

The average retirement age of TAFE NSW workforce is 63 years old,³⁶ with older individuals seeking teaching roles for reduced physical strain. This highlights the inadequacy of the current pipeline of teachers in countering attrition rates of the TAFE teaching workforce.

The highly casualised nature of VET teaching workforce was raised in discussions, with 51% at TAFE NSW employed part-time or on a casual basis.³⁷ This aligns with national trends of 33% of the national VET workforce being employed as casual or sessional.³⁸ TAFE NSW attributes this to a funding model favouring part-time positions, affecting service viability with employment conditions tied to time-limited or insecure contract terms.

Despite TAFE NSW offering above average wages compared to TAFE teachers in other states, the sector’s attractiveness has been affected by the prevalence of part-time employment and administrative burden leading to the overall lack of appeal of the VET profession.

Embracing genuine professional development for VET teachers

VET secondary school teachers must have teaching accreditation with the NSW Education and Authority Standards (NESA) and as trainers and assessors of VET courses with Australian Skills Quality Authority (ASQA). This places more qualification and accreditation burden on them, including between 20-50 hours of NESA accredited professional

development depending on proficiency level.³⁹ In line with ASQA’s RTO Standards, VET teachers are also required to maintain currency of their skills and knowledge in both their industry area and VET.⁴⁰

Stakeholders expressed the view that development for the TAFE teaching workforce is often focused on compliance or operational training, rather than on building industry currency and competency. Genuine industry- and competency-focused professional development for VET teachers, so that they are enabled to deliver the best educational experience for their students, is critical to ensuring the skills needed by the state can be delivered by providers.

Promoting VET teaching pathways through partnerships and incentives

“When you’re asking people to leave such a high paying industry... even if they are passionate, they don’t have the means because they can’t afford it.”

**Tuggerah Roundtable participant,
September 2023**

During consultations, both public and private providers highlighted industry’s pivotal role in the VET teaching workforce. Attracting former industry professionals and encouraging them to consider new career paths as VET trainers is a long-standing challenge for RTOs, particularly for specialised fields and in remote areas.⁴¹ Industry reluctance stems from financial concerns and the impact of prolonged absence of workers.

We heard that providers and governments need to promote and support VET teaching career progression and enhance awareness of available opportunities. To activate the potential pool of industry experts, stakeholders suggested initiating a ‘Day-A-Month’ campaign to get skilled people into vocational teacher settings.

³⁶ TAFE NSW, TAFE NSW Operational Data 2022, TAFE NSW, NSW Government, 2022, [unpublished]

³⁷ TAFE NSW, TAFE NSW Annual Report 2021-22, TAFE NSW, NSW Government, 2022

³⁸ G Knight, I White and P Granfield, Understanding the Aus VET workforce, National Centre for Vocational Education Research, 2020

³⁹ NSW Education Standards Authority (NESA), Maintaining Proficient Teacher Accreditation Procedure, NESA, NSW Government, 2023

⁴⁰ Australian Skills Quality Authority (ASQA), Standards for Registered Training Organisations (RTOs) 2015, ASQA, Australian Government, 2023

⁴¹ S Joyce, Strengthening Skills - Expert Review of Australia’s VET System, Department of Prime Minister and Cabinet, Australian Government, 2019



Areas of opportunity

Leveraging Government's role as an employer of the VET teaching workforce

The NSW Government holds important levers as a significant employer of the VET workforce. We were informed about various initiatives, currently in progress or planned, that are designed to bolster the VET teacher workforce. This includes the expansion of permanent teaching positions in both schools and TAFEs, alongside active recruitment efforts.

Given the centrality of VET teachers in driving training outcomes and meeting NSW's skills needs, it is imperative that attention is directed at prioritising the conversion and expansion of permanent roles (across full-time, part-time and casuals) for both VET teachers in public schools, and the teaching workforce in TAFE NSW. Recruitment of new staff should, where possible, prioritise stable and secure employment arrangements over casual arrangements.

Recommendation

Recommendation 6: The NSW Government should prioritise the expansion and conversion of permanent roles for VET teachers in the NSW Department of Education and TAFE NSW workforce.

Future directions

Addressing administrative burden on the VET teaching workforce

It is essential to explore opportunities for operational efficiencies within the VET teaching workforce of TAFE and public schools. Recognising the critical role of professional development, and supporting VET teachers to maintain currency, requires a review of current practices. We heard strongly that separate standards by government agencies creates significant burden on the VET teacher workforce. As a priority next step, we are keen to see how regulation in the system could be better aligned and streamlined, to ease compliance pressures on an already strained workforce.

Promoting transitions into the workforce

To support ongoing workforce attraction, a renewed effort is required to raise awareness and value of the VET practitioner role. Industry professionals need to be better informed to recognise the opportunities represented by VET teaching. Industry can support sector experts with the knowledge and resources needed to engage in transition opportunities and VET practitioner career pathway development.

The NSW Government could consider how industrial relations laws and policy could be enhanced to encourage greater mobility of workforce across schools and TAFEs. This could be part of a TAFE NSW School Strategy.

Working towards a whole of government approach

In 2022, the Australian Government announced the VET Workforce Blueprint as an outcome of the Jobs and Skills Summit. The Blueprint aims 'to identify effective strategies for VET workforce issues such as attraction, retention, career development and succession planning'.⁴²

A commitment to addressing the workforce challenges at a national level is a promising prospect for NSW. This could be supported by the establishment of a national or NSW-specific hub for VET practitioners, acting as a central platform for recruitment and transitions information, enabling data insights into labour market and industry trends, and providing professional development and career advice.

