



NSW VET Review

Final Report | June 2024

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Prof. The Hon. 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 people 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 expresses its sincere gratitude to our valued stakeholders throughout our review. We also extend our deep appreciation to the NSW VET Review Secretariat for their dedication and 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 Final Report**

We are pleased to present you with our NSW VET Review Final Report (Final Report) which outlines current issues, areas of opportunity and recommendations for VET in NSW.

The Final Report expands on the immediate priorities set out for TAFE NSW in the Interim Report and examines the broader NSW VET system. We focus on the changes needed to transform, integrate, and underpin how the VET system functions and interacts with the wider education and training sector to create a student-centred system.

Together, the Interim and Final Report present a comprehensive view of the Panel's findings and recommendations from the Review.

The Review has assessed the current state of the NSW VET system, identified areas for improvement, and provided actionable recommendations to enhance its effectiveness and responsiveness to the needs of students, providers, industry, and the broader community.

The Final Report re-acknowledges that as the backbone of the NSW VET system, TAFE NSW should be a strategic asset for both the government and the community. To achieve this, TAFE NSW requires significant reform to ensure it is well placed to set quality standards and cost-efficient delivery on government priorities.

Our work would not have been possible without the contributions of many stakeholders. We would like to express sincere appreciation to all individuals and organisations who provided valuable feedback and insights to shape the Review's findings and recommendations. We would also like to thank the NSW VET Review Secretariat for their support.



Dr Michele Bruniges AM

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



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Executive summary

The challenge

The NSW Vocational Education and Training (VET) system is critical to the future of our communities and our economy. The skills and capabilities of the NSW workforce will be the key factor in addressing many of the major challenges facing our state. Whether that's providing NSW with quality housing, supporting the care economy or transitioning to net zero, ensuring our workforce has the right skills and opportunities to access quality training is critical. The effectiveness of NSW's VET system is of national importance, accounting for around a third of the nation's government-funded training activity.

Marketisation and competition policies within the VET system over the last decade have not delivered on the promise of a smart and skilled workforce. Significant issues with access and outcomes across training remain. Students now need to navigate a rapidly changing and evolving workforce where jobs are less certain and traditional approaches to education and training no longer suffice. In the face of ongoing and persistent skills shortages, new ways of working with key stakeholders, including providers and industry, are required that build on and strengthen what is working well and directly address what isn't.

Our approach

In March 2024, the NSW Government published our Interim Report. In this report we outlined the priority steps necessary to position TAFE NSW as a future-focused, strategic leader in the VET system. We acknowledge that significant reform is still required at TAFE NSW, particularly regarding its back-office operations and ensuring delivery of courses is aligned to the key priority areas of government. Delivering these commitments is the first step to providing greater certainty to all training providers in NSW. We reiterate the urgency of delivering these critical reforms to the NSW Government.

While our Interim Report had a strong TAFE NSW focus, our Final Report examines the challenges and opportunities for the NSW Government across the

broader VET system. We recognise that it will neither be possible or advantageous to address all these challenges immediately. A stepwise approach is required to ensure that confidence continues to be built with key stakeholders across government.

Throughout the Review, we have paid close attention to the substantial ongoing reform at the national level with the National Skills Agreement, ongoing VET reforms and release of the Australian Universities Accord Final Report. Within this changing landscape, we see significant opportunities the NSW Government should seize upon to further position itself as a national leader in VET. Among the many foundational strengths that the NSW VET system can build on, what stands out is the significant expertise, commitment and collaborative nature of its many stakeholders. Leveraging this collective goodwill is central to effectively transforming the system and successfully embedding a stewardship approach.

Our recommendations for the NSW VET system

Our Final Report responds to the terms of reference by providing recommendations for the NSW VET system. It sets out our aspiration for the NSW VET system as a network of high-quality training providers who are student focused with the NSW Government as its steward. The key elements of the approach include enhanced outcomes driven funding settings and performance management, greater integration across all components of the tertiary sector, data and evidence led planning, increased student-based support for training particularly to our priority cohorts, and industry leadership and co-investment.

1) We need to transform the system

Our first and most critical recommendation is to establish the NSW Government as the steward of the VET system—driving consistent performance and accountability, fostering collaboration and innovation, and directing funding through a mixed investment approach. As the steward of the VET system, the NSW Government must have a stronger role in setting the system-level expectations and outcomes across a

network of high-quality public, community and private providers.

Tied closely to stewardship is how VET is funded in NSW. A new needs-based funding model must replace Smart and Skilled that is more reflective of student needs, provider costs and regional delivery considerations. This should be supported by new longer-term outcomes-based contracts for high performing providers. Consistent and transparent pricing and fee policies must continue to apply to all providers but need to be urgently updated with an independent structural review completed as a priority.

To best meet NSW's future skills needs, the forthcoming NSW Skills Plan must establish a clear vision for skills with government priority areas identified to direct funding, workforce interventions and industry partnerships. Importantly, the NSW Skills Plan should be underpinned by a robust Performance Outcomes Framework that enables transparent whole of system outcomes monitoring and a new public-facing Skills Insight Data Asset. We recognise the NSW Government can't meet skills needs alone. Crucially, industry must co-invest and be active delivery partners through the development of industry compacts in line with government priorities.

Finally, a key focus in meeting the state's skills needs is recognising that our regional, rural and remote areas and communities have specific and complex skills needs. We urge the NSW Government to commit further to our regional areas through a new Regional Skills Fund that embeds community decision-making at its core.

2) We need to better integrate the system with students at its centre

A central focus of reform needs to be closer integration of traditionally disparate education sectors into a truly aligned tertiary system. Across school, VET and higher education, NSW students must be provided with quality pathways that meet their aspirations and build critical skills, knowledge and capabilities. Students should be able to access lifelong learning opportunities at all levels and move seamlessly through their training and education choices. Within this, VET needs to be recognised as an equal and high-quality choice that leads to strong employment outcomes and rewarding careers.

This will require student-first approaches to supporting equity cohorts and strengthened student pathways. To improve equity and access, we need to increase and enhance targeted wrap-around supports by building

capacity in existing support organisations, such as Aboriginal Community-Controlled Organisations, while shifting the focus of support resources to meet individual student needs.

At the tertiary level, NSW should aspire to establish a dual-sector institution. This must involve strengthening the development and scale of innovative tertiary models and establishing consistent credit transfer arrangements between NSW public universities and TAFE NSW in key areas of government priority.

To strengthen VET for Secondary Students (VETSS), future delivery must be underpinned by high-quality curriculum offerings aligned to NSW growth areas and local industry needs, with school-based apprenticeships and traineeships embedded as a core pathway in schools. The role of careers advisors as specialist positions in schools needs to be reinforced to meet the evolving needs of students and ensure they have access to quality careers counselling. NSW's Apprenticeships and Traineeships (A&T) system needs changes to drive completions and address the inefficiencies of the system, while looking to the future in developing innovative higher A&T models.

3) We need to underpin the system through a world-class VET teaching workforce and robust infrastructure

Without support for the critical underpinning enablers of the NSW VET system, its workforce and its assets, then other collective efforts to enhance the training system will be ineffective.

We have seen first-hand the commitment and dedication of the VET teaching workforce in shaping the lives of individuals and communities. We need to prioritise investment in our teaching workforce through a focus on reducing unnecessary administrative workload, supporting quality teaching and providing opportunities to upskill. We also recognise that the long-term sustainability of the VET workforce is dependent on how effectively new expertise can be attracted into the workforce.

For our VET infrastructure and assets, we need to invest in our current assets and infrastructure first, ensuring maintenance spend for VET infrastructure provides fit-for-purpose facilities and supports the aspirations of all NSW students. Our view is that public assets should be leveraged and maximised for public good and public benefit first. Underutilised public infrastructure does not serve or benefit our local communities.

Recommendation summary

System stewardship

Recommendation 1

The NSW Government should regard its role in the NSW VET system as a Steward that:

- i. Establishes and drives statewide expectations and system outcomes, and monitors the achievement of outcomes across a network of public, community and private providers.
- ii. Matches and strategically directs resources to align with system outcomes through a mix of funding arrangements.
- iii. Leverages TAFE NSW as a strategic asset to deliver on government priorities and act as an exemplar of quality across the system.
- iv. Oversees funding and accountability mechanisms, including pricing and fee policies, that provide certainty and consistency for providers and students.

Recommendation 2

The NSW Government should, through its departments and agencies, establish dedicated arrangements to enact stewardship that:

- i. Better aligns funding, policy and data-led planning functions to enhance a whole-of-system outlook and drive system performance in stronger partnership with TAFE NSW.
- ii. Strengthens funding and program design around government priorities and learner outcomes with appropriate quality assurance, evaluation and reporting mechanisms.

Governance reform

Recommendation 3

Following the governance review recommended in the Interim Report, the NSW Government should reform skills governance to ensure there is:

- i. A single governance body with expert knowledge and skills, and clear accountability for system-wide strategic advice to the NSW Government.
- ii. A dedicated consultative advisory forum that harnesses the advice of all public and private providers, industry and students, to be convened quarterly by the NSW Department of Education.
- iii. Alignment between specific industry advice bodies and the new national architecture.

Pricing and fees

Recommendation 4

The NSW Department of Education should implement the following changes to pricing and fee settings:

- i. Upfront equity loadings.
- ii. Align fee exemption and concession policies to priority cohorts, government skills priorities and areas of critical shortage, with stronger incentives around completions.
- iii. Establish regular benchmarking audits to ensure subsidies and entitlements remain fit-for-purpose, occurring at least every 3 years.

Needs-based funding model

Recommendation 5

The NSW Government should undertake an independent review of pricing and fees to support the introduction of a new needs-based funding model that considers:

- i. Overall skills investment required to meet government priorities.
- ii. Delivery costs across provider types, students, and regions.
- iii. Student loadings that better reflect needs and concentrations of disadvantage.
- iv. Fee tiers and targeting of funding towards access and attainment of qualifications in government skills priorities.
- v. Opportunities to optimise volume of training activity.
- vi. Student and employer contributions.

Performance-based provider contracts

Recommendation 6

The NSW Department of Education should implement new performance-based contracts that provide greater funding certainty, incentivise capacity building and innovation and better reflect diverse student needs.

NSW Skills Plan, Performance Outcomes Framework and Skills Insight Data Asset

Recommendation 7

The NSW Government should ensure the NSW Skills Plan has a:

- i. Clear vision for skills with the identification of government priority areas to direct funding and establish industry partnerships.
- ii. Performance Outcomes Framework to establish system outcomes and targets for students (including equity cohorts), industry, regions and the VET teaching workforce, with transparent accountability and monitoring mechanisms.
- iii. Skills Insight Data Asset that serves as a centralised public resource to guide workforce planning and government funding of skills and training.

Industry compacts

Recommendation 8

The NSW Government should establish industry compacts across government skills priorities that are driven by:

- i. Statements of commitment –outlining mutual obligations and principles for collaboration for government, industry and training providers towards skilling targets.
- ii. Co-investment –including cash and in-kind contribution across compact partners.
- iii. Governance structures –ensuring transparent mechanisms for monitoring progress, making decisions and upholding accountability.
- iv. Research and innovation –leveraging sector expertise and insights to develop skilling solutions.

Regional skills

Recommendation 9

The NSW Government should develop and implement a new regional skills approach to meet the training needs of regional communities. The approach should:

- i. Promote community decision-making by:
 - Bringing together key local stakeholders (including education and training providers, industry, schools, and all levels of government) through a robust governance framework and designated lead stakeholder that empowers community decision-making and drives accountability on skills and workforce priorities.
 - Ensuring existing NSW Department of Education resources are committed to effectively facilitating and coordinating this new approach to community decision-making.
- ii. Revise current funding approaches –Current thin market funding should be consolidated into a Regional Skills Fund, a new outcomes-based funding program that incentivises innovation, collaboration and local solutions development.
- iii. Embed regional planning and data –A valid and reliable data-led regional skills planning approach should be embedded through the NSW Skills Plan to provide clarity on regional skills priorities.
- iv. Provide a training commitment to regional areas –The model should drive regional skills outcomes across a network of diverse, equitable and high-quality VET providers. At the centre of this, TAFE NSW should provide a new Student Access and Training Commitment to remote and regional delivery under the TAFE NSW Charter.

Student-centred wrap-around support

Recommendation 10

The NSW Government should transition to a system-wide, student-centred approach to VET student support that:

- i. Prioritises resources on a needs-basis, particularly in areas of high concentration of disadvantage.
- ii. Leverages expertise and critical mass through new partnership arrangements, especially in TAFE NSW and Adult and Community Education providers, to make support services more widely available to all students.
- iii. Better coordinates access to critical services that address non-training barriers across government agencies.
- iv. Dedicates existing funding for wrap-around supports beyond equity loadings to be available for vulnerable students across the NSW VET system, regardless of their provider, prioritising services such as:
 - case management style support
 - outreach officers
 - mentors
 - disability inclusion specialists
 - wellbeing services
 - foundation skills support.

Strengthen provider capacity

Recommendation 11

The NSW Government should increase provider capacity, particularly for Aboriginal Community-Controlled Organisations (ACCOs) and Aboriginal-owned registered training organisations (RTOs) by:

- i. Providing greater funding flexibility to high performing providers to deliver customised non-accredited training that better meets learner needs.
- ii. Reducing barriers to funding for ACCOs to provide foundational skills and support for First Nations students.
- iii. Providing support for interested ACCOs to become RTOs, such as financial support for registration, business mentoring and guidance on regulatory requirements.

Dual-sector provision and microcredential recognition

Recommendation 12

The NSW Government should work with the Australian Government to design and achieve a more integrated and student-centred tertiary sector by:

- i. Establishing a NSW Centre of Excellence with explicit dual-sector provision and a state priority focus such as renewable energy.
- ii. Developing procedures and guidelines to support the future of integrated models such as Centres of Excellence, Institutes of Applied Technologies, New Education and Training Model and a potential dual-sector university.
- iii. Increasing shared physical and workforce assets across the senior secondary and tertiary education systems supported by clear policy, governance arrangements, and strategic coordination between the systems.
- iv. Providing clear guidelines on the purpose, quality and use of microcredentials for industry, government and students.

TAFE NSW and NSW public universities credit transfers

Recommendation 13

The NSW Government should work with TAFE NSW and NSW public universities to determine credit transfer arrangements for key occupations and industries by:

- i. Establishing student-centred guidelines on credit recognition, stackability and portability of VET qualifications into university pathways and vice-versa.
- ii. Prioritising consistent credit transfer arrangements in 5-10 occupations that are NSW priorities as identified in the upcoming NSW Skills Plan.
- iii. Collaborating with the Australian Government to better incentivise these arrangements and be used as a test case for a national approach.