The development of a NSW Skills Plan presents an opportunity to incorporate VET practitioner qualifications and skill development into workforce planning. Understanding workforce projections and aligning strategies and plans would help to create a sustainable pipeline of VET teachers to respond to critical shortages across key sectors.

Next steps

The Review Panel will consider the following opportunities:

- Addressing administrative burden on the VET teaching workforce
- Promoting transitions into the VET teaching workforce
- Enabling expanded public provision of VET through opportunities for collaboration across the TAFE and school teaching workforce
- Supporting a whole of government approach to addressing VET teaching workforce needs

⁴² Department of Employment and Workplace Relations (DEWR), VET Workforce Blueprint Scope, DEWR, Australian Government, 2023

2.3 Infrastructure and facilities

What we heard

Suitable infrastructure and facilities for the VET system in NSW is vital to the effective delivery of training. However, throughout our consultations, participants raised issues regarding the age, quality, utilisation and reach of current government-owned VET campuses, facilities, and equipment. Many stakeholders expressed concerns around the state of, and lack of investment in, TAFE NSW's physical infrastructure.

Improving and enhancing physical and digital infrastructure and assets

“We don't deliver the full suite of qualifications because we don't have a facility to do that.”

Tuggerah Roundtable participant, September 2023

“Too many times I've had discussions where manufacturers are going to TAFE to find the students are working on equipment they were using 40 years ago.”

Quality Delivery of VET Roundtable participant, September 2023

Across the state, stakeholders highlighted the widespread dependence on outdated infrastructure and equipment for training delivery. This significantly undermines the student experience, limits course breadth and effectiveness, and adversely affects staff morale.

Costs associated with infrastructure upgrades are seen as prohibitive to both public and private providers, and insufficient funding and lack of certainty was a major area of feedback from RTOs. We heard that funding under current Smart and Skilled arrangements does not reflect the medium to long-term cost of strategic investment in infrastructure and assets.

As noted within Chapter 1.2, stakeholders highlighted disparities in age and quality of TAFE NSW training facilities throughout the state. This was echoed by TAFE NSW, who noted chronic under-investment in maintenance across its campus network. As detailed in section 1.3, much of TAFE NSW's digital infrastructure has not been upgraded since its design and implementation in 2009. TAFE NSW has had limited opportunity to undertake strategic, proactive upgrades to its facilities and to effectively plan longer term capital works, having only recently made its most significant investment in digital infrastructure in 15 years.⁴³

The issues currently faced by TAFE around its infrastructure and assets are also reflected in NSW public high schools that offer VET to their students. Participants noted that this limits the ability of schools to offer VET to their students, even if they have the workforce to deliver it.

VET facilities are important to regional and rural communities. Many stakeholders reflected that there are mismatches between existing VET infrastructure, and skills needed by the region. Examples were shared by participants of new training facilities being built in their communities that do not align to local industry needs, while areas of significant industry demand have substandard facilities.

Balancing face-to-face and online training delivery and the facilities required

“While we've flipped quite hard to online learning as a result of the pandemic, a high percentage of our cohorts don't have access to those resources.”

Western Sydney Roundtable participant, August 2023

“Delivery needs to adapt to needs in the thin markets and it may be a major move to training and assessments via augmented reality (AR) with AR headsets.”

Workforce Roundtable participant, August 2023

⁴³ TAFE NSW, TAFE NSW Annual Report 2022-23, TAFE NSW, NSW Government, 2023

We heard of the importance and benefits of online delivery and that many RTOs have made significant investments in this space in response to the COVID-19 pandemic.⁴⁴ Digital delivery supports underserved markets by increasing the capacity of RTOs to reach areas where there is a lack of physical training infrastructure. Further, from a cost-of-living perspective, digital delivery is an attractive option for students who are increasingly challenged by transport costs or need to maintain work hours.

However, effective digital delivery requires significant investment. This includes the costs of developing effective digital learning tools, investment in professional development for teachers, implementing effective learning management systems and enhancing the associated technology ecosystem including infrastructure and software. Students also face challenges, particularly by those that are reliant on their RTO's digital infrastructure to engage with their coursework, along with students in regional locations dealing with unreliable internet access. Stakeholders noted that this challenge may continue to grow as digital technology advances and online requirements rise accordingly.

Stakeholders noted the need to find an appropriate balance between face-to-face and online delivery. We heard reflections on the significant value of training approaches that centre on interactive, in-person sessions with peers present. Having teachers build in-person connections with students is seen as being central to strong student outcomes, particularly for educationally disadvantaged groups.

Courses that require significant, practical, hands-on learning are not likely to be well-supported in online modes of learning. Opportunities to address this issue through simulated and augmented learning environments are increasing, however, broader take-up of these technologies is challenging due to cost considerations.⁴⁵

Areas of opportunity

Strategic VET infrastructure planning to meet future needs

Better data on how current infrastructure is used should inform future strategic investment. In our consultations we heard that there is a need to better understand the type, location, and usage of existing VET-related infrastructure, particularly NSW Government-owned and -funded facilities. An audit of VET infrastructure and mapping against skills needs in NSW would be one way to achieve this.

Strategic mapping of regional hubs and Commonwealth-funded infrastructure programs is also important. These regional hubs currently exist in NSW in the form of TAFE's Connected Learning Centres, funded by the NSW Government, and the jointly-funded Country Universities Centres (CUC). CUCs in NSW are mostly funded through what is now known as the Commonwealth's Regional University Study Hub program. A new program to support Suburban University Study Hubs is currently under development by the Australian Government. There are likely opportunities to better integrate all of these facilities between the VET and university sectors and facilitate enhanced co-operation among tertiary providers.

Recommendation

Recommendation 7: The NSW Government should undertake an asset audit to ensure it has a clear understanding of current VET infrastructure across NSW, including its condition, age and geographic location. This should:

- i. include TAFE NSW, public schools and all other government-owned or funded VET assets (including working with the Australian Government on their funded assets where possible).
- ii. consider alignment between major tertiary education infrastructure announcements such as the Regional University Study Hubs program and VET needs.

⁴⁴ D Trimboli, M Lees and Z Zhang, Impact of the COVID-19 pandemic on VET, National Centre for Vocational Education Research, 2023

⁴⁵ Australian Skills Quality Authority (ASQA), Strategic Review of Online Learning Final Report, ASQA, Australian Government, 2023.



Future directions

A networked approach to infrastructure and assets

Our consultations revealed instances of network approaches to effective infrastructure sharing, with benefits for industry, RTOs and students when training delivery involves shared use of resources that any one of these parties may not have access to on their own.

Despite an overall willingness amongst stakeholders to engage in the sharing of infrastructure and assets, there is a general lack of strategic coordination and collaboration across schools, industry, and RTOs to leverage available infrastructure and assets. In cases where collaborations occur, they are reliant on relationships that have been cultivated over long periods of time, often at the local level.

At a basic level, competing industry organisations and RTOs are reluctant to make investments that may provide a benefit to their competitors. Even where there is willingness to collaborate and share, practical considerations around timetabling and bookings, as well as health and safety issues and the associated insurance liability concerns, act as a barrier to effective asset sharing.

To overcome barriers to improved collaboration, there must be collective interest and alignment between stakeholders when sharing infrastructure and assets, with clear mutual benefits. The development of guidelines or a framework for best practice relationship management for infrastructure

and asset sharing would be a practical next step. This approach would support greater utilisation of government investment into VET infrastructure, with equivalent improvements in return on investment.

Exploring broader infrastructure and facilities reforms

As outlined in chapter 1.3, there are significant issues in the short-term nature of VET funding. These issues are particularly relevant to the development and maintenance of VET infrastructure and assets, which typically require significant lead time to effectively plan. An audit would provide a solid evidence base for future strategic capital funding investment in infrastructure by government and may also reveal opportunities for a new funding model for public infrastructure and asset sharing.

Next steps

The Review Panel will consider the following opportunities:

- Facilitating increased networked approaches to the sharing of infrastructure and assets
- Exploring different models of funding public VET infrastructure

Directions for Further Exploration

DIRECTIONS FOR FURTHER EXPLORATION

3. Boosting student success

A strong student-centered approach, based on direct student engagement and feedback to amplify the student voice, is central to student success. Diverse student outcomes, issues of equity and assessment of current approaches to student-focused models across VET in secondary schools and apprenticeships and traineeships, must all form part of this approach.

This section provides a reflection on initial findings during consultation, identifying next steps and areas for further exploration as the Panel develops our Final Report.

3.1 Student outcomes

What we heard

Stakeholders agree that the VET system serves a critical role in equipping individuals with the practical knowledge, skills, and competencies needed to actively engage in society and the workforce. VET is seen as a powerful platform and catalyst for change, and positive VET experiences foster personal growth, confidence, and empowerment. For those pioneering a new path for their families, VET has the potential to inspire and motivate other family members to pursue VET or other educational pathways.

NSW is making notable progress in boosting participation in VET, with total student numbers rising 12% over the last four years.⁴⁶ Despite these uplifts however, we heard that certain cohorts experience persistent disengagement from education, training, and employment. Across the state, 11% of young people (aged 15 to 24) were disengaged from education, training, or work between 2018 and 2022.⁴⁷

Addressing disparities in participation is crucial for social and economic viability. In a diverse and geographically large state like NSW, concentrations of disadvantage must be addressed if we are to meet the challenges ahead, so that the benefits can

be achieved by all. In the context of the changing workforce and future industry innovation needs, the Australian Universities Accord Interim Report notes the importance of lifting higher education participation rates, stating that ‘increasing attainment levels will require significantly higher enrolments of students from equity backgrounds to achieve parity of participation.’⁴⁸ The VET system will similarly need to focus on lifting participation from those currently not engaged in education, training or employment to meet the state’s skills needs.

Navigating completion challenges and exploring broader success factors

Only half of NSW students commencing VET complete their qualifications.⁴⁹ This rate decreases even more when considering diverse student attributes, with equity cohort students, on average, completing at far lower rates than their more-advantaged counterparts.⁵⁰ For apprenticeships and trainees, the completion rate stands slightly higher at around 60%.⁵¹ While for some students, a part qualification is a good outcome, both participation and completion rates must lift in order for students and their communities to feel the benefits of further education.

⁴⁶ National Centre for Vocational Education Research (NCVER), Total VET students and courses 2022, NCVER, 2023

⁴⁷ Australian Bureau of Statistics (ABS), Education and Work, Australia Table 15, excludes partially engaged (average based on 2018-2022), ABS, Australian Government, 2022

⁴⁸ Australian Government, Australian Universities Accord Interim Report, Australian Government, 2023

⁴⁹ National Centre for Vocational Education Research (NCVER), VET qualification completion rates 2022, NCVER, 2022

⁵⁰ National Centre for Vocational Education Research (NCVER), VET qualification completion rates 2022, NCVER, 2022

⁵¹ National Centre for Vocational Education Research (NCVER), Completion and attrition rates for apprentices and trainees 2022, NCVER, 2022

“For these students there might be a number of attempts at a number of qualifications and life events... They are dealing with many different complexities so measures of success for them are coming to TAFE, engaging socially, communicating with others, and developing a sense of purpose and a sense of belonging.”