VET for Secondary Students curriculum

Recommendation 14

The NSW Education Standards Authority should ensure that curriculum for VET for Secondary Students is underpinned by:

- i. Industry relevant curriculum –prioritising high-quality VET offerings that align with NSW Government priority areas and local industry needs.
- ii. Strengthened recognition of VET qualifications –reviewing HSC examination requirements and developing a consistent approach to integrate VET competency outcomes into the ATAR calculation.
- iii. Increased unit credit recognition –awarding increased credit towards the HSC for completing VET qualifications and mandatory work placements to support dual accreditation.
- iv. Clear articulation pathways –establishing clear pathways from Stage 5 to support transitions from school to post-school destinations aligned with strong outcomes.

Embedding school-based apprenticeships and traineeships

Recommendation 15

The NSW Department of Education should embed the school-based apprenticeship and traineeship (SBAT) pathway as a core offering within secondary schools by:

- i. Addressing compliance and regulatory burden as a priority.
- ii. Scaling supports through the Educational Pathways Program.

Enhanced careers advice in schools

Recommendation 16

The NSW Department of Education should improve the quality, consistency and availability of careers advice in schools by:

- i. Strengthening the role of careers advisors as dedicated careers-only teaching positions. These roles should have clearly defined role descriptions, focused on providing high quality, student-centred careers and pathways counselling.
- ii. Integrating localised careers support functions with clarity on the roles, scope and interactions of these positions in supporting career advisors.
- iii. Delivering a centralised digital hub that serves as a single-entry point to access and navigate careers and pathways information for students. The hub should provide comprehensive and consolidated information on pathways and leverage existing state and national resources.

Apprenticeship and traineeship targets

Recommendation 17

The NSW Department of Education should reinforce the Apprenticeship and Traineeship Roadmap by establishing public-facing targets for NSW apprenticeship and traineeship (A&T) outcomes and prioritising actions that would support this, including:

- i. Better targeting of employer and student supports, particularly for regional, rural and remote based students to improve A&T completions.
- ii. Simplifying and addressing inefficiencies in existing A&T regulation and policies such as requirements for employer signoffs.
- iii. Innovating the A&T model by amending the A&T legislation to recognise higher apprenticeship models.

Government employment of apprentices and trainees

Recommendation 18

The NSW Government should position itself as a model employer of apprentices and trainees, particularly in regional, rural and remote NSW, by embedding its employment of apprentices and trainees past the current 1,000 A&T commitment.

VET teaching workforce capacity

Recommendation 19

The NSW Department of Education and TAFE NSW should support the current VET teaching workforce by immediately implementing activities that:

- i. Better understand and reduce unnecessary administrative workloads to improve the teaching experience and maximise the value of teachers' time.
- ii. Investigate solutions to align regulation and compliance requirements across the NSW VET system.
- iii. Prioritise investment in upskilling and reskilling the current public sector VET workforce in areas of high skill demand.
- iv. Pilot collaborative workforce arrangements at select secondary school and TAFE NSW campuses and use a robust evaluation approach to inform future workforce planning and enterprise bargaining activity.

VET workforce attraction

Recommendation 20

The NSW Government should work with the Australian Government to develop and implement initiative(s) under the emerging VET Workforce Blueprint that enable and promote multiple entries and pathways for new VET teachers, including:

- i. Expansion of successful approaches such as the TAFE NSW Paid to Learn program to target areas of critical skills needs and teacher shortage.
- ii. Encourage equity cohorts including First Nations, students with disability, culturally and linguistically diverse students, regional and remote students to consider careers in VET.
- iii. Leverage the NSW Government's role as an employer, industry partner and major purchaser to promote opportunities for industry professionals to enter the VET teaching workforce.

Recommendation 21

The NSW Government should use the findings of the NSW VET infrastructure asset audit to inform the development of:

- i. An overarching NSW Government strategic capital investment model for public VET infrastructure that encompasses the following key aspects:
 - investment planning that is responsive to regional skills need and aligned to the NSW Skills Plan
 - proactive and sustainable asset maintenance strategies for existing VET infrastructure, ensuring maintenance spend for VET infrastructure addresses current maintenance backlogs and is in line with comparable NSW Government assets
 - a 'public benefit first' decision-making framework to guide utilisation and re-use strategies for public VET assets
 - examination of current NSW Government community-use and commercial rent related policies to maximise utilisation of the current VET asset portfolio for community and public benefit.
- ii. NSW Government VET guidance and protocols for networked assets and facilities sharing that will inform:
 - co-location, governance and cost-sharing models for networked assets and integrated learning facilities
 - partnerships between VET providers and industry for asset and equipment sharing.



Introduction

On 23 June 2023, the NSW Government announced a comprehensive review of the NSW VET system with the formation of the VET Review Panel. Our Interim Report, published on 25 March 2024, forms a 'Part One' of our review and had 7 recommendations for rebuilding TAFE NSW and strengthening the wider VET sector.

Building on the Interim Report, our Final Report examines the challenges and opportunities for the NSW Government across the broader VET system including the important role of our community and private providers. Our Final Report is structured into 3 sections:

- 1. Transforming the system** – looking at the NSW Government's role as the steward of the NSW VET system, funding performance and accountability settings, and how we can better meet industry, skills and regional needs.
- 2. Integrating the system** – investigating how we bring together the NSW education system, and support student-first approaches to supporting equity cohorts and key student pathways such as VET for Secondary Students and Apprenticeships and Traineeships.
- 3. Underpinning the system** – examining the key components through which training is delivered in NSW, including our VET workforce – particularly its teachers and the assets and infrastructure used to deliver VET.

Current context

The Final Report occurs within the context of the published Interim Report and the NSW Government's response to progressing priority recommendations. This includes:

- The development of a TAFE NSW Charter which will set clear expectations as part of the TAFE NSW reform process.
- Updates to TAFE NSW's operating model to ensure it is more responsive to industry needs and enhance local connection.

Other Interim Report recommendations, including aspects related to TAFE NSW funding settings, VET governance arrangements, workforce and assets, remain with the NSW Government for consideration.

Since presenting our interim findings, significant developments continue to unfold at both the state and national levels, shaping the contextual landscape in which our Final Report and review takes place. This includes the release of the Australian University Accord Final Report¹, the Report of the Inquiry into the perceptions and status of vocational education and training², the announcement of the Strategic Review of the Australian Apprenticeships Incentive System³ and other major VET reform areas which will be significant drivers for sector transformation.

Importantly, recent announcements from the Australian Government's 2024-25 Budget demonstrate the Australian Government's commitment to strengthening the nation's skills base, with students and national priorities a clear focal point. This includes measures to skill the clean energy, housing, construction and manufacturing sectors, and investments to support women to achieve strong employment outcomes through VET pathways and Close the Gap through more support for Aboriginal Community-Controlled and First Nations Owned organisations. The Australian Government's Budget also included a \$27.7 million allocation over 4 years to enhance tertiary collaboration in response to priority recommendations from the Australian University Accord.⁴

¹ Australian Government, Australian Universities Accord Final Report, Australian Government, 2024

² House of Representatives Standing Committee on Employment, Education and Training, Shared vision, equal pathways Inquiry into the perceptions and status of vocational education and training, Australian Government, 2024

³ Department of Employment and Workplace Relations (DEWR), Strategic Review of the Australian Apprenticeship Incentive System, Australian Government, 2024

⁴ Australian Government, Investing in skills and training to support a Future Made in Australia [media release], Australian Government, 14 May 2024

For NSW, the Australian Government’s Budget confirms \$3.8 billion in funding under the National Skills Agreement (NSA) over the life of the 5-year agreement, a further \$5.3 million to fast track TAFE Centres of Excellence in NSW and additional Fee-Free TAFE places in construction related courses. These are important measures for the NSW VET sector as it looks to put in place an inaugural NSW Skills Plan.

The NSW Government’s 2024-25 Budget also demonstrates the NSW Government’s priority to rebuild TAFE NSW with TAFE NSW funding increasing to \$2.5 billion, making up nearly 80% of the overall Skills budget.⁵ Of this, \$190 million has been committed to repair and improve neglected facilities and equipment and \$83.1 million to convert 500 casual TAFE NSW teacher positions into permanent positions. In addition, fee support for apprenticeships and traineeships (A&Ts) has continued under the Budget, with \$16.3 million going to extending fee-free A&Ts.

We also continue to see a strengthened focus on the VET teaching workforce. Priority changes to the Standards for Registered Training Organisations (RTOs), which enables individuals who hold an education degree to be engaged as VET trainers and/or assessors is an important step towards alleviating current workforce pressures.⁶ Additionally, the Australian Government Qualification Reform agenda remains ongoing with initial advice being presented to skills ministers to simplify Australia’s complex and highly prescriptive approach to VET qualifications.

The significance of these broader VET developments cannot be overstated. From the Panel’s perspective, directions at both the state and national levels align strongly with the overarching themes of our Final Report. There is a clear unifying message – that ongoing reform presents a transformative opportunity for the sector. The current volume of change underscores the need for concerted efforts and collaboration among sector stakeholders, including governments, to achieve progress.

Engagement and consultation

As a Panel, consultation has been the cornerstone of our review process. Our commitment to consultation has been critical to ensure our findings are enriched by diverse perspectives and the deep knowledge held by stakeholders across the VET sector.

Following extensive engagement undertaken in the first half of the Review, the Final Report builds on this strong platform and leverages detailed insights from our written submission and survey process. This includes over 70 written submissions and over 1,100 responses to our public ‘Have your Say’ survey.

The need for change

According to our Have your Say survey:

One in 4 respondents rated the overall quality of VET in NSW as poor or very poor.



Almost half of the respondents disagree that ‘the VET system is adaptive enough to meet future skills needs’.

One in 3 disagree it ‘sets students up for success’ and that it ‘does a good job of providing the skills needed in the workforce’.



In addition, we continued to engage comprehensively with stakeholders through our Reference Group, who have been a pivotal force in generating insights and ideas, as well as targeted consultations with stakeholders such as peak bodies, industry, government representatives, unions, and importantly student bodies.

The Final Report reflects the Panel’s findings which builds on the Interim Report. It has been informed by our engagement activities, research and in-depth quantitative and qualitative analysis of the input received through submissions and surveys.

⁵ NSW Government, A Budget to Boost TAFE NSW with Record Investment [media release], NSW Government, 18 June 2024

⁶ Australian Skills Quality Authority (ASQA), Early changes to the current Standards for RTOs, Australian Government, 2024

Section 1:

Transforming the system

- 1.1 Government's role
- 1.2 Funding and performance
- 1.3 Skills and industry needs
- 1.4 Regional needs

The skills and capabilities of the NSW workforce will be the key factor in addressing many of the major challenges facing our state. Whether that's providing NSW with quality housing, supporting the care economy or transitioning to net zero.

Ensuring our workforce and VET system can deliver on these significant priorities requires reform now. Over the past decade, contestability and competition has dominated policy settings in the VET system but has not delivered the expected uplift in quality industry-focused provision or student outcomes.

Stewardship presents a new way for governments, providers and industry to work collaboratively around shared outcomes and reset the VET system. As the steward of the NSW VET system, the NSW Government must have a stronger role in driving performance and innovation across a network of public, community and private providers, and more strategically direct funding through a mix of contestable and non-contestable approaches to meet the state's skills needs.

The Smart and Skilled program must be replaced by a new needs-based funding model that better accounts for delivery costs across providers and regions and directly targets student needs. The new NSW Skills Plan will need to support this shift through stronger data led planning and governance that seeks to leverage TAFE NSW as the model provider for quality, efficiency and effectiveness, and partner with industry to meet government skills priorities – particularly for our important regions.

Chapter 1.1 – Government’s role

Current issues

The NSW VET system does not meet the principles of a ‘market’ and new approaches are needed

The NSW Government plays a significant role in overseeing the NSW VET system. Its current core VET funding program, Smart and Skilled, has been in place since 2015. The program’s objectives are based on a policy of contestability that emphasises consumer choice and incentivising provider competition within a market-based system. The program was introduced in response to the Australian Government’s National Partnership for Skills Reform with the states and territories.⁷ Across Australia, subsequent national and state reforms expanded the use of contestable funding arrangements as the dominant approach to increasing access to subsidised training and supporting student choice.

Our Interim Report made recommendations to remove TAFE NSW from the contestable market, noting that as a public provider its funding, policy and legislative settings make it challenging to operate sustainably in this environment and deliver the high-quality outcomes for the NSW community. We also heard strong views that the overall VET system doesn’t meet the principles of a traditional market. Its regulatory settings, which have been tightened to respond to quality concerns from providers, mean that VET provision never operated in an unrestricted environment. In NSW, the Smart and Skilled program responded to this by adopting a ‘managed market’ approach that strives to balance stability of funding and provision, with diversity and choice for students within the existing budget. Our

VET system is better viewed as a network of diverse, high-quality public, community and private providers. External stakeholders reflected this sentiment and told us it would better to disregard the term and concept of a market altogether.

Limitations in Smart and Skilled funding and program approach

Across our consultations, we heard that the limitations of contestability, and its implementation through Smart and Skilled, were experienced by private and community providers, not just TAFE NSW. Our subsequent chapters will explore how Smart and Skilled pricing and fee settings have not been comprehensively reviewed since its introduction and many aspects are no longer fit-for purpose. We also heard feedback about how the hybrid Smart and Skilled ‘managed market’ approach requires a high degree of complexity to deliver the desired outcomes of contestability. This complex program design is experienced at the program and provider level and is associated with high transaction costs.

For example, we heard that financial caps, designed to support efficient budget allocation and target regional delivery, had inadvertently impacted provider responsiveness through an overly prescriptive approach that requires constant monitoring and adjustments.

The Panel also observed a lack of evidence that the existing policy and program settings have improved broader student or employee outcomes within NSW Government-funded VET.

⁷ NSW Government, NSW Implementation Plan - National Partnership Agreement on Skills Reform, NSW Government, 2013

For example:

- Student⁸ and employer satisfaction rates with VET⁹ showed limited improvements in the last 5 to 10 years.
- Completions rates remain the same with 2015 levels (under 50%), with a declining trend.¹⁰
- Attainment rates improved in line with broader population trends¹¹ however, they remain below the targets set by the previous government and risk falling further behind if new national targets are set.
- Outcomes for equity cohorts remain below population averages. Emerging trends showed a decrease in participation by students with disability and persistent gender imbalances in key skills areas, such as construction and renewables, contributed to supply challenges¹² (see Chapter 2.1-Supporting equity).

Competition has increased as NSW Government-funded RTOs grew from 417 in 2015 to 548 today.¹³ However, there is little evidence this has delivered significant quality improvements or increased innovation. Data shows that more employers are opting to go outside the accredited training system with the use of unaccredited training now overtaking accredited training.¹⁴ In regional areas, we heard from both providers and employers that contestability disincentivises collaboration around more innovative and bespoke solutions to meet industry needs.

The Panel heard from proponents of Smart and Skilled who highlighted program benefits such as increased certainty and choice for students and enhanced stability in budget management. However, while these aspects are important, the Panel's view is that they can be achieved through other funding and program approaches.

“The Smart and Skilled funding regime should be reviewed and considered for retirement.”

Public Service Association of NSW, Submission, 2023

Emerging market risks

The feedback on the limitations of contestability was also echoed in our discussions with many funding and regulatory experts. For example, we heard an emerging view that the initial ‘dynamism’ of contestability has diminished and where new providers are entering the government-funded market, they are more often opting to deliver lower cost, lower public value courses.

While top NSW Smart and Skilled commencements remain aligned to skills shortage areas, data analysis provided by Jobs and Skills Australia (JSA) showed NSW employment growth outstripping projected national employment growth in low-cost areas such as contract, program and project administrators compared to the inverse in higher cost areas such as aged and disability carers, nursing and personal support (see ‘Focus – commencements and employment outlook’ on page 22). This trend was seen to demonstrate the potential market risks of incentivising providers to compete on cost rather than quality and lead to a mismatch between supply and workforce needs.

At the national level there is an increased focus on maintaining high quality standards and managing market growth. The COVID-19 pandemic demonstrated the vulnerability of small providers reliant on government funding. RTO trends show provider numbers were no longer growing and even slightly dropping at the national level from 3,838 in 2018 to 3,589 in 2022.¹⁵

⁸ National Centre for Vocational Education Research (NCVER), VET student outcomes 2023, NCVER, 2023, National Centre for Vocational Education Research (NCVER), Government-funded student outcomes 2012-23, NCVER, 2023

⁹ National Centre for Vocational Education Research (NCVER), Employers' use and views of the VET system 2023: data tables, NCVER, 2023

¹⁰ National Centre for Vocational Education Research (NCVER), VET qualification completion rates 2019: data tables, NCVER, 2021, National Centre for Vocational Education Research (NCVER), VET qualification completion rates 2022: data tables, NCVER, 2023.

¹¹ Australian Bureau of Statistics, Education and work, 2023, Datacube 17 (Table 33), Persons aged 20–64 years, Table 33 Highest non-school qualification: Certificate III or above, 2014 to 2023, Commonwealth of Australia, 2023

¹² National Centre for Vocational Education Research (NCVER), Total VET students and courses 2023, NCVER, 2024

¹³ NSW Department of Education, Smart and Skilled Provider List, NSW Government, [Unpublished]

¹⁴ National Centre for Vocational Education Research (NCVER), Employers' use and views of the VET system 2023: data tables, NCVER, 2023

¹⁵ D Trimboli, M Lees and Z Zhang, Impact of the COVID-19 pandemic on VET, National Centre for Vocational Education Research (NCVER), 2023

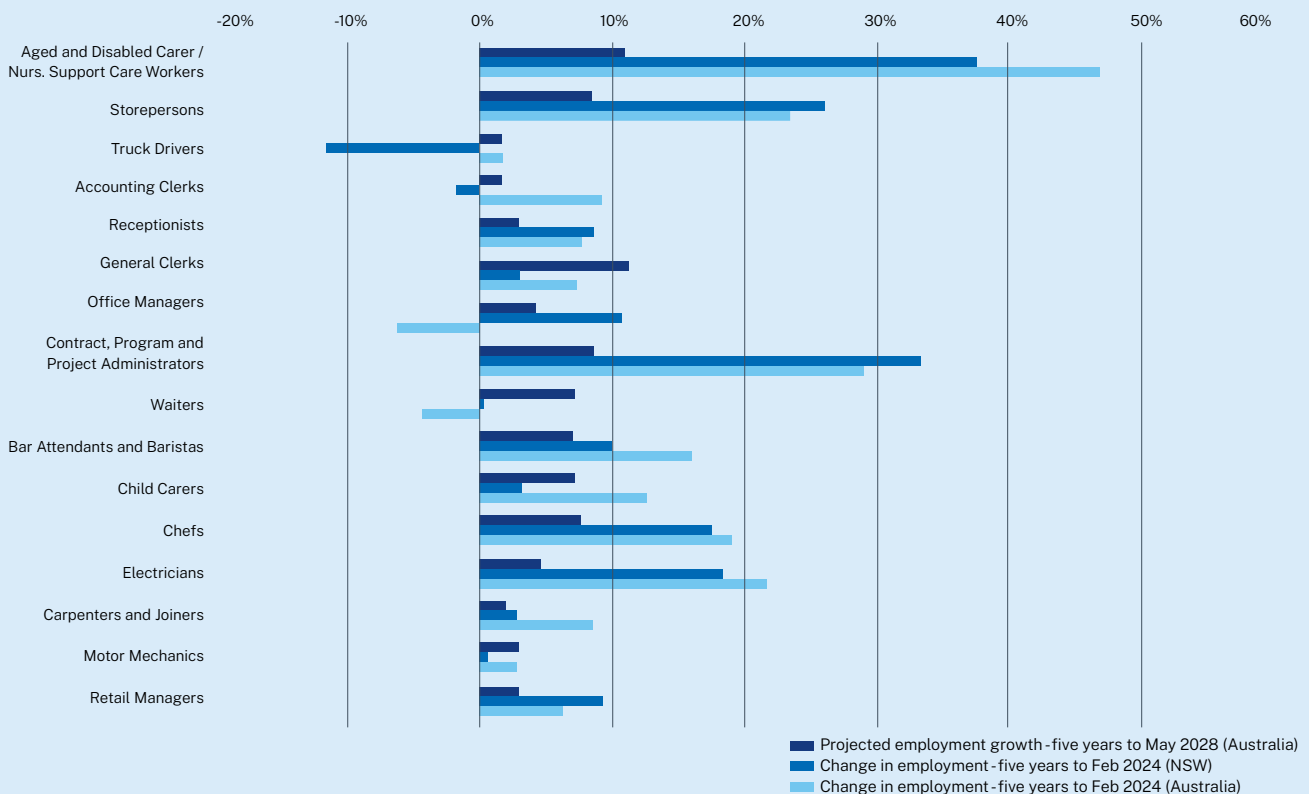
Focus – commencements and employment outlook

Top Smart and Skilled courses¹⁶

In 2023, there were over 200,000 student commencements under NSW's Smart and Skilled program. From these commencements, the 10 most popular Smart and Skilled courses are:

Course	2023 commencements
Certificate III in Early Childhood Education and Care	13,364
Certificate III in Individual Support	10,716
Certificate III in Business	8,527
Certificate III in Community Services	5,566
Certificate III in School Based Education Support	5,270
Certificate III in Carpentry	4,200
Certificate III in Electrotechnology Electrician	3,925
Certificate III in Information Technology	3,748
Certificate III in Fitness	2,729
Diploma of Early Childhood Education and Care	2,704

Employment outlook analysis - projected employment growth in VET-relevant occupations NSW and Australia¹⁷



¹⁶ NSW Department of Education, Smart and Skilled Commencements for 2023, NSW Department of Education, NSW Government, 2024

¹⁷ Jobs and Skills Australia (JSA), Projections produced by Victoria University for Jobs and Skills Australia, May 2023 to May 2033, Australian Government, 2023



New stewardship models are being promoted which will benefit from clarity in a funding and delivery context

The National Skills Agreement (NSA) has a strong focus on a new joint ‘stewardship model’. The core idea is on setting system level priorities, outcomes and actions –and delivering these in partnership with states and territories. The model relies on transparent, high-quality data and evidence to construct a balanced scorecard to track system performance.

The concept of stewardship has been adopted in other social service markets including the early childhood education and care sector and as part of the review of the National Disability Insurance Scheme. The model offers an alternative approach to contestability by positioning government, in partnership with providers and industry, as the driver of system performance and outcomes rather than the market. It also better recognises the role of government as a custodian of public assets that drive a broader public benefit.

We heard from stakeholders that the model holds merit, but clarity is required on what it means in practice, especially for funding and delivery, and that clear governance and operational arrangements are needed to deliver the desired outcomes.

Areas of opportunity

The NSW Government as a steward of the NSW VET system

There is clear consensus that a policy shift is needed away from market competition towards an approach that positions government as the driver of system outcomes through a more strategic mix of funding approaches. The stewardship model supports this by setting system-level expectations and a consistent approach to performance and accountability across all provider types.

This should build from TAFE NSW’s newly defined role in the system, as clarified in its to-be-developed Charter, to be a strategic asset for government to meet skilling priorities and set sectoral norms around quality.

Stewardship should also encourage joint ownership of skills challenges with industry and across the provider network, to drive more collaboration, innovation and responsiveness to future challenges.

The Panel reviewed numerous stewardship models to determine key aspects applicable in a NSW context to drive a new approach (see ‘Focus – what is stewardship in NSW VET system?’ on page 24). Subsequent chapters will further discuss how stewardship can be embedded through the NSW Skills Plan, a new Performance Outcomes Framework and enhanced Skills Insight Data Asset.

Focus – what is stewardship in NSW VET system?

The NSW Government would be responsible for setting statewide expectations and outcomes, matching and directing resources to align with expected outcomes, and monitoring the achievement of outcomes across public, community and private providers.

Principles:

- System integrity built through shared system outcomes, targets and agreed actions.
- Collaboration and partnerships that enhance service delivery and drive innovation.
- Evidence and data-led planning that anticipates and responds to emerging trends.
- Strategic alignment and coordination of resources and effort.
- Custodian of VET assets including public infrastructure.
- Building system and provider capacity, including capability across a high-quality teaching workforce.

Key requirements:

- **TAFE NSW Charter** – sets government’s expectations for the public provider in how it meets the needs of students, industry and regions.
- **Performance Outcomes Framework** – a consistent approach to setting, measuring and being accountable for system level outcomes across the whole provider network.
- **NSW Skills Plan** – sets out strategic priorities and actions that drive system performance and is subject to cyclical review.
- **Skills Insight Data Asset** – one high quality databank which provides the source of truth for all stakeholders to promote transparency, accountability and forward planning.
- **Collaborative governance models** – that create shared ownership across delivery stakeholders including industry, unions, TAFE NSW and providers.
- **Strategic investment approach** – coordinates resources through a mix of funding approaches supported by a needs-based funding model, across a network of providers to meet student and skills needs.

More strategic approach to funding

While the NSW VET market does not meet the basic principles or characteristics of a market, strong structure and input from government is needed to ensure coordinated and effective stewardship. The Panel believes a more strategic investment approach is required that involves a mix of funding

mechanisms, including contestable, delivery profile-based funding and flexible outcomes-based block funding. This acknowledges government will continue to maintain and optimise the use of open, transparent and competitive processes to ensure fair allocation of funding across non-TAFE providers, and that contestability should no longer be the dominant policy to drive training outcomes.

The NSW Government should strategically target investment across the provider network to incentivise collaboration and innovation. Any future funding approaches, including a new needs-based model (detailed in Chapter 1.2 -Funding and performance) should be underpinned by strong pricing and fee regulation policies that are consistent across public and private providers and support competitive neutrality and choice for students. This also recognises that government needs flexibility around the use of different funding settings, such as pricing models, to drive different system outcomes. For example, to enable the new TAFE NSW operating model to evolve and build capacity, it requires more direct and consistent funding as recommended in our Interim Report.

Importantly, stewardship will need to be supported by a new system-wide Performance Outcomes Framework that holds all government-funded providers, including TAFE NSW, accountable to the system-wide outcomes (detailed in Chapter 1.3 –Industry and skills).

A future-focused skills organisation must embed stewardship

The Panel acknowledges that while the NSW Government is the system steward, it will need to deliver this role through its departments and agencies –primarily the NSW Department of Education (the department) which has responsibility for skills and training policy and funding.

For stewardship to be effective, the department’s organisational arrangements will need to adapt to deliver on Government’s significant change management program and new system priorities. The arrangements should consider how to better align skills funding, policy and data-led planning functions to ensure a whole-of-system outlook can be achieved to drive future performance. Importantly, it will need to consider how a new partnership approach with TAFE NSW on meeting skills priorities avoids any potential duplication of effort, especially on data and skills assessment planning.

Future approaches to contestability will also need to consider how a move away from a market-driven system embeds strong funding administration and quality assurance practices. This should include appropriate outcomes monitoring, reporting and provider compliance measures in place.

NSW governance arrangements would benefit from reflecting the broader national skills architecture, including JSA, the new Jobs and Skills Councils and an emerging new Tertiary Education Commission. It will also need to consider the revised role of the NSW TAFE Commission Advisory Board, NSW Skills Board and Industry Training Advisory Boards (ITABs), which were flagged for review in our Interim Report, and how they operate in a more effective, streamlined and co-ordinated way to provide a single source of strategic advice to government. Within this, the Panel note the important role of the TAFE Commission Advisory Board to support operational excellence and future reform for TAFE NSW.

Other states have recently reviewed and updated their organisational models. For example, in Victoria the Macklin Review led to the establishment of the Victorian Skills Authority that leads on the development of solutions to meet the current and future skills needs of the state.¹⁸ In South Australia, the South Australian Skills Commission was established under legislation to make the skills system more flexible, easier to navigate and geared towards workforce needs. NSW will need to consider its specific context and how to balance a renewed organisational arrangement with broader administrative priorities.

¹⁸ J Macklin, Future Skills for Victoria, Driving collaboration and innovation in post-secondary education and training, Victorian Government, 2020

Recommendations

Recommendation 1

The NSW Government should regard its role in the NSW VET system as a Steward that:

- i. Establishes and drives statewide expectations and system outcomes, and monitors the achievement of outcomes across a network of public, community and private providers.
- ii. Matches and strategically directs resources to align with system outcomes through a mix of funding arrangements.
- iii. Leverages TAFE NSW as a strategic asset to deliver on government priorities and act as an exemplar of quality across the system.
- iv. Oversees funding and accountability mechanisms, including pricing and fee policies, that provide certainty and consistency for providers and students.

Recommendation 2

The NSW Government should, through its departments and agencies, establish dedicated arrangements to enact stewardship that:

- i. Better aligns funding, policy and data-led planning functions to enhance a whole-of-system outlook and drive system performance in stronger partnership with TAFE NSW.
- ii. Strengthens funding and program design around government priorities and learner outcomes with appropriate quality assurance, evaluation and reporting mechanisms.