Student Outcomes and Equity Roundtable participant, August 2023

Stakeholders noted that while completion rates are important, they can serve to obscure other important measures of diverse student cohorts and experiences. Vulnerable learners, and those with complex needs, may encounter various social challenges which limit their ability to successfully engage in education and training and hinder completion. Students may enter, exit, and re-engage in VET multiple times before they complete, which is not adequately monitored through existing data.

“Success is participation... Gain a skill, make some progress, whether it be they return another semester or even repeat because they failed, it’s some progress.”

Maitland Roundtable participant, September 2023

Completions are also affected by prevailing labour market conditions. In the current climate, learners may exit training or education due to work prospects. The rise of microcredentials and increased appetite for non-accredited and bite-sized training further adds to the complexity of using full-qualification completions as a success measure. Some students may enrol in programs for compliance requirements, rather than with the intention of completing the qualification in full. There are likely other, admittedly more complex, complementary markers of benefit, success and value for VET than completions.

Training has an impact beyond measurable markers of success

Tying funding to progression milestones or completion outcomes, in current NSW funding settings, may not capture a complete picture for some types of training provision or for some types of students. We heard this is often a point of tension for providers, who need to balance their program requirements with the individual needs and objectives of the learner.

Students who have partially completed their studies report comparable levels of employment outcomes to those of their completing counterparts. The proportion of part-completers that reported improved employment status after training (63%), and were employed or in further study or training (84%), showed only a 2-3% difference to outcomes reported by their qualification completer counterparts.⁵² Students can attain positive outcomes in cases where they do not finish a qualification, further identifying the need for programs to be sufficiently flexible in acknowledging diverse outcomes.

“If we’re always measuring certain outcomes, then we’re never measuring social outcomes. What about the risks we’re removing from the economy? That’s a saving.”

Tuggerah Roundtable participant, September 2022

⁵² National Centre for Vocational Education Research (NCVER), VET student outcomes 2022, NCVER, 2022

3.2 Equity and access

What we heard

The VET system plays an important role in supporting learners who face barriers to successful participation in education, training, and employment. This includes Aboriginal and Torres Strait Islander learners, learners with disability, learners living in regional and remote areas, refugees and asylum seekers, and mature-aged learners re-entering the workforce. In addition, there are learners who experience complex disadvantages and who are represented in several of these ‘equity’ categories simultaneously.

While we heard the experiences of these cohorts are not uniform, there are some common barriers, and these barriers often compound. This includes a lack of financial resources, the need for stronger foundation skills, as well as discrimination, stigma and trauma, and limited personalisation and person-centred approaches to learning. Regional and remote learners face additional geographical challenges around access to training, support services and employment, particularly if they want to stay in their community.

Foundation skills are critical for success

Foundation skills, including language, literacy, numeracy, and digital skills, are critical. Stakeholders acknowledged the importance of these skills in enabling successful pathways in education, training and employment.

ACE providers, including community colleges and TAFE NSW, play a crucial role in supporting foundation skill access and development, through a mix of Smart and Skilled and other grant funding, with short courses and non-accredited training key features of the schemes. One key challenge identified by ACE providers was the desire to incorporate more non-accredited foundation skills training into their programs, encompassing learning, social and workplace skills. In current settings, this would be a funding and regulatory challenge.

“There is [an] over reliance on accredited courses which don’t meet the individual needs of learners needing to improve literacy and numeracy. [The solution is to] fund non-accredited courses..”

Student Outcomes and Equity Roundtable participant, August 2023

Equity of access remains a challenge for priority cohorts

There are persistent challenges in attracting more priority students into higher level qualifications (for example, diplomas and advanced diplomas), as well as non-traditional pathways that lead to typically strong employment outcomes, such as getting more women into trade occupations. While government-subsidised fee exemptions can be successful in enhancing participation rates from cohorts such as Aboriginal and/or Torres Strait Islander students (8%) and students with disability (9%) in NSW in government-subsidised training,⁵³ financial constraints are not the only issue.

A consistent view across stakeholders was that equitable access requires addressing geographical barriers experienced by regional and remote students.⁵⁴ Barriers can include limited study options due to the availability of staff and specialist infrastructure, the need to travel great distances to access training, and the effects of compounding disadvantage due to limited social services.

Learners need access to personalised support and wrap-around services

Standardised approaches to VET are not always suitable for the diverse needs of students, with research showing that better outcomes are achieved with access to personalised support and wrap-around services.⁵⁵ Personalised support can include:

- additional classroom supports and adjustments to course materials or assessments (particularly for learners with disability)
- access to specialist support staff and mentors (particularly for Aboriginal and/or Torres Strait Islander learners)

⁵³ National Centre for Vocational Education Research (NCVER), Government-funded students and courses 2022: students, NCVER, 2023

⁵⁴ Audit Office of NSW, Performance Audit: Regional, rural, and remote education, Audit Office of NSW, NSW Government, 2023

⁵⁵ S Lamb, Q Maire, A Walstab, G Newman, E Doecke and M Davies, Improving participation and success in VET for disadvantaged learners, NCVER, 2018

- holistic services for more vulnerable learners who may be dealing with housing insecurity, childcare commitments or justice issues.

These issues can be significant barriers to successfully engaging in or completing training, however, stakeholders noted that the VET sector is not always able to fund this support to the appropriate level.

“It’s proven there’s a greater completion rate when they have mentoring involved.”