Recommendation 3

Following the governance review recommended in the Interim Report, the NSW Government should reform skills governance to ensure there is:

- i. A single governance body with expert knowledge and skills, and clear accountability for system-wide strategic advice to the NSW Government.
- ii. A dedicated consultative advisory forum that harnesses the advice of all public and private providers, industry and students, to be convened quarterly by the NSW Department of Education.
- iii. Alignment between specific industry advice bodies and the new national architecture.

Chapter 1.2 – Funding and performance

Current issues

The need for consistent VET funding and performance policies across the system

As outlined in Chapter 1.1 – Government’s role, the NSW Government must continue to oversee the consistent application of core funding and performance policies for the whole NSW VET system, including for TAFE NSW. This is important not only to ensure optimal use of government funding, but to avoid confusion for students and employers as they navigate the system. Lessons learnt from VET FEE-HELP, which saw poor quality provider behaviour result in the early years of implementing contestability, must be reflected on in a new approach to ensure good quality assurance measures remain in place to drive system outcomes.

The Panel heard significant feedback that the current approach to ensuring accountability and transparency for funding is fragmented and inconsistent. While Smart and Skilled has over time introduced a high degree of reporting for program funding, this only represents a minor proportion of the total Skills budget. Other grant funding mechanisms, including the current TAFE NSW Funding Deed have varied requirements and different expectations around outcomes data collection and reporting. There will also be new data and performance reporting requirements as part of the National Skills Agreement (NSA) that will need consideration.

In addition, there were strong views that current system-level skills targets are overly focused on population level outcomes outside the system’s control. Also, we heard there is a lack of consistency in how success measures are publicly reported across providers and programs, with limited focus on tracking equity cohorts, broader training outcomes and the performance of individual qualifications. This is at odds with the emerging national stewardship model with its strong focus on consistent performance measures. There also continues to be significant concerns around how student outcomes data is captured, reported

and made transparent in a timely manner that is accountable to the public.

“The NSW VET Review is an opportunity for the government to specify the contemporary policy, funding and performance settings necessary for the vocational education and training sector, including TAFE NSW, to address the needs of learners, consumers, teachers and industry.”

TAFE Commission Advisory Board, Submission, 2023

Outdated approaches to pricing and fees

Smart and Skilled pricing and fee settings policies have been in place since 2015, despite IPART’s initial recommendation that regular review points and re-baselining occur.¹⁹ While there has been some program-level updates and revisions, the need for a comprehensive review came through strongly in submissions and consultations.

Providers noted that prices in many qualifications have not kept pace with inflation and real costs for delivery. This is of particular concern for TAFE NSW where several high enrolment courses, such as Certificate III in Plumbing and Carpentry, are delivered at a significant loss and at the same time student and skills demand for these courses is growing rapidly.

There is also a need to better account for the higher input costs of providers like TAFE NSW where both teaching and infrastructure costs are higher, particularly in regional areas, as well as to better reflect the mode of delivery in the pricing model – for example, online, mixed and in-person.

The Panel saw analysis that showed fee free initiatives, such as the Australian Government’s TAFE Fee Free and NSW fee exemptions for Apprenticeships and Traineeships and equity cohorts, can be effective at

¹⁹ Independent Pricing and Regulatory Tribunal of New South Wales (IPART), Pricing VET under Smart and Skilled, IPART, NSW Government, 2013

driving uptake and providing cost-of-living relief for price sensitive students.²⁰ However, these policies have been subject to short term funding arrangements and policy iteration creating confusion for students, providers and the broader funding system. During the pandemic, significant Australian Government fee free training was directed to TAFE NSW and used to target record high unemployment levels. While it had a positive impact on participation levels, it also led to perverse outcomes such as reduced completion rates in some qualification types, multiple enrolments and withdrawals, and uptake of lower value courses.

There is a convincing case for further improvements on equity loadings to better reflect student needs. From July 2023, providers became eligible to receive multiple equity loadings – a positive step to recognising the intersectionality of student needs. However, the current model is still paid as percentage of the qualification price, varying by qualification, and not representative of the cost of additional supports for those students. The current model also does not reflect the added impact of concentrations of disadvantage across student cohorts. Providers also struggle to leverage the loadings to provide appropriate supports as they are paid upon progression points. Regional loadings and viability funding was deemed by most providers as entirely insufficient to support additional delivery requirements, are underutilised and have an unclear policy purpose.

“The challenge with NSW is that different RTOs have different cost bases – it is difficult to determine an efficient price, so you end up with broad bands.”

NSW VET Review Stakeholder Reference Group, Funding Workshop, 2024

“Best practice wrap around support is student centric, which looks at the student needs and is delivered by community support resources within that community. Centralised bureaucratic support has had poor outcomes, with many Closing the Gap targets failing due to lack of community control.”

NSW VET Review Stakeholder Reference Group, Equity and Access Workshop, 2024

Short-term funding with complex rules and processes

Smart and Skilled providers strongly reflected to the Panel the need to consider further enhancements to funding contracts. While there has been a positive shift recently towards more performance-based contracting, standard contracts for providers remain short-term, only a year, which is largely a mitigation for unclear skills budget commitments. Longer-term contracts have recently been made available, however we heard from providers there are still onerous requirements to meet eligibility and to date, only a small number of providers have been invited to apply.

There is little incentive for providers to invest in additional or long-term capacity when availability of funding is unclear. Financial caps, which are used to manage budget and target funding to areas of projected demand, can perversely result in a lack of flexibility at the provider level to proactively respond to regional needs and innovate their offerings. While payment schedules are used to incentivise completions and are tied to pricing, they also create significant cash flow management challenges that impact viability.

Providers also argued for the need to better recognise diversity of the outcomes they produce including the unique outcomes they deliver to skills areas and student groups. Many non-government providers are delivering impressive student outcomes through a more localised and flexible approach (see case studies 1 and 2). A narrow contract focus on student progress and completions can limit delivery to these more specific cohorts of students (see Chapter 1.3 – Industry and skills).

“The New South Wales Government should review the current performance based contracting model to ensure Smart and Skilled providers have a clear pathway to a longer-term contracting cycle, balancing the need to provide certainty for existing providers regarding the frequency and timing of contracting processes while ensuring stability in the Smart and Skilled training market.”

Independent Tertiary Education Council Australia, Submission, 2023

²⁰The Centre for International Economics, JobTrainer Evaluation, NSW Department of Education, NSW Government, [unpublished]



Case study 1: ACE Outreach and Engagement Support program – learnings in community

In late 2023, the NSW Department of Education launched a 2-year program to fund Adult and Community Education (ACE) providers to undertake community outreach and engagement with disadvantaged learners.

The Outreach and Engagement Support Officer program aims to increase the capacity of ACE providers to meet community education learning needs, identify unmet community demand, build capacity for provider growth, strengthen partnerships to provide wrap around services, increase learner engagement of disadvantaged and marginalised people, provide improved pathways into VET and support tailored learner pathways to employment.

The initiative began in regions affected by natural disasters, such as Lismore and Moree, to support learners and community members who had disengaged from learning. COVID-19 pandemic impacts were also a factor. The program is achieving great outcome and has been expanded to a statewide initiative, leveraging Australian Government policy settings related to foundation skills.

Case study 2: VERTO and Housing Plus Opportunity Pathways program partnership

VERTO Training Services partnered with the Housing Plus Opportunity Pathways program to deliver the Certificate III in Community Services. This training was provided to a group of 10 women located in Bathurst and Orange and designed to support these women in overcoming barriers and gain valuable skills.

The program centred on 3 aspects:

1. Delivering education and training including Learning, Literacy and Numeracy skills.
2. Providing access to necessary resources to complete the training in an online environment.
3. Ensuring students had access to complete their work placement to support the practical components of the qualification.

The group were supported by managers from the Housing Plus Opportunity Pathways program and were provided with access to facilities and resources for the weekly online webinar sessions. This enabled the women to support each other throughout the qualification. They were also supported by VERTO to undertake 80 hours work placement which provided on-the-job experience and employment opportunities.

Through this delivery model, including the tailored training approach, and the support from the Housing Plus program managers, students have been able to achieve successful outcomes and progress onto further studies.

Areas of opportunity

A new needs-based funding model

The Panel believes a new needs-based funding model must replace the Smart and Skilled program that better accounts for unique provider delivery costs and students' needs. This new model should still be underpinned by strong pricing, loadings and fee policy but shift away from an efficiency driven model to one that is more targeted and differentiated.

To support the development of a new needs-based funding model, the Panel acknowledges there will need to be a structural review of pricing and fee settings that examines the benefits and application across provider types, geographic locations and student cohorts.

While some pricing and fee updates can be made immediately, the NSW Government will need to undertake more rigorous modelling to ensure appropriate targeting of funding. The Panel acknowledges that within a constrained budgetary environment, there will need to be tough decisions around funding priorities.

A structural review of pricing will need to consider:

- what overall level of skills investment is needed and where reprioritisation of funding should occur
- where prices are too low, but also where they may now be too high due to delivery efficiencies
- where training activity can be better targeted to government priority areas, while also redirecting investment to focus on improving student success outcomes overall
- opportunities to incentivise more volume-based training across the provider network
- learner and employer contribution levels and opportunities to adjust fee structures to better reflect price sensitivities and co-contribution levels.

It is essential for the reform and transformation of TAFE NSW that it urgently improves its own internal unit cost work to drive better resource allocation and maximise delivery capacity.

Fit-for-purpose pricing and fee structures

In the short term, urgent changes to price and fee settings should occur to respond to feedback from consultation and that are achievable and aligned with longer-term policy directions. This should include immediate updates to settings that better reflect student needs and delivery costs where possible. The Panel's identified priority areas include:

1. **Differentiated pricing** – a revised approach to pricing based on delivery mode and provider type has strong merit. While a transparent and consistent approach to pricing must be a foundation of the funding system, introducing a differentiated pricing structure to account for delivery variables across provider types and resolve some of the persistent and structural funding gaps in the system. It is noted there has been work undertaken by the NSW Department of Education to prioritise updates to a number of qualifications already. An independent structural review across all pricing and fees is also needed to consider broader application across the NSW Skills List. There should also be regular escalation applied and benchmarking audits to ensure prices and fees remain updated that is transparent and provides certainty for providers.
2. **Needs-based equity loadings** – updates to equity loadings should be considered that move towards a needs-based model. More upfront loadings would enable providers to better leverage and plan support needs more effectively. Loadings could also be considered for refugee and asylum seeker status students to be consistent with existing fee policies and training entitlements. This loading would need to be determined by the department's existing definitions and needs loading levels for other equity cohorts. Longer term, the structural review will need to consider broader updates including the impact of concentrations of disadvantage.
3. **Fee concession policies aligned with equity cohorts and government skills priorities** – fee exemptions and concession policy should remain with a renewed commitment to current equity groups of students including First Nations students, students with disability, students living in regional and remote areas, refugees and asylum seekers, and mature-aged students re-entering the workforce. Where fee exemptions are used to drive and direct access and uptake, particularly for Apprenticeships and Traineeships, they should be strategically targeted by government to skills priorities areas such as housing supply, transport infrastructure, manufacturing, care economy and the net zero roadmap.

Performance-based contracting that recognises unique provider strengths

Contracts should be redesigned to enable providers to invest in capacity, quality and innovation, better respond to regional demand and recognise more diverse student and system outcomes. This could include longer (2 year) contracts for some providers and easier access to extended contracts for trusted providers that provide additional funding flexibility.

As part of the redesign, any duplication with other regulatory requirements should be considered and streamlined, with a focus on ensuring strong quality assurance measures remain in place. This should consider the link between contracts and accountability for funding against a new system-wide Performance Outcomes Framework (outlined in Chapter 1.3 – Industry and skills) which would support the need to deliver more flexibility across a broader range of outcomes.

Recommendations

Recommendation 4

The NSW Department of Education should implement the following changes to pricing and fee settings:

- i. Upfront equity loadings.
- ii. Align fee exemption and concession policies to priority cohorts, government skills priorities and areas of critical shortage, with stronger incentives around completions.
- iii. Establish regular benchmarking audits to ensure subsidies and entitlements remain fit-for-purpose, occurring at least every 3 years.

Recommendation 5

The NSW Government should undertake an independent review of pricing and fees to support the introduction of a new needs-based funding model that considers:

- i. Overall skills investment required to meet government priorities.
- ii. Delivery costs across provider types, students, and regions.
- iii. Student loadings that better reflect needs and concentrations of disadvantage.
- iv. Fee tiers and targeting of funding towards access and attainment of qualifications in government skills priorities.
- v. Opportunities to optimise volume of training activity.
- vi. Student and employer contributions.

Recommendation 6

The NSW Department of Education should implement new performance-based contracts that provide greater funding certainty, incentivise capacity building and innovation and better reflect diverse student needs.

Chapter 1.3 – Industry and skills

Current issues

NSW is experiencing skills shortages across all industries with demand projected to grow

NSW faces a significant and profound skills challenge. Across every sector, chronic and pervasive skills shortages persist alongside rising demand for labour. As highlighted in our Interim Report, NSW has the highest number (400) and proportion (44%) of occupations experiencing critical shortages across the economy, exceeding all other states and territories.²¹

Since 2021, the most significant shortages nationwide have been observed in occupations requiring VET qualifications, such as aged or disability carers, electricians, carpenters and chefs.²² From construction to the care economy, these industries play a pivotal role in driving economic growth and meeting the needs of the NSW population. Exacerbating this issue is the tight condition of the NSW labour market, where unemployment is at near record lows of 3.7%.²³ Nationally, over the 10 years to 2033, employment is projected to increase by 14.2% or 1.9 million workers.²⁴

There are also concerns about the prospect of serious skill shortages and skill gaps in the future, arising from broader megatrends and shifts in the economy. Digital transformations and the rise of artificial intelligence, and the transition to achieving net zero emissions, presents significant skills challenges for NSW. According to Jobs and Skills Australia (JSA), ‘demand for the 38 critical clean energy occupations is expected to outpace the broader workforce if the nation is to achieve net zero by 2050’.²⁵

As Australia’s largest economy, there is unprecedented pressure on NSW to build the skills and capabilities of its workforce to navigate these transitions and develop the pipeline of workers required to meet the future needs of both the state and country.

“Workforce shortages exist in many occupations, across most industry sectors, in every region of NSW. The Business NSW 2022 Workforce Skills Survey found that 9 out of 10 of businesses were experiencing difficulty in recruiting the workers they needed.”

Business NSW, Submission, 2023

“Australia has world-leading rates of installed rooftop solar, and renewable energy met 32% of electricity demand in 2022. However, the industry is already experiencing shortages of critical VET-qualified occupations, including electricians and construction workers... Worker shortages are contributing to high costs of renewables and delaying the completion of projects in the development pipeline.”

Clean Energy Council, Submission, 2023

Limited analysis of workforce needs, trends, and future demand hinders effective skills planning

Preparing for future economic and workforce demands requires access to robust planning data. A recurring theme we heard throughout consultation was the need to improve public access to comprehensive data, including labour and workforce insights, emerging industry trends and regional level profiles. Stakeholders noted that while some aspects of data had improved, significant gaps remain in the availability and sharing of data across the stakeholder network that would better support provider efforts to plan and address training needs.

²¹ Jobs and Skills Australia (JSA), Skills Priority List, 2021-2023, Australian Government, 2023

²² Jobs and Skills Australia (JSA), Skills Priority List, 2021-2023, Australian Government, 2023

²³ Australian Bureau of Statistics (ABS), Table 4. Labour force status by Sex, New South Wales -Trend, Seasonally adjusted and Original, Commonwealth of Australia, 24 March 2024

²⁴ Jobs and Skills Australia (JSA), Projections produced by Victoria University for Jobs and Skills Australia, May 2023 to May 2033, Australian Government, 2023

²⁵ Jobs and Skills Australia (JSA), Annual Jobs and Skills Report 2023, Australian Government, 2023

There were further concerns regarding the minimal integration, coordination and shared analysis across labour market and training data sets and sources at the NSW Department of Education (the department), and between state and national data sources. Many stakeholders were positive about the progress and useability of JSA's data products which now provide state and regional profiling and consistent measures and methodologies that support demand and skills assessment.

Indeed, JSA has publicly committed to working 'with partners across jurisdictions and sectors... to enhance the employment projections over time and make them more accessible to better inform workforce planning and decision-making.'²⁶

However, stakeholders were unclear about the practical realities of how this was being achieved and, more critically, what should be the 'one source of truth'. We also engaged in discussions about how the government could better utilise external data from peak bodies and organisations such as Business NSW to gain insights from their surveys and research.

The Panel heard strong views expressing the need for improved transparency regarding the government's current and future VET settings and plans, noting there has not been a Skills Plan in over 2 decades. Stakeholders reflected on the NSW Government's fragmented approach to monitoring and reporting system outcomes. They also highlighted the absence of a unified approach to establishing outcomes, indicators and measures. This was seen as a barrier to strategically allocating training investments to achieve sector goals. Acknowledging that successful stewardship requires a definitive source of information that is trusted by providers across the system is essential for it to be effective.

“Lack of analysis on service and workforce need, trends, future demand and forward planning suggests a disconnect with local communities, service providers/employers, especially those in growing and emerging sectors and where traditional workforces and courses do not match their need for different skill sets and innovative models of care.”

Services for Australian Rural and Remote Allied Health, Submission, 2023

“For the NSW VET system to effectively respond to current and future economic, social and environmental challenges, it needs to be informed by sound research on emerging industry issues and needs and data that monitors the effectiveness and performance of current VET models, both in NSW and other jurisdictions.”

Local Government NSW, Submission, 2023

Industry's diminished role in the NSW VET system in addressing skills challenges

All stakeholders told us that industry has a critical role to play in solving skills shortages and contributing to the economic and productivity growth of NSW. A common theme from consultations was the importance of having industry (including peak bodies and employers) engaged as a key partner, not just another stakeholder, and that a reliance on government subsidised training alone in addressing skills challenges is inadequate. This includes industry's important role in determining skills priorities and building and investing in the workforce.

However, we also heard that in NSW, where small businesses comprise 97% of all NSW business²⁷, it can be hard for industry to navigate the NSW VET system and meaningfully partner with government. In some industries there is willingness to address workforce and skills challenges, but we heard organisations are often highly competitive and require a neutral broker to facilitate collaboration.

While our Interim Report provided recommendations to government on the governance of the TAFE Commission Advisory Board, Skills Board and Industry Training Advisory Bodies (ITABs) to ensure strong industry connections, there is a need to look at structures beyond this and ensure clear mechanisms for government to partner with industry in a meaningful and sustainable way. We heard that examples of best-practice industry engagement exist however, these practices are not currently embedded in a strategic, system-wide approach, making programs difficult to scale.

²⁶ Jobs and Skills Australia (JSA), Annual Jobs and Skills Report 2023, Australian Government, 2023

²⁷ Small Business Commissioner, About NSW Small Businesses, NSW Government, 2024

Another consideration is how government can move beyond traditional collaborative models to enable industry to contribute, co-deliver and co-invest in solutions. This includes establishing arrangements to facilitate industry engagement, clearly defining where co-investment or in-kind contribution by industry could optimise outcomes desired by the sector. The Panel heard from some stakeholders that industry is willing to invest in upskilling their workforce, particularly with microcredentials, which can offer more immediate training solutions. This highlights the need to reset current approaches which assumes government's primary position to fund and resource initiatives.

“We do have pockets of established mechanisms but not a systemic way to do it [engagement] across all of government in NSW.”

Digital Roundtable participant, August 2023

“The path forward in delivering and sustaining a fit-for-purpose workforce is very much about expanding the existing platform of industry partnerships.”

TAFE Commission Advisory Board, Submission, 2023

A lack of agility and responsiveness with the national VET system

The effectiveness of national training packages is critical to the NSW VET system. Throughout our consultations, stakeholders reflected on the perceived inadequacy of the training system to embrace innovation and promptly respond to emerging needs. We heard employer concern about the lack of relevancy of national training packages or qualifications in providing the required skills for the workforce. This incentivises industry to go outside of the system and develop alternative non-accredited products such as microcredentials to meet upskilling needs.

The Panel acknowledge the NSW Government is funding and delivering microcredentials at scale through the Institute of Applied Technology, New Education and Training Model, through direct funding to TAFE NSW for part-qualifications and under the Smart and Skilled program to support accredited, locally developed part-qualifications. While microcredentials are already being embraced, there is a lack of guidance and direction to industry, government and students about the microcredential landscape in NSW. This is needed to better support future decision-making around the use and funding of microcredentials. Immediate work to address these issues is required to ensure that high quality microcredentials support industry to upskill and reskill workers, particularly in emerging industries and assist individuals entering or re-entering the workforce (see Chapter 2.2 – Tertiary integration).

It is important that we address the issues embedded in the current Australian Qualification Framework and the qualifications themselves, particularly while national reforms are progressing and the Jobs and Skills Councils advance their work. The advice from the Australian Government's Qualification Reform Design Group to Skills Ministers in March this year reflects a crucial step in reforming the national VET system. The recommendations to shift from a 'one-size fits all' approach to a new differentiated qualifications system will help to tackle the current complex and highly prescriptive approach to VET qualifications.

“Industry...need skill sets and micro credentials to meet their current needs.”

Manufacturing, Construction and Engineering Roundtable participant, August 2023

“Under the current funding model, I've got employers who want to employ people, but the government won't fund a one-unit course. I've got to give them 2 or 3 units just to give them the one unit they need for their employment. We've got to listen to the employer telling us what they need.”

Maitland Roundtable participant, September 2023



Areas of opportunity

Enhanced system-level data to strengthen future-focused planning

The Panel sees a clear need to enhance the skills planning data environment through the implementation of a new Skills Insight Data Asset. This would provide a centralised resource to guide workforce planning and decision-making and promote transparency and accountability across all VET stakeholders, including providers.

As highlighted in Chapter 1.2 – Funding and performance, the move to stewardship relies on a strong foundation of data and evidence. The National Skills Agreement (NSA) affords a great opportunity to build the necessary architecture to facilitate data integration with external government agencies, such as JSA.

Building on the department's current training activity dashboard, it should seek to integrate existing tools, prioritising labour market data, skill shortages and demand data, intelligence on emerging trends and monitoring of key outcomes and targets. Ideally it should include regional level profiles and build in the use of qualitative data and stakeholder insights. Additionally, improved data collection and sharing under this approach is an important consideration to further progress Closing the Gap priority reform targets.

To better integrate the state and national data system, engagement with JSA will be critical to ensure consistency across key data measures, methodologies and approaches. This will allow NSW to leverage national data where appropriate to reduce duplication and streamline efforts, noting that interaction with national and state legislation to publicly share data will be an important consideration. Enhancing the department's data architecture could also support needs across the NSW Government's skill portfolio, including migration and industry investment policy and other agencies' workforce planning initiatives.

A new Performance Outcomes Framework underpins the NSW Skills Plan

The NSW Skills Plan presents a significant opportunity for the NSW Government. The Skills Plan should articulate a skills vision for NSW and enable government to operationalise its commitment to NSW economic priorities and address evolving skills need through ongoing cyclical review of its priorities.

Importantly, the NSW Skills Plan should be underpinned by a new Performance Outcomes Framework, which considers NSW obligations under the NSA and embeds clear accountabilities for the NSW network of both public and private providers. The framework should embrace a holistic vision and include student, industry, regional and VET teaching workforce metrics as part of a broader strategy to measure success. It should seek to drive a shared commitment to system outcomes among government, industry, and public, private and community providers, recognising that system stakeholders have areas of strength and responsibility for the system.

The development of a public-facing framework and reporting system would also enable programs and providers who receive public funding to report against outcomes in a transparent manner. It could further build system flexibility acknowledging the diverse outcomes that students achieve through training and overcome tensions between funding and rigid completion milestones. This is particularly important for providers that support priority cohorts such as:

- First Nations students
- students with disability
- rural and remote students
- other cohorts with typically lower training outcomes compared to the general population (see Chapter 2.1 – Equity and access).

In developing a framework, the Panel notes the need to strike an appropriate balance between enhancing performance monitoring and considering the administrative compliance requirements and their implications on providers. The framework should also form the basis for assessing the NSW VET system against the new 'Performance and Wellbeing Framework' led by NSW Treasury, designed to improve budget transparency and social outcomes.

Drive robust industry engagement through compacts and co-investment models

Our Interim Report acknowledged that government has a central role in collaborating with industry and facilitating connections. The Panel believe that industry, as a key beneficiary of a skilled workforce, needs to be appropriately invested in the NSW VET system to ensure that students have the necessary skills to succeed in the workplace.

To drive strategic alliances and engage industry, the NSW Government should establish industry compacts that embed a practice of shared ownership across delivery stakeholders including industry, TAFE NSW and private providers to address the state's skills challenges.

Leveraging the success of the NSW Digital Skills and Workforce Compact (see case study 3), future compacts with industry could outline a new co-investment model and standard for industry engagement. To drive this shift, the NSW Skills Plan should clearly identify the government's skills priorities and sector efforts. These strategic priorities should align with national priorities under the NSA, including a focus on the care sector, digital and information technology, construction and renewables, advanced manufacturing, agriculture and agrifood – and consider other economic and skilling priorities of the state.

A clear measure of performance, monitored through the Performance Outcomes Framework, is needed to ensure engagement and outreach occurs in a systematic way. Learnings demonstrate that positive industry engagement occurs when there is a clear purpose, strong governance frameworks, established engagement protocols, and both financial and in-kind commitments.

Case study 3: NSW Digital Skills and Workforce Compact

The Digital Skills and Workforce Compact, launched in November 2023, is a nation-leading partnership between the NSW Government, the digital industry, and education and training sectors. The Compact leverages a collective impact approach to drive innovative and collaborative solutions in addressing the projected shortage of 85,000 digital workers in NSW by 2030.

Operating on the principle of shared responsibility, the Compact builds on the expertise of partners to formulate a unified approach to the digital workforce shortage, with the NSW Government playing a pivotal role in fostering stakeholder engagement and ensuring alignment with broader state policies and initiatives.

The success of the NSW Digital Skills and Workforce Compact presents an opportunity for replication and adaptation beyond its current scope. Its collaborative approach, emphasis on shared responsibility, and robust governance structure can serve as a blueprint for addressing workforce challenges in other regions, industries, and sectors. By fostering partnerships between government, industry, and education sectors, similar initiatives can drive innovation, enhance workforce readiness, and stimulate economic growth on a broader scale.

Recommendations

Recommendation 7

The NSW Government should ensure the NSW Skills Plan has a:

- i. Clear vision for skills with the identification of government priority areas to direct funding and establish industry partnerships.
- ii. Performance Outcomes Framework to establish system outcomes and targets for students (including equity cohorts), industry, regions and the VET teaching workforce, with transparent accountability and monitoring mechanisms.
- iii. Skills Insight Data Asset that serves as a centralised public resource to guide workforce planning and government funding of skills and training.

Recommendation 8

The NSW Government should establish industry compacts across government skills priorities that are driven by:

- i. Statements of commitment –outlining mutual obligations and principles for collaboration for government, industry and training providers towards skilling targets.
- ii. Co-investment –including cash and in-kind contribution across compact partners.
- iii. Governance structures –ensuring transparent mechanisms for monitoring progress, making decisions and upholding accountability.
- iv. Research and innovation –leveraging sector expertise and insights to develop skilling solutions.

Chapter 1.4 – Regional needs

Current issues

Regional NSW faces even more persistent and complex skills and workforce challenges

While skills shortages are a statewide issue, regional NSW experiences some of the most severe skills and labour shortages with a worsening outlook over the next 5 years.²⁸ These shortages are exacerbated by historically low unemployment rates and limited training opportunities available in regional areas.²⁹

The Panel received significant feedback about the challenges faced by employers in regional, rural and remote areas when trying to access skilled workers. We also heard that there are compounding and context-specific issues that impact training delivery in regional areas, including:

- Varying demand for courses that result in ‘thin markets’, often leading to small class sizes that are not financially viable to run.
- Higher costs associated with operating in regional areas, including higher transport and infrastructure costs (including ageing or unsuitable infrastructure).
- Challenges attracting appropriate staffing, both in terms of overall numbers of VET trainers and meeting specific skills needs.
- Higher proportions and concentrations of students experiencing disadvantage.

The challenges to attract, train and retrain skilled workers are made more difficult by broader issues such as reduced access to housing, transportation and essential services such as childcare and health care. These challenges have led to a significantly slower growth in the number of students commencing vocational study in regional and remote areas compared to metropolitan areas over the last 5 years.³⁰

A critical issue for prospective regional students is the lack of access to relevant training options across providers and localities. Although the Panel engaged with many stakeholders who had benefited from training delivered in regional areas, we heard many examples of regional training supply not aligning with local employment needs. For example, hospitality courses were being delivered in areas with limited employment opportunities in the sector, and conversely no plumbing or engineering courses were offered in areas critical to the state’s water supply sector. TAFE NSW was specifically raised as important to regional communities, but its connection to community has diminished, as examined in our Interim Report. We also heard that increasing online delivery is not the solution, particularly as it is not an appropriate form of delivery for all qualifications. Getting the balance right between online and high quality in-person delivery is critical.