Tuggerah Roundtable participant, September 2023

3.3 VET for Secondary Students

What we heard

Our discussions on VET for secondary students (VETSS) highlighted the significant value of vocational education in the school system in equipping students with nationally recognised workplace skills and lifting student outcomes. As a critical component of the VET system, it has prominently featured in both state and national education reviews.⁵⁶

While the number of students participating in VETSS has remained stable, at approximately 50,000 students over the last few years,⁵⁷ NSW is achieving stronger outcomes for VETSS across both the public and non-government school sectors through the scope and scale of its programs.

Strengthening early awareness of VET and nurturing career guidance

Raising awareness on the value of VET programs in schools is crucial for lifting VETSS outcomes. Multiple stakeholders expressed strong support for existing programs such as TAFE NSW Start Your Future and Girls Can Too which offer previews to VET pathways. However, we also heard that many

programs are only available to students in years 10 to 12, and that earlier engagement would broaden students’ exposure to VET pathways complemented by valuable hands-on learning opportunities.⁵⁸ Initiating awareness at a younger age supports pathway planning, subject selection and encourages students to seriously consider VET-related careers as a gateway to post-school success.

“We need to see a range of ways in which these pathways connect to different levels of ongoing education or to career pathways... rather than this idea that university is for one type of student and VET is for a completely different type of person.”

Pathways and VET for Secondary Students Roundtable participant, September 2023

Overcoming barriers in VETSS delivery

While the expansion of VET options for secondary students was acknowledged, stakeholders raised concerns on its limited integration into the senior secondary curriculum. This lack of integration has resulted in a perceived content overlap between VET and non-VET based courses, causing tensions in course delivery decisions at secondary schools. Staffing shortages and persistent challenges in integrating VET course delivery into school timetables persist, particularly for externally delivered VET.

We heard positive feedback regarding recent Australian Tertiary Admission Rank (ATAR) reform associated with the NSW Curriculum Review. This will see the removal of Category A and B designations linked to ATAR calculations from 2025.⁵⁹ These reforms were seen as a boost for VETSS uptake and perception of vocational study within the HSC, however, concerns were raised that the continuation of HSC exam requirements might undermine the competency-based nature of VET qualifications.

⁵⁶ These reviews include: S Joyce, Strengthening Skills -Expert Review of Australia’s VET System, Department of Prime Minister and Cabinet, Australian Government, 2019; P Shergold et al., Looking to the future -Review of senior secondary pathways into work, further education, and training, Department of Education, Skills and Employment, Australian Government, 2020; G Masters, Nurturing Wonder and Igniting Passion, designs for a new school curriculum: NSW Curriculum Review, NSW Education Standards Authority, 2020; and D Gonski and P Shergold, In the Same Sentence -Bringing higher and vocational education together, Department of Education, New South Wales Government, 2021

⁵⁷ National Centre for Vocational Education Research (NCVER), VET in Schools 2022: program enrolments, NCVER, 2023; Note: includes school delivered VET (government and non-government schools) and externally delivered VET

⁵⁸ This conclusion is reflected across several reviews, including D Gonski and P Shergold, In the Same Sentence -Bringing higher and vocational education together, Department of Education, New South Wales Government, 2021

⁵⁹ G Masters, Nurturing Wonder and Igniting Passion, designs for a new school curriculum: NSW Curriculum Review, NSW Education Standards Authority, 2020

Supporting the school-based apprentices and trainees experience

“SBATs are terrific but can have a heavy burden on students and their time.”

Pathways and VET for Secondary Students Roundtable participant, September 2023

School-based apprenticeships and traineeships (SBAT) are linked to positive post-school work and education outcomes, with around 5,000 participants in 2022 across all school sectors.⁶⁰ Challenges include issues with employer engagement, administrative costs, coordinating external training locations,⁶¹ and a heavy administrative workload. This workload involves training plans, exam registrations, and regular check-in sessions and discourages students, teachers and support staff from participating in SBAT programs.

The role of TAFE NSW and the need for enhanced infrastructure

“Schools need funding to update the equipment to be able to deliver the competencies – we currently have 27-year-old equipment.”

Tamworth Roundtable participant, August 2023

There is an opportunity to better align TAFE NSW and NSW Department of Education coordination in the delivery of VETSS. This includes asset and infrastructure sharing, as well as reviewing teacher accreditation and professional learning requirements.

The restricted availability of industry-standard training facilities, especially when VET facilities are situated far from schools, is a key concern for stakeholders with whom we consulted. Resource constraints within schools including limited workforce, limited funding, insufficient or outdated equipment, and limited space were further identified as obstacles to expansion of VET in schools.

3.4 Apprenticeships and traineeships

What we heard

Our consultations showed the value of apprenticeship and traineeship (A&T) pathways in providing learners in NSW with practical on-the-job training and supporting paid employment outcomes. 95% of trade completers and 89% of non-trade completers are employed after training.⁶²

The need for greater A&T utilisation in NSW, particularly as skills demand increase, is a key opportunity for students in NSW. While A&T commencements in NSW have increased by around 40% from 2018 to 2022, attrition rates remain high.⁶³ A substantial proportion of A&T learners withdraw from training, with over 37,000 A&T withdrawals against 64,000 commencements in 2022.⁶⁴ Trades pathways have experienced significantly less growth compared to non-trades,⁶⁵ in spite of the increasing demand for skilled trades.

Reducing the complexity and improving knowledge of apprenticeships and traineeships is a priority

Contracting and administration associated with the A&T system is complex and acts as a barrier to commencements. In a system not readily understood or prioritised by careers advisors, parents, or other student-influencers, this is a further barrier to entry. Employers experience difficulties and confusion in navigating the A&T system, with many small to medium sized enterprises lacking capacity to navigate the administrative processes and requirements.