“[Regional challenges include] maintaining provision in thin markets, the higher costs associated with operating in regional areas, high proportions of students from disadvantaged backgrounds, staff demographics, fluctuations in the demand for courses, poor connectivity and ageing infrastructure.”

Charles Sturt University, Submission, 2023

Despite significant effort, regional programs and planning is fragmented and lacks effective data

The Panel is aware of the NSW Government’s significant focus on meeting the skills needs of regional, rural and remote communities. There are a wide range of NSW Department of Education programs operating to enhance regional skills supply. We heard that recent examples such as the Regional Industry Education Partnerships (RIEP) and Regional Provider Network have delivered strong outcomes in forming connections with industry and brokering local training solutions.

²⁸ E Cavanough and M O’Brien, The Up-Skill Battle – NSW’s Growing Regional Skills Shortage, The McKell Institute, 2023

²⁹ E Cavanough and M O’Brien, The Up-Skill Battle – NSW’s Growing Regional Skills Shortage, The McKell Institute, 2023

³⁰ National Centre for Vocational Education Research (NCVER), Government-funded students and courses 2022, NCVER, 2023

However, the Panel did hear that these programs have a constrained impact with a lack of funding certainty and limited state coverage. Skills planning and coordination for regional communities is complex, with intersecting roles played at the national, state and local government levels encompassing broader regional jobs and employment networks. Many stakeholders reflected on the lack of strategic coordination across government activity resulting in well-intentioned but fragmented outcomes.

This lack of coordination and effectiveness in program delivery was identified in August 2023 by the Audit Office of NSW. When assessing the department's activities to ensure that regional, rural and remote students have access to the same quality of early childhood, school education, and skills pathways as their metropolitan peers, the Audit Office noted that:

“The department is not addressing the complexities of delivering regional, rural and remote early childhood, school education and skills pathways. There are a range of programs targeted to overcoming challenges of remoteness, but... A decade after the Rural and Remote Education Blueprint was launched in 2013, there remain considerable gaps in access and outcomes between metropolitan and regional, rural and remote areas.”³¹

A further major issue we heard were concerns that current approaches to meeting regional training needs were not being effectively informed by relevant and timely regional data, which hinders effective decision-making. Stakeholders we spoke to noted that regional skills planning was challenging due to the use of different data sources and approaches, often with lengthy lead-in timeframes for collection and publication.

We also know that many of our regional areas are undergoing significant economic change. Stakeholders called out the need for more effective planning for these major economic transformations within regional economies. For example, enacting major reforms such as the NSW Renewable Energy Zones (REZs), NSW's Electricity Infrastructure Roadmap, and Future Jobs and Investment Authorities will have significant workforce implications across NSW.

There is a desire for greater community-based decision-making and collaboration

A strong message we heard during consultations was the need for greater community accountability and ownership within regional decision-making. Across the entire skills system, stakeholders highlighted a need to move away from centralised decision-making where people in metropolitan areas make decisions for regions of which they have limited knowledge. We also heard frustrations from local stakeholders that their knowledge of local skills needs, and expertise and connections to meet these needs, were not being effectively utilised.

The Panel recognise that any move towards greater community-based decision-making must consider the 'bigger picture' around skills provision and requirements. There must be more clarity on which decisions should be made at a local level to respond to individual and community needs, and which decisions are best made at a more strategic level to achieve greater efficiency.

“To meet skills needs in regional, rural and remote areas, decision-making needs to be done locally in the regions.”

Public Service Association of NSW, Submission, 2023

Current funding for regional training delivery is ineffective, however lessons from NSW responses during the COVID-19 pandemic offers insights into more dynamic funding solutions

The Panel heard strong and unanimous agreement among stakeholders that current VET funding – including the Smart and Skilled Thin Market Program, location-based loadings and program supports in regional areas – are insufficient and ineffective. Regional and remote students experience significant additional barriers to learning and the Panel note that these students require greater support to access and complete training that cannot be met through loadings alone.

³¹ Audit Office of NSW, Performance Audit: Regional, rural and remote education, Audit Office of NSW, 2023. Note: this Audit was primarily focussed on school-aged students and did not include a detailed examination of post-school VET activity.

Stakeholders noted current contestable funding approaches have often acted to disincentivise collaboration between providers and industry. Current regional-specific funding settings such as loadings and thin market policy have not been able to increase collaboration to address complex regional challenges. This is particularly an issue in areas where VET infrastructure is limited and more bespoke solutions are needed.

Programs implemented during the COVID-19 pandemic, such as the NSW Skilling for Recovery program, demonstrate that more dynamic funding strategies can lead to greater innovation and responsiveness at the local level. In particular, stakeholders highlighted the increased access to funding, the use of Skills Brokers to collaboratively develop solutions, and the use of part-qualification funding to quickly and creatively plug local skills gaps as examples of how the skills system can more flexibly respond to local needs and make providers more viable.

Areas of opportunity

A bold new approach to meet regional skills needs is required

The unique nature of skills shortages in regional communities requires new approaches that are led locally and community based. The Panel's view is there's a strong need for the NSW Government to ensure the NSW VET system is positioned to meet regional challenges in a more dynamic, flexible and responsive manner. The development and implementation of a new regional skills approach would allow the NSW Government to strategically plan and drive sustainable change for –and with– regional, rural and remote communities.

We urge the NSW Government to embed a core commitment to delivering regional training with community-led decision making at its heart. The Panel's strong view is local communities best understand their own needs and aspirations and should be involved in making decisions about services that affect them. Ensuring that key 'on the ground' stakeholders are empowered to respond to local skills needs within the context of the state's overarching economic priorities will effectively leverage crucial local expertise and connections. A new approach should bring together key local stakeholders including education and

training providers, industry, schools, and all levels of government to collectively take ownership of how skills needs are best met in their local area. Local knowledge and networks, including existing local economic forums, should be leveraged to respond to training needs through this approach. This approach can help to empower regional First Nations communities to make decisions around meeting Closing the Gap outcomes, in line with Closing the Gap priority reform 3.

To do this effectively, the NSW Government should embed a robust governance framework that authorises community decision making and drives accountability on skills and workforce priorities. It should also ensure that appropriate regional skills resources, such as the department's regional provider support staff, are safeguarded and redefined to provide enhanced outcomes for regional communities.

The model should seek to drive regional skills outcomes across a network of diverse, equitable and high quality VET providers. At the centre of this network should be a student access and training commitment from TAFE NSW, as the public provider, to clarify its remote and regional delivery. This commitment will provide greater certainty to all providers operating in regional areas around local training priorities. It will also provide greater certainty to regional students and employers by putting in place a core set of offerings. This will give regional areas a foundational layer of delivery certainty to further inform and support enhanced local decision making.

To action this, the emerging TAFE NSW Charter should clarify TAFE NSW's commitment to regional communities through consistent training availability and options. Specifically, the Panel's view is TAFE NSW should commit to providing a core set of courses across all campuses, and localised offerings and a reliable delivery pattern (see 'Focus – a TAFE NSW Student Access and Training Commitment to Regional Delivery' on page 41).

“Adapting the New South Wales Vocational Education and Training system to meet skills needs in regional, rural, and remote areas is crucial for addressing workforce shortages and promoting equity in education and employment opportunities.”

NSW Utilities and Electrotechnology ITAB, Submission, 2023

Focus – a TAFE NSW Student Access and Training Commitment to Regional Delivery

TAFE NSW should embed a new commitment to delivery across NSW through the emerging TAFE NSW Charter to better meet the skills needs of regional, rural and remote communities. Key components of this approach should be:

- **Guaranteed course offerings:** TAFE NSW to provide a core set of courses that are available across campuses through an appropriate model.
- **A predictable and reliable multi-year delivery pattern:** TAFE NSW to ensure that students and prospective students know when and how to access and enrol in core courses, and that these are offered on a regular, predictable basis.
- **Localised bespoke offerings:** TAFE NSW to provide course offerings to meet local industry and community needs based on regional profiles, and deliver bespoke training required to meet a specific need.
- **Face-to-face learning supported by online learning:** TAFE NSW to deliver training through an appropriate balance of face-to-face and virtual training. This will increase TAFE NSW's capacity to train, make the learning more accessible to regional students and improve the digital literacy of students helping to prepare them for modern workplaces.

The proposed approach to this commitment would improve capacity, quality and accessibility to foundation skills training and support delivery of skills needed in national priority areas, while providing flexibility to meet local industry needs. At the core of this commitment is a focus on improving access to education for regional and remote students and improving outcomes for community.

Funding to meet regional skills needs should prioritise flexibility, innovation and community connection

At the centre of any new approach should be a commitment to strengthening regional funding settings. Stakeholders told us that a more direct funding model would enable providers to collaborate around outcomes, co-design innovative local programs and enhance connection with local industry, employer and student needs.

The Panel's view is that redesign and reallocation of existing thin market and regional funding, which has low provider take-up, to implement a flexible outcomes-based funding approach would provide an opportunity for local stakeholders to respond more quickly and effectively to local needs.

A new Regional Skills Fund should be established in addition to core VET funding activity to incentivise innovation, collaboration and local solutions development. Contributions to the fund by other government agencies should be enabled, particularly where it is recognised that skills development is a critical input to meeting overarching NSW Government commitments such as Net Zero Plan, major transport infrastructure or housing development activity.

By recognising the strengths of different providers, funding should seek to enhance collaboration across a network of providers, leverage existing infrastructure and enable localised and place-based solutions to be developed and implemented.

“Subsidies may also be targeted to support regional skills needs. Skills needs in particular regions may not align with the State overall, but still be important for regional economies.”

NSW Productivity Commission, Submission, 2023



Solutions should be enabled by valid and reliable regional data-led planning

The new approach needs to ensure that it draws upon valid and reliable regional profiling information and data in an effective and timely manner. This is critical to providing clarity on the specific skills needs in demand in regional areas both now and in the future. The Panel note the development of the NSW Skills Plan provides a significant opportunity to embed consistent, data-led approaches into regional skills planning.

Revised approaches to regional skills planning in NSW should align with, and build from, key regional strategic planning frameworks. These include the emerging Regional Australia Jobs and Skills Roadmap at the national level and key NSW strategies such as the NSW Government's Regional Economic Development Strategies.³²

Robust workforce forecasting approaches should be used to identify skills needs and ensure they reflect emerging priorities and employment growth projections. For example, in renewables the transition to net zero emissions will promote stronger employment growth in key areas in regional NSW³³ and large-scale transformations such as this need to be considered appropriately. Planning approaches should also not be solely focussed on NSW but note the significant importance of cross-border economic areas to appropriately consider cross-border skills needs.

³² NSW Government, Regional Economic Development Strategies, NSW Government, 2024

³³ Jobs and Skills Australia (JSA), The Clean Energy Generation: Workforce needs for a net zero economy, Australian Government, 2023

Recommendation

Recommendation 9

The NSW Government should develop and implement a new regional skills approach to meet the training needs of regional communities. The approach should:

- i. Promote community decision-making by:
 - Bringing together key local stakeholders (including education and training providers, industry, schools, and all levels of government) through a robust governance framework and designated lead stakeholder that empowers community decision-making and drives accountability on skills and workforce priorities.
 - Ensuring existing NSW Department of Education resources are committed to effectively facilitating and coordinating this new approach to community decision-making.
- ii. Revise current funding approaches – Current thin market funding should be consolidated into a Regional Skills Fund, a new outcomes-based funding program that incentivises innovation, collaboration and local solutions development.
- iii. Embed regional planning and data – A valid and reliable data-led regional skills planning approach should be embedded through the NSW Skills Plan to provide clarity on regional skills priorities.
- iv. Provide a training commitment to regional areas – The model should drive regional skills outcomes across a network of diverse, equitable and high-quality VET providers. At the centre of this, TAFE NSW should provide a new Student Access and Training Commitment to remote and regional delivery under the TAFE NSW Charter.

Section 2:

Integrating the system

2.1 Supporting equity

2.1 Tertiary integration

2.3 VET for Secondary Students

2.4 Apprenticeships and Traineeships

To meet the evolving skills needs of the future, all NSW students must build a strong set of critical skills, knowledge and capabilities offered across the school, VET and higher education system.

Post-school qualifications will matter even more. The system must engage with every student if NSW is to meet ambitious attainment targets outlined in the recent Australian Universities Accord (AUA) process.

This will require reimagining how VET and higher education have traditionally operated by placing students at the centre of a fully integrated tertiary education system that:

- prioritises equity outcomes and supports every student to navigate lifelong and diverse education pathways
- implements new models of wrap-around support that better meet the needs of the individual
- provides educational offering more closely aligned with industry needs.

NSW is well placed to meet this challenge for a more integrated tertiary system in NSW. As NSW moves beyond pilots it will need to embed new models of tertiary education in terms of both design and delivery, pathway options and innovative industry partnerships. These same principles should be applied to the broader senior secondary system and even more traditional models such as Apprenticeships and Traineeships.

Chapter 2.1 – Supporting equity

Current issues

Equity must be front and centre to meet skills needs and enhance social and economic outcomes

The NSW VET system is an important pathway for engaging students with complex needs or those who

experience disadvantage. However, current research shows that equity cohorts still have lower completion rates and less favourable employment outcomes than their non-equity peers (see ‘Focus-outcomes for equity cohorts’ below).

Focus – outcomes for equity cohorts³⁴

Qualification completions

Students who are affected by disadvantage have consistently lower levels of qualification completion at the national level, with the table below breaking down these rates by the category of disadvantage.

Disability status		Indigenous status		Socioeconomic region		Remoteness	
With a disability	Without a disability	Indigenous	Non-Indigenous	Most disadvantaged	Less disadvantaged	Remote	Other*
40.2%	46.0%	33.4%	46.4%	40.6%	46.9%	33.2%	46.0%
All students	45.6%						

Employment outcomes

These lower levels of qualification completion flow through to employment outcomes, except for remote students. The table below breaks down the proportion of students who improve their employment status after training by category of disadvantage.

Disability status		Indigenous status		Socioeconomic region		Remoteness	
With a disability	Without a disability	Indigenous	Non-Indigenous	Most disadvantaged	Less disadvantaged	Remote	Other*
49.8%	66.5%	61.4%	65.1%	61.5%	65.8%	68.4%	64.9%
All students	65.0%						

*Other includes students in regional areas, major cities and overseas.

³⁴National Centre for Vocational Education Research (NCVER), Student equity in VET 2021: participation, achievement and outcomes: data tables, NCVER, 2023.

Addressing disparities in participation, completions and attainment is crucial to improve social and economic outcomes for these students. But the Panel also heard clearly that a focus on attainment and completions alone should not be the only measure of success. We heard that the experience of these students is not uniform and that while there are common barriers and challenges, every student is unique in their needs and aspirations.

Currently, Smart and Skilled links its funding directly to completions to ensure providers prioritise students gaining a qualification. Yet an unintended consequence of this sharp focus is that providers do not always have the flexibility to cater for the individual student's goal, which is often broader than just a completion. We heard that for many students, a part qualification is often a good outcome that sets them up for longer term success. The completion of all subjects a student has enrolled in can be an additional measure of success for such students.³⁵

“Success for VET students extends beyond qualification completion and encompasses various dimensions, including delivering safe and high-quality services, contributing positively to families, the economy, and society, and advancing the public good through access and equity strategies.”

NSW TAFE Outreach Exchange, Submission, 2023

Inconsistent and disjointed approach to equity and wrap around supports

The Panel heard of various programs and initiatives funded by the NSW and Australian Governments aimed at supporting equity cohorts in VET. These offer important supports and many stakeholders recognised they were often built from a strong evidence base of what works. But access to these programs is inconsistent across the system depending on where, how and when a student enrolls. Historically, programs have been designed on a reactive basis and address a cohort-level or program-based challenge rather than being tailored to individual need. Key funding programs are also separated by provider type, such as TAFE NSW Community Service Obligation funding or Adult Community Education (ACE) program funding, which results in inconsistent approaches across services models and types throughout NSW.

There was strong feedback from stakeholders that this cohort-level approach lacks strategic oversight and coordination. Duplication of effort, inefficiency and gaps in services were key concerns and has left many students without adequate access to support services. The current approach also raises questions around transparency and accountability and makes assessing the overall impact of support initiatives difficult. Stakeholders also raised the lack of consistent government funding as impacting specialist staff retention and certainty for students, with many initiatives being renewed at the last minute or on an annual basis.

Barriers to providing support services that are most critical for students facing compounding disadvantage

We heard a consistent view that individualised wrap-around support is crucial for disadvantaged students to overcome both training and non-training barriers. Standardised approaches to support do not always recognise the diverse needs of students or non-training barriers such as transport, housing, or family challenges. Addressing these intersecting needs could be the key factor to enable students to reach their learning goals. These barriers are often compounded in regional, rural, and remote areas where access to services is further limited.

The Panel heard that current funding arrangements do not adequately support the provision of individualised training and vital support services at the required scale. This includes support services as well as training delivery. Providers who support students in areas of high concentrations of disadvantage are faced with additional costs relating to teacher and assessor workload and delivery.

This is also reflected in proportion of student satisfaction with support services for NSW Government funded VET dropping from 81.7% in 2020 to 80.4% in 2023.³⁶ The availability of funding is particularly challenging for independent registered training organisations (RTOs) who are unable to access supplementary fundings mechanisms that are only available to TAFE NSW and ACE providers.

The challenges in accessing wrap around support is also highlighted for First Nations students, which is particularly important to meeting Closing the Gap targets around qualification completion (see ‘Focus

³⁵B Wibrow, M Hall and T Griffin, The student journey: the many faces of completion and non-completion in VET, National Centre for Vocational Education Research (NCVER), 2024

³⁶National Centre for Vocational Education Research (NCVER), VET student outcomes 2023, NCVER, 2023

-Closing the Gap further education targets' below). The positive outcomes that Aboriginal Community-Controlled Organisations (ACCOs) play in providing culturally appropriate support to First Nations students were highlighted throughout our consultations. Despite this, they can be hampered in their ability to

access government funding due to their inexperience in navigating complex government commissioning processes. Similarly, ACCOs who have a desire to become RTOs within the NSW VET system, like other providers, can struggle to navigate the associated administrative and regulatory requirements.

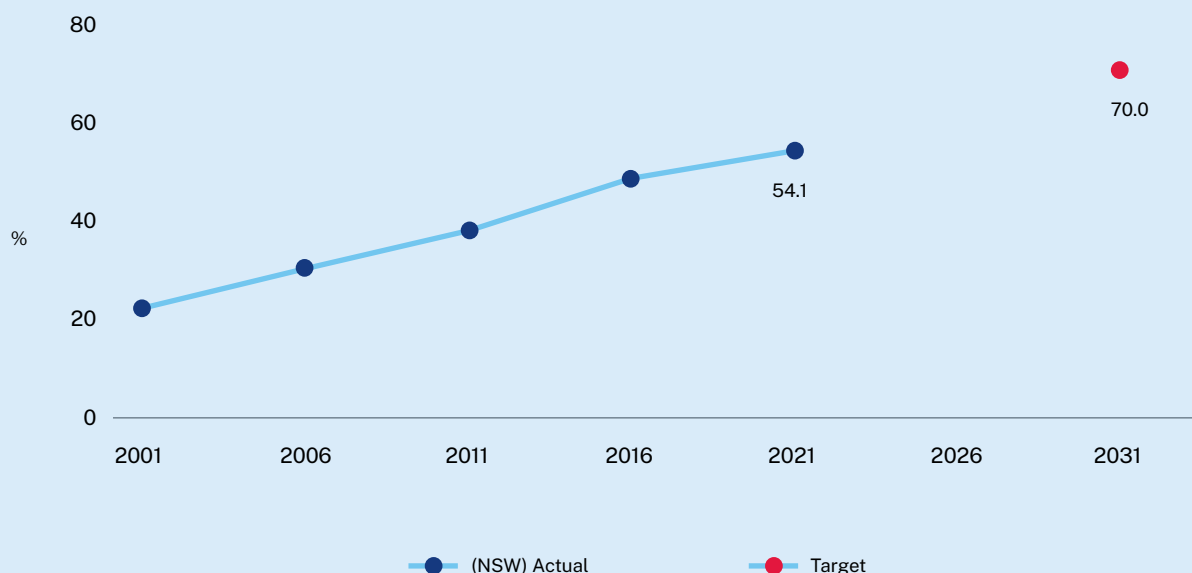
Focus – Closing the Gap further education targets

The National Agreement on Closing the Gap has 17 national socio-economic outcome targets for First Nations people.³⁷ As a signatory to this agreement, NSW has an ongoing commitment to develop an Implementation Plan and deliver against the targets.

Based on current growth trends, NSW is on track to meet Closing the Gap socio-economic outcome target 6 to 'increase the proportion of 25-34 year old First Nations people completing a tertiary qualification (Certificate III and above) to 70% by 2031'. However, given the comparatively low VET qualification completion rates for First Nation cohorts, further support is needed to maintain the growth in qualification attainment amongst First Nations people.

To support this target, the NSW Implementation Plan for Closing the Gap has a focus on providing stronger support during key transition points, such as between school and further education, in order to improve participation and retention.³⁸

Proportion of Aboriginal and/or Torres Strait Islanders in NSW who have completed an AQF Certificate level III or above qualification, 25-34 years³⁹



³⁷ Department of the Prime Minister and Cabinet, National Agreement on Closing the Gap, Australian Government, 2020

³⁸ NSW Government, 2022–2024 NSW Implementation Plan for Closing the Gap, NSW Government, 2022

³⁹ Australian Bureau of Statistics (ABS), Census of Population and Housing for Aboriginal and Torres Strait Islanders in NSW who have completed AQF Certificate level III or above, 25-34 years old, Australian Government (Unpublished)



Demand for greater flexibility to meet the individual foundation skills needs of students

Foundational skills were raised as an important pathway into further study, employment and social engagement for vulnerable students. This also applies to those who fall into the not in education, employment or training (NEET) cohort. The need for foundation skills, including digital literacy, is predicted to become even more important as technology advances and the nature of work changes.⁴⁰

Work relating to the National Skills Agreement (NSA) includes opportunities to enhance access to foundational skills training. The Panel heard that when foundational skills are offered more formally and with the use of formal assessments, vulnerable students were at a heightened risk of disengaging from learning. Stakeholders expressed a need to have more flexibility in the non-accredited training space and to reconsider caps that determine the balance of formal or accredited versus informal or non-accredited training delivery. This issue presents a key barrier for vulnerable students and outlines how the system lacks flexibility to customise training to student needs.

“Research has identified a combination of non-formal and formal learning as important in helping to engage (or re-engage) those learners who have poor literacy and numeracy skills. While formal training may suit the employment and learning needs of some adults in these communities, many suffer from negative schooling experiences and/or have little confidence or trust in formal learning and therefore benefit from non-formal literacy training.”

Literacy for Life Foundation, Submission, 2023

⁴⁰ National Centre for Vocational Education Research (NCVER), Effective teaching practices and student support services in online VET, NCVER, 2023

Areas of opportunity

New equity success measures and aspirational targets for priority cohorts

As outlined in Chapter 1.3 – Industry and skills, the impending NSW Skills Plan provides an opportunity for the NSW Government to publicly confirm students are at the heart of the NSW VET system. Within this approach, the Skills Plan should embed cohort-based and system level outcomes and measures that better consider the individual goals of the student and diverse benefits of training including:

- employment and/or financial benefits
- progression into further education and training
- increase in language, literacy, numeracy and digital skills
- satisfaction with support services or reduction in reliance on welfare and/or social service
- increased confidence and civic engagement.

Engaging all students through a system-wide approach to student supports

The Panel strongly believes that a strategic shift is needed around student supports to drive positive change with the most efficient use of available resources. A new system-wide approach should embed a universal, targeted and individualised model of student supports that shifts the focus to individual student needs rather than distinctions based on cohort, provider type or location.

Resources must also be targeted to where they are needed most. For example, additional student support services for students affected by high concentrations of disadvantage and to account for the effects of intersectionality in amplifying disadvantage. Part of this consideration may involve a redistribution of resources towards strengthened student supports to aid completions.

The first step should involve the NSW Department of Education leading the analysis of existing equity and support programs across the NSW VET sector to identify existing duplications or gaps in service provision, and their outcomes and effectiveness. Strategies to improve access to supports across the system must also become more effective.

Commonwealth, state and local government agencies must also work more effectively to better coordinate access to the various essential services needed to successfully engage in education. For example, to coordinate the availability of appropriate transport options, access to health services on local campuses, link students up with critical welfare, housing and safety services.

Improve and embed access to best practice wrap around supports

Evidence supports VET stakeholders' claims about the importance of individualised or person-centred approaches that focus on the individual in the context of their lives instead of offering supports based on categories of disadvantage.⁴¹ There are instances of this model of support being available to NSW students albeit not consistently across the NSW VET system.

This model of support still requires targeted equity funding and programs, and loadings to enable the provision of wrap-around supports to assist students with their individual needs. The current state includes TAFE Community Service Obligation funding and programs such as the ACE program, Get Back in the Game, Asylum Seeker Employment Skills Support program, Barranggirra and several others. There is an opportunity to reimagine how these different funding mechanisms interact, better place the student at the centre of the models and increase accountability over how funding is used to support students.

As part of the future state, it will be important to maintain some flexibility to allow for this individualised approach. However, the Panel's view is there are key wrap around supports that should be available across the system for NSW VET students through the various existing funding mechanisms, including TAFE NSW, including:

- case management style support for students that need to navigate multiple challenges
- outreach officers – particularly in rural and remote areas
- mentors – particularly for First Nations students or women studying in non-traditional areas such as trades
- disability inclusion specialists
- wellbeing services – or mechanisms to facilitate student access to these services.

⁴¹ National Centre for Vocational Education Research (NCVER), Effective teaching practices and student support services in online VET, NCVER, 2023

Build provider capacity and better meet the foundational needs of the most vulnerable students

Providers need more flexibility to deliver language, literacy, numeracy, digital or employability skills for vulnerable students who are deterred by accredited full or part-qualifications due to the need to undergo formal assessments. To support the recent NSA's objective of improving access to foundation skills training by engaging these most vulnerable students, the NSW Government can allow greater flexibility for high quality VET and ACE providers to deliver non-formal training options. These arrangements could be limited to trusted providers with a strong history of achieving good outcomes for vulnerable students with clear eligibility criteria for when training should be delivered in lieu of accredited or formal training.

In recent years, NSW has made some progress in funding and building capacity within ACCOs and Aboriginal-owned RTOs to provide the culturally appropriate support needed by First Nations students to succeed. However, given the barriers with ACCOs engaging effectively with government requirements, there is still more that can be done to support them in their work.

The latest NSA prioritises Closing the Gap targets and provides an opportunity for NSW to further develop ACCOs within the NSW VET system by enabling easier access to government funding and recognition. There is also room to further expand the support that is offered by ACCOs at a local level to provide more individualised support to First Nations communities.

Recommendations

Recommendation 10

The NSW Government should transition to a system-wide, student-centred approach to VET student support that:

- i. Prioritises resources on a needs-basis, particularly in areas of high concentration of disadvantage.
- ii. Leverages expertise and critical mass through new partnership arrangements, especially in TAFE NSW and Adult and Community Education providers, to make support services more widely available to all students.
- iii. Better coordinates access to critical services that address non-training barriers across government agencies.
- iv. Dedicates existing funding for wrap around supports beyond equity loadings to be available for vulnerable students across the NSW VET system, regardless of their provider, prioritising services such as:
 - case management style support
 - disability inclusion specialists
 - outreach officers
 - wellbeing services
 - mentors
 - foundation skills support.

Recommendation 11

The NSW Government should increase provider capacity, particularly for Aboriginal Community-Controlled Organisations (ACCOs) and Aboriginal-owned registered training organisations (RTOs) by:

- i. Providing greater funding flexibility to high performing providers to deliver customised non-accredited training that better meets learner needs.
- ii. Reducing barriers to funding for ACCOs to provide foundational skills and support for First Nations students.
- iii. Providing support for interested ACCOs to become RTOs, such as financial support for registration, business mentoring and guidance on regulatory requirements.

Chapter 2.2 – Tertiary integration

Current issues

Challenging outdated perceptions and distinctions between VET and higher education

The Panel heard from many stakeholders that historical public policy decisions and the resulting cultural distinctions between VET and higher education has a significant influence on young people's choices. VET continues to be impacted by negative perceptions, most notably from the reputational damage done by the Australian Government's VET FEE-HELP scheme over a decade ago. Poor provider behaviour and a lack of regulatory oversight played out negatively in the media, adding to the existing perceptions around VET quality. These negative perceptions persist, particularly in relation to parental aspirations and advice from teachers and career advisors that tend to promote higher education among other factors.⁴² This is despite growing evidence⁴³ that VET can lead to rewarding and high paying careers. Future jobs will require students to have the right mix of discipline-specific knowledge, technical skills and transferable generic skills to successfully navigate the rapid pace of industry change.