“Young people going from school into university is easier than going from school to an apprenticeship. You’ve got to sign a contract. It seems like it’s much more difficult.”

Maitland Roundtable participant, September 2023

⁶⁰ NSW Department of Education, Training Services NSW IVET system, NSW Government, 2023; Note: SBAT participation denotes a student with an active SBAT Training Contract in the previous calendar year

⁶¹ S Joyce, ‘Strengthening Skills: Expert Review of Australia’s VET System’, Department of Prime Minister and Cabinet, Australian Government, 2019

⁶² National Centre for Vocational Education Research (NCVER), Apprentice and trainee outcomes 2022, NCVER, 2023

⁶³ National Centre for Vocational Education Research (NCVER), Apprentices and trainees 2022 - December quarter, NCVER, 2023

⁶⁴ National Centre for Vocational Education Research (NCVER), Apprentices and trainees 2022 - December quarter, NCVER, 2023

⁶⁵ National Centre for Vocational Education Research (NCVER), Apprentices and trainees 2022 - December quarter, NCVER, 2023

Group Training Organisations (GTOs) are looked on favourably, with stakeholders endorsing the support they offer in their role as employers of A&Ts and in the pre-enrolment process. However, participants noted that their presence has declined in NSW, in contrast with SA where around 80% of A&Ts are engaged through a GTO.⁶⁶

Stakeholders observe the need for A&T pathways to be better prioritised as a viable career pathway by schools, industry, and parents. Broadly, A&Ts are not perceived to be as valuable as they were in the past to both students and employers, with those in non-trades industries unaware of the opportunities that A&T can offer.

Incentives and remuneration are a major barrier to uptake and completion

“Apprenticeships are not financially attractive. When you can work in a warehouse for \$33 per hour, the idea of an apprenticeship at \$14 per hour is not appealing...”

**Albury Roundtable participant,
September 2023**

Historically, apprentices and trainees are paid lower wages compared to full-time workers, and often below the national minimum wage. This serves as a disincentive for prospective students, particularly in a strong labour market. We heard of school leavers joining the labour market and choosing to pursue more lucrative unskilled jobs that also provide more flexibility with their personal lives, even though this may have notable disadvantages for the individual in the long-term.

Stakeholders noted that employers face difficulties due to the time it takes for learners to become productive workers during training. Administrative burden associated with management of an A&T contract further reduces the perceived benefit of employing an apprentice or trainee. In particular, employers found workplace sign-off requirements complex and difficult to manage.

Next steps

To ensure that the NSW VET system continues to deliver strong outcomes for students, we will engage directly with students to ensure their voices inform our work as we continue to explore:

Student outcomes

- Lifting participation for priority cohorts, supported by appropriate equity targets
- Better understanding of success and learner outcomes, particularly with target cohorts such as apprentices and trainees
- Supporting completions through improvements in measuring completion rates and wrap around supports

Equity and access

- Ensuring a strategic approach to equity and access initiatives that considers the role of institutions with expertise in providing support services, such as TAFE NSW, Aboriginal Community Controlled Organisations and ACE providers
- Strengthening foundation skills by ensuring appropriate funding, and building on existing measures and emerging developments under the National Skills Agreement

VET for secondary students (VETSS)

- Enhancing the VETSS model to enable successful integration into the school curriculum and leveraging good practice across the sector
- Supporting strategic partnerships and connections between secondary public schools, TAFE NSW, and other VETSS providers

Apprenticeships and traineeships

- Exploring how the current A&T model can be simplified and enable greater flexibility to meet employer and student needs
- Ensuring a more proactive approach to identifying where A&T pathways can be applied to new and emerging industries.

⁶⁶ L O'Dwyer and P Korbel, Completion rates for group training organisations and direct employers: how do they compare?, National Centre for Vocational Education Research, 2019



DIRECTIONS FOR FURTHER EXPLORATION

4. Future success

There is a need for a transformative shift towards a more integrated tertiary education sector, a responsive strategy to address evolving skills needs, and a proactive approach to embracing emerging technology and future trends.

This section provides a reflection on initial findings during consultation, identifying next steps and areas for further exploration as the Panel develops the Final Report.

4.1 VET perception and tertiary system integration

What we heard

Enhancing knowledge and understanding of VET skills and pathways

Perception of VET has been a longstanding topic of discussion and the focus of many government reviews. Throughout our consultations, we heard that negative perceptions of VET are often rooted in misconceptions that it is inferior to higher education and a fallback solution for students, rather than a deliberate choice. Guidance within schools was identified as central to reshaping this perception.

We heard that student choices are heavily influenced by available information, notably from parents and carers.⁶⁷ Improving parents' recognition of the value of VET involves challenging prevailing perceptions, highlighting VET as a viable post-school option, and showcasing the continually expanding range of career possibilities that exist through VET pathways.

For post-school learners, catering to groups with different information needs is vital. Providing student-centred career guidance, foundational courses and wrap-around support empowers learners to make informed decisions aligned with their VET career aspirations.

“Maybe we could start by changing the nomenclature, because if you call one higher education, by implication, the other one is lower education.”

Quality Delivery of VET Roundtable, September 2023

Shifting VET perception through improved pathways

We heard of the need to reshape public perceptions by addressing a perceived binary choice between VET and university education for school leavers. Articulating clear pathways and addressing Recognition of Prior Learning (RPL) challenges is central, as there are complexities and inconsistencies in facilitating RPL across tertiary providers.

Stakeholders acknowledged that developing better RPL models will require agreement by universities and VET providers. We believe that the timing is right, given the ambitions of the Australian Universities Accord and Australian Government inquiry into perception and status of VET. There is an opportunity to explore a central settling agreement with an initial focus on implementing RPL for the skills and qualifications in greatest demand.

⁶⁷ Woolcott Research, VET participation and completion: trends, decision-drivers, key questions and hypotheses: phase 1 report, Department of Industry, New South Wales Government, 2016

Towards an integrated tertiary education sector

Acknowledging the Australian Universities Accord Interim Report, we note there is an elevated need for a harmonised tertiary education system where both sectors remain distinct and important parts of the skills development journey for learners. Evidence shows a rise in students with a bachelor's degree or higher qualification pursuing VET courses in NSW from 9% in 2015 to 13% in 2022.⁶⁸ Universities increasingly offer work integrated learning and project-based learning components of non-technical courses, to better support students' transfer of skills from the theoretical to the applied. This points to the increasing multidirectional relationship between the two systems.

It is likely that the Australian Universities Accord Final Report, expected to be published in early 2024, will include opportunities for further reform and integration between vocational and higher education.

“There was a time when we talked about tertiary. We have secondary education. After you finish your secondary education, you choose your tertiary path and that would include VET.”

Quality Delivery of VET Roundtable participant, September 2023

4.2 Skills needs

What we heard

Meeting current and emerging skills needs is a priority challenge for the NSW Government and VET system. JSA's 2023 Skills Priority List shows that 44% of occupations are in shortage in NSW.⁶⁹ This echoes the experiences of NSW employers, who reported persistent difficulties in recruitment since June 2021, in combination with unemployment in NSW remaining low throughout 2022-2023.⁷⁰ We conducted several consultations targeting key sectors including digital, manufacturing, construction and engineering, the care sector, and primary industries sectors. Stakeholders from these sessions confirmed what the data showed around skill shortages and the difficulty in recruiting.

Industries that are critical to NSW's economic future are particularly affected

“We get a lot of feedback that aged care is low paying and not flexible so that's pretty off-putting for people.”

Care Economy Roundtable participant, September 2023

Some sectors faced more urgent skills shortages, including several industries critical for NSW's future economic growth. The following examples are a snapshot of the concerns raised across various industries.

- In the **digital sector**, demand for ICT workers in NSW is estimated to exceed supply by 85,000 by 2030.⁷¹ This gap highlights the urgent need for improved partnerships between industry and RTOs and the importance of co-designed courses to produce job-ready digital sector workers.
- In **manufacturing, construction and engineering**, the NSW Government's pipeline of infrastructure projects has resulted in significant demand for workers. However, labour scarcity is identified as the single biggest issue faced by construction companies, as workers struggle to match the pace of technological advancements.

⁶⁸ National Centre for Vocational Education Research (NCVER), VOCSTATS TVA progra, enrolments 2015-2022, NCVER, 2023

⁶⁹ Jobs and Skills Australia (JSA), Skills Priority List, JSA, Australian Government, 2023

⁷⁰ Jobs and Skills Australia (JSA), Recruitment Experiences and Outlook Survey, JSA, Australian Government, 2023 and NSW Treasury, About the NSW Economy, NSW Treasury, NSW Government, 2023

⁷¹ Accenture, ICT Industry Landscape Report, NSW Department of Education, NSW Government, [unpublished]

- In **aged care and disability**, there is a projected shortfall of 73,000 workers in NSW, resulting from NSW's aging population and greater NDIS participation.⁷² The introduction of a year of preschool for every child before kindergarten by 2030 will also increase demand for **early childhood education** workers. Across the board, many care sector roles are viewed as overworked and undervalued with respect to pay and conditions and have limited opportunities for career progression.
- **Primary industries** are a major source of jobs in rural and regional NSW. However, access issues and funding constraints make training delivery less viable in the areas of greatest industry need.

In addition, participants highlighted the concerns on gender imbalances across key sectors, noting that occupations with significant gender disparities are prone to experiencing shortages.⁷³ Addressing this, particularly in sectors experiencing skills shortages such as the care and construction industries, was seen as critical to unlocking untapped segments of the labour market.

Regional areas require specific consideration when addressing skills shortages

A recent survey of industry and training experts in regional NSW found that 97% of respondents believe there is a skills shortage in the industries they work in, with 83% of respondents believing this shortage will either stay the same (26%) or worsen (57%) over the next five years.⁷⁴

Stakeholders noted that regional NSW suffers from a 'brain drain' of skilled jobseekers who are moving away to seek better opportunities in metropolitan areas. The ability for VET to meet the skills shortages in regional areas is constrained by challenges including higher costs and reduced access to training. Many stakeholders highlighted that current funding arrangements are inadequate to meet the costs of training delivery to these regional areas.

Agility and responsiveness are critical when responding to skills needs

Stakeholders are concerned with the VET system's lack of flexibility at the state and national level. The national training package system was seen to hold back the delivery of up-to-date training due to

the time lag with updates. This was notable in the fast developing digital and manufacturing sectors, where employers were not seeing learners obtain the expected skills from their courses.

“The challenge, of course, is everyone wants their training in a flexible, dynamic way in under two years.”

Primary Industries Roundtable participant, September 2023

The flexibility of microcredentials has been raised as a desirable alternative to the usual full qualifications associated with VET, due to their shorter duration and ability to target specific skills relevant to employer and industry needs. While the growing demand for short forms of training is being met by significant NSW Government investment in both accredited part qualifications and non-accredited microcredentials, there is a need to further consider future policy settings associated with funding, regulation and governance of microcredentials in NSW.

Improved access to informative data was another important area of feedback during our consultations. Enhanced public data on current skills needs and future skills demands would greatly assist providers, industry and students in planning and meeting skills gaps through new and adapted offerings.

⁷² Accenture, Aged Care and Disability Support Landscape Report, NSW Department of Education, NSW Government, [unpublished]

⁷³ Jobs and Skills Australia (JSA), Towards a National Jobs and Skills Roadmap, Australian Government, 2023

⁷⁴ NSW Department of Education, NSW Skills Shortage Project Qualitative Survey, NSW Department of Education, NSW Government, [unpublished]



4.3 Emerging technology and future trends

What we heard

The NSW labour market is becoming increasingly complex. This complexity is increased by disruptive technologies such as artificial intelligence (AI) which will significantly affect the skills and knowledge required by a future workforce and VET sector. New industries such as the clean and renewable energy sector are growing and responding to net zero emission commitments. It is imperative that the NSW VET system is ready to meet the challenges posed by these transformations.

Education and training will be critical to supporting workforce transitions

“If you look at the pace of change that’s happening in cyber security, big data and AI, the skill required is changing at a rapid pace.”

Skills for the Future Roundtable participant, September 2023

The primary impact of automation and other technological advancements will be in ways and types of working, not the wholesale restructuring of entire industries.⁷⁵ AI will see repetitive, manual tasks transferred from workers to machines and computers with skills such as emotional intelligence, creativity, critical thinking, and digital literacy becoming increasingly essential as the demand for manual skills declines.⁷⁶ Generative AI is attracting significant public interest due to its ability to develop text, images and other content, however, it is difficult to fully identify the impact of this on the labour market at this early stage.⁷⁷

The NSW Productivity Commission identified key skills, such as foundation skills and soft skills that will allow the workforce to be resilient to technological change in NSW, noting that the growth of microcredentials can serve as an effective way to upskill or reskill the workforce to meet this demand.⁷⁸

⁷⁵ Jobs and Skills Australia (JSA), Towards a National Jobs and Skills Roadmap, Australian Government, 2023

⁷⁶ Attwell, et al. ‘Digitalisation, Artificial Intelligence and Vocational Occupations and Skills: What are the needs for training Teachers and Trainers?’ Trends in vocational education and training research, Vol. III. Proceedings of the European Conference on Educational Research (ECER), Vocational Education and Training Network (VETNET), 2020

⁷⁷ Jobs and Skills Australia (JSA), Towards a National Jobs and Skills Roadmap, Australian Government, 2023

⁷⁸ NSW Productivity Commission, Adaptive NSW: how embracing tech could recharge our prosperity, NSW Productivity Commission, NSW Government, 2022

“So, we need to think about how we upskill them and, if you’re in an industry like we are, where there’s already shortage, it’s really hard to release people from the workplace. You’re not going to sign them up for a full qualification, but you might sign them up for a microcredential that actually adds to their business.”

**Primary Industries Roundtable participant,
September 2023**

New and innovative forms of education are being trialled in NSW. Models such as the TAFE NSW-led Institute of Applied Technology (IAT) offer customised microcredential courses to NSW learners in areas such as digital technology, construction and advanced manufacturing. These models bring together VET and higher education providers and industry to co-design and co-deliver short courses, creating content in line with industry needs. These models help to strengthen the connections between VET providers and universities.

“The number of skilled workers that will be required is significant. We need to focus on where we’re going to attract these people from, and how we’re going to maintain our current workforce.”

**Skills for the Future Roundtable participant,
September 2023**

Next steps

To ensure that the NSW VET system is looking to the future and supporting the evolving needs of industry and the NSW economy, we will continue to explore:

VET perception and tertiary system integration

- Enhancing information and guidance on VET qualifications and career pathways
- Opportunities for the NSW Government to work with the Australian Government and other state and territory governments to create an integrated tertiary education system

Skills needs

- Improving arrangements to identify skills needs across regions and industries
- Improving partnerships between industry and training providers
- Enhancing access to effective public data on current and future skills needs
- Unlocking parts of the labour market that are experiencing gender imbalances

Emerging technology and future trends

- Exploring the role of microcredentials and/or innovative education models in helping to meet NSW’s skills needs
- Developing whole-of-system strategies and plans to meet the labour and skills needs of emerging technologies

Looking forward

This Interim Report is an opportunity for the Panel to share with the NSW Government the rich feedback and evidence we have heard so far about the NSW VET system, during the first half of our Review. Stakeholders have left us with no doubt about the crucial importance that vocational education and training holds for the people of NSW, our communities and the economy.

We have heard firsthand of the passion of the people who make up our VET system. Our VET teachers, trainers and assessors have told us how highly they value their work, but how undervalued they feel. Our research has told us how central VET is to the economy of NSW, which will only increase into the near future as the pace of economic and industrial change continues to increase.

The recommendations we have put forward in the Interim Report are a call to action for the NSW Government. Our recommendations focus on where we believe the NSW Government can take immediate action, while our next steps highlights issues and priorities that we will continue to explore over the life of the Review. We see these opportunities as critical to providing NSW with a VET sector that is able to meet the skills challenges we face now and into the future, with a strong public provider and a student-focused approach at its centre.

We look forward to working closely with all stakeholders across the VET system to inform our Final Report by mid-2024.

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The views expressed herein are those of Dr Michele Bruniges AM, Jason Ardler PSM and The Hon. Prof. Verity Firth AM and do not necessarily represent the views of the State of New South Wales.

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