“Achieving a fully integrated tertiary system will require substantial commitment and coordination across the sector, government and other key stakeholders and should aim to facilitate students' ability to navigate university and VET education seamlessly.”

University of Technology Sydney, Submission, 2023

Stakeholders talked about the pressing need to move away from the idea that students must choose either a VET or university pathway. To stay up to date with industry, future students will need to move freely across a more integrated tertiary system. They will also need to select from a broader range of qualifications with built in modularity, stackability and transferability, including for microcredentials.

The Panel acknowledges that recent reviews and reports have recommended that governments address these challenges and move towards greater tertiary integration. Notably the 2021 'Gonski-Shergold' NSW VET Review⁴⁴ laid out a vision for more tertiary integration, based on stackable qualifications and progressive pathways for students from VET to higher education.⁴⁵ As a response to the Australian Universities Accord (AUA), the Australian Government recently committed \$27.7 million to enhance tertiary harmonisation through improved regulatory approaches for dual sector provision across TAFEs and universities, and better student pathways between VET and higher education. The Australian Government also accepted the AUA Panel's recommendation of an ambitious tertiary attainment target of 80% of all working age people by 2050.⁴⁶ This will require more students, particularly from equity cohorts, to achieve higher attainment levels. While the Panel heard that some progress is being made, more must be done to further enhance aspirational pathways, especially through VET.

Funding and regulatory barriers disincentivise collaboration among tertiary institutions

Despite growing alignment across government and tertiary providers on the need for better integration, the Panel heard that collaboration continues to be hampered by entrenched structural barriers. Inconsistent funding, policy and regulatory settings

⁴² Standing Committee on Employment, Education and Training, Shared vision, equal pathways, Inquiry into the perceptions and status of vocational education and training

⁴³ While Australian Bureau of Statistics data consistently shows a correlation between higher earnings and higher educational attainment, there are nuances with typically male dominated trade roles also being among the highest paid occupations.

⁴⁴ D Gonski and P Shergold, In the Same Sentence - Bringing higher and vocational education together, Department of Education, New South Wales Government, 2021

⁴⁵ D Gonski and P Shergold, In the Same Sentence - Bringing higher and vocational education together, Department of Education, New South Wales Government, 2021

⁴⁶ Australian Government, Australian Universities Accord Final Report, Australian Government, 2024

across VET and universities limit collaboration on blended course design, credit transfer arrangements and consistent and streamlined student loan and fee settings. This results in institutions continuing to compete for students at the expense of collaboration.

A similar situation can be observed in tertiary asset-sharing models. For example, the Panel heard that institution-agnostic Regional Study Hubs are appealing for several reasons, including providing students broader access to facilities and services and institutional cost-efficiency benefits. This flexibility is appealing to VET and secondary students who also access Regional Study Hubs.

However, these models are complex to establish and maintain due to challenges such as effective governance arrangements and developing sustainable models for shared operation. The Panel also heard the centralised One TAFE model significantly contributed to the difficulty in establishing partnership arrangements between local TAFE NSW campuses and universities.

“The idea of closer collaboration between TAFEs and universities, especially in regional areas, is not new. Progress in pursuing these ideas has, however, been hampered by various barriers including, particularly, the different regulatory and funding arrangements for TAFEs and universities.”

Charles Sturt University, Submission, 2023

Ad-hoc investment for innovative models of tertiary education

Despite these challenges, many stakeholders observed that NSW investment in integrated tertiary models has been nation leading. For example, NSW invested significantly into the TAFE NSW-led Institutes of Applied Technology (IAT) and industry focused New Education and Training Model (NETM) in Western Sydney. This is in addition to several smaller scale partnership models across VET providers, higher education institutes and industry that seek to drive greater sector integration and trial new ways of skilling and educating students.

These models differentiate themselves on products, co-design partnerships, target student cohorts such as upskillers and reskillers, and are still developing their long term operating and education models (see Focus – innovative and integrated models of tertiary education). Despite significant investment, the pilot-based approach presents sustainability challenges and reduces the willingness and capacity of education institutions and industry to invest their own time and resources for development.

In addition, the absence of a NSW Government tertiary vision and long-term strategy for these pilot models risk the government’s investment failing to meaningfully contribute to the state’s long-term training and economic objectives. This will be of particular concern as work commences on new Centres of Excellence models, both a NSW and Australian Government’s commitment, that also strive to achieve greater tertiary collaboration.

Inconsistent RPL and credit transfer arrangements across the tertiary sector

A perennial issue the Panel heard across all these models, was that Recognition of Prior Learning (RPL) in the VET sector and credit transfer arrangements between VET and universities are difficult to establish, inconsistent across institutions and create confusion for students. This has been a longstanding issue, highlighted in government reports over many decades.⁴⁷

“There is a pressing need for VET to better articulate to the tertiary sector.”

Local Government NSW, Submission, 2023

To date, governments have found it challenging to promote and support the provision of RPL or credit transfer arrangements across institutions for students. For credit transfer arrangements, this is in part due to the self-accrediting autonomous status of universities which allow for a wide-ranging design of degree programs. This makes it challenging to consistently compare courses across the system and recognise the competency-based model of VET.

⁴⁷J Hargreaves, Recognition of Prior Learning: At a glance, National Centre for Vocational Education Research (NCVER), 2006 and Phillips KPA, Academic Credit Arrangement (Credit Recognition), Australian Government, 2019



Stakeholders also report that the provision of RPL within the VET sector is limited by financial disincentives, particularly under Smart and Skilled. This includes providers not offering RPL for experienced workers because Smart and Skilled funding support would otherwise be lowered.

The Panel also heard from many stakeholders, including NSW universities, that the policy context has changed significantly in recent years and there is more desire to overcome these barriers.

Areas of opportunity

A bold vision for a student-centred NSW tertiary system which enables multiple continuous pathways and embeds innovation

The Panel strongly supports a bold and reimagined tertiary system that builds off the Gonski-Shergold review's vision. However, rather than more pilots and silos of institutional integration, this should be a new way of organising and delivering tertiary education commencing from secondary school through providing aspirational pathway choices. The Panel supports:

- New tertiary funding arrangements that place students at the centre so they can succeed and learn the relevant skills they need for their next career and beyond.

- Accreditation arrangements that remove administrative burden and enable high quality institutions to co-design rapid responses to skills needs.
- Models of co-delivery across the senior secondary and tertiary sectors, and with industry that help equip students with industry-current skills and knowledge.
- A state-level sector collaboration mechanism that aligns and endorses programs that require Australian Government funding.
- Aspirational pathways and careers support from senior secondary school that better accounts for students' strengths and learning preferences (see Chapter 2.3 – VET for Secondary Students).

The transition to a stewardship model presents a clear opportunity for NSW to reconsider how it supports this vision and tertiary integration more broadly. While higher education policy, funding and regulatory settings sit with the Australian Government, the NSW Government can achieve its goals through improved strategic coordination of its resources (infrastructure and staffing) and policy alignment of its various agencies and key stakeholders.

The Panel heard of the emerging Liverpool Health and Education Precinct model which provides an illustrative example of where and how government can play this role effectively (see 'Focus – the Liverpool Health and Education Precinct and integrating secondary and tertiary sectors with a student focus' on page 54).

Focus – the Liverpool Health and Education Precinct and integrating secondary and tertiary sectors with a student focus

Objective:

The Liverpool Health and Education Precinct is an opportunity to integrate secondary and tertiary education sectors to deliver strong education and training outcomes aligned with local industry and community needs. This includes bringing the local high school, TAFE NSW, universities and health providers together in an integrated partnership model.

Key elements:

- Leverage the opportunities in the Liverpool region, to offer aspirational health-focused learning pathways and opportunities for students of the future Liverpool Boys and Girls High School upgrade.
- The new high school will offer an expanded range of subjects for students, with purpose-built facilities to deliver specialised pathways into health and tertiary education.
- Shared collaborative spaces across schools, tertiary institutes and industry that will unlock opportunities for students to pursue industry-relevant education.
- Co-location options with TAFE NSW facilities on the precinct to enhance the health education and practice needs of students and industry within the Liverpool region.
- A redevelopment of Liverpool Hospital with new education and research partnerships that will give students practical access to the health industry and current practitioners.

Government's role:

- Ensure the vision for the precinct is about tertiary aspiration and has a student-focus, and that all partners are in alignment with this broader objective.
- Enabling the model to cater to the specific needs of the Liverpool community. This includes ensuring culturally and linguistically diverse and First Nations students are not disadvantaged when it comes to obtaining qualifications and career advice.
- Removing any unnecessary administrative blockers that prevents collaboration on the co-design of rapid response to regional health workforce and skills needs.
- Strategic coordination of government assets and infrastructure.
- Establishing effective governance arrangements.
- Overseeing evaluation of the model.

A long-term strategy and investment approach for blended tertiary models

Given the significant investment into these innovative models and current reform context it is critical the NSW Government develops a long-term strategy to guide future resourcing. This would help address current issues with the (mis)alignment and long-term sustainability of these models, provide greater

certainty to students, and position NSW to better leverage Australian Government investment and support.

Models like the IAT could be expanded to embed broader student pathways, new sectors and new locations. Additional strategies to engage and expand industry-led models such as the Industry Skills Accelerator (formerly NETM) should also be considered (see 'Focus – innovative and integrated models of tertiary education' on page 56).



“Leveraging the Institute of Applied Technology -a hub and spoke, or regionally-based model would distribute benefits geographically, and regionally.”

University of Newcastle, Submission, 2023

This strategy must consider the role of these models in the tertiary ecosystem, and the possible role of a future NSW dual sector university as another means of creating a more integrated tertiary sector and cohesive pathways experience for students. The Panel proposes to the NSW Government a principles-based approach for how it will support new models into the future with a strong emphasis on:

- Students being able to access flexible learning pathways with seamless entry and exit points.
- Evidence that students obtain skills that are useful to industry and that industry is willing to employ students with these credentials.

- Contribution to state priorities, and where the state is the majority employer.
- Alignment with the broader long-term objectives for the NSW tertiary system.
- Investment representing both monetary and non-monetary value and ensuring models are not duplicative.
- Data-driven evaluation to inform future decisions including transitioning pilots into sustainable models.
- Governance arrangements that document a lead party and clear ownership, accountability, authority and responsibilities between the sectors.

NSW should incorporate these principles to establish a Centre of Excellence (COE) that focuses on dual sector provision in a state priority area such as renewable energy.

Focus – innovative and integrated models of tertiary education

Institutes of Applied Technology (IATs):

- The IAT is a new tertiary education offering. Designed to rapidly respond to changing industry needs, the IAT is a partnership with TAFE NSW, universities and industry. The IAT fully integrates theoretical and practical learning with curriculums designed with real employers and focused on the state's emerging labour market needs.
- Underpinning the model is a collaboration approach – TAFE NSW, the university and industry partners co-innovate, co-design, co-develop and co-deliver training which is delivered through microskills and stackable microcredentials to develop industry-recognised skills.
- The primary goals of the IAT are to enhance student employment prospects, while simultaneously addressing employment gaps in the NSW market.
- Students studying onsite or online with the IAT may stack their learning to create pathways recognised by the education partners of the IATs.
- There are 2 Institutes of Applied Technology in the current pilot:
 - Institute of Applied Technology Construction
 - Institute of Applied Technology Digital.

The New Education and Training Model (NETM):

- The NETM was a 2-year pilot program fully funded by the NSW Government to design, develop and deliver industry-led microcredentials in rapidly advanced industries with a focus on Bradfield and the Western Sydney International Airport, including: advanced manufacturing, defense and aerospace, freight and logistics, pharmaceutical manufacturing, and agribusiness.
- The NETM is a model where industry is involved from start to finish – to identify gaps in existing skills training, work with education providers to design, develop and/or deliver microcredentials primarily to existing employees to address these skills gaps.
- NETM microcredentials are about 40 hours each, compliant with the National Microcredential Framework and are underpinned by a robust quality assurance framework.
- The pilot was highly successful and delivered microcredentials to more than 1,400 students from over 500 companies. More than 90% of students reported skills improvement or a productivity uplift, which was also confirmed by their employers.
- The program commenced its transition to a commercial model under the revised title of the Industry Skills Accelerator on a B2B model where businesses pay for employees to undertake the program on full fee-paying basis unlike the pilot which was free to students.



Establish clear guidance on NSW Government microcredential activities

To ensure microcredentials are not duplicating existing education and training products, nationally endorsed microcredentials should be the first point of reference for students, industry and the NSW Government. The Australian Government's MicroCred Seeker (Microcredentials Marketplace) and the National Microcredentials Framework can be used in the first instance. In circumstances where there is no existing product available in the market, there is opportunity to provide stakeholders with a clear set of procedures to guide the use and funding of non-accredited microcredentials.

This guidance should outline factors for stakeholders to consider when using microcredentials, including demonstrated value proposition of the microcredential, industry demand for and recognition of the microcredential, and information around microcredential quality and content to ensure the microcredential supports transferability of skills across roles and employers.

It is important to note that while microcredentials may be part of a qualification, they are also intrinsically valuable in boosting the knowledge and confidence of a student who may then go on to complete a VET or higher education qualification.

Fast-track credit transfer arrangements across TAFE NSW and NSW universities in key occupations

In line with this vision, the Panel believes there is an opportunity for NSW to show national leadership through the development of student-centred partnership agreements between TAFE NSW and NSW public universities. The NSW Government should work with its public institutions to harmonise arrangements, taking on a more coordinated brokering role, so NSW students receive more consistent credit regardless of their preferred university.

Building RPL into all new training products upfront should be considered across the tertiary system. This could help address ongoing challenges with perception and parity of esteem, as the genuine pathway options afforded by VET become more visible.

NSW is well placed to lead the development of these agreements given many universities already have existing arrangements in place with TAFE NSW. NSW universities have also demonstrated they are able to work collaboratively with one another to improve harmonisation in areas such as admissions transparency and early offers and recently on Australian Tertiary Admission Rank (ATAR) reforms. The agreements could initially be targeted in key areas that align with government priorities, where government is a major employer, and have professional accreditation arrangements that result in less variability in degree programs.

Leveraging the AUA Final Report, the NSW Government could work with the Australian Government to identify if there are opportunities to support these agreements through incentives such as Commonwealth supported place allocations.

Recommendations

Recommendation 12

The NSW Government should work with the Australian Government to design and achieve a more integrated and student-centred tertiary sector by:

- i. Establishing a NSW Centre of Excellence with explicit dual-sector provision and a state priority focus such as renewable energy.
- ii. Developing procedures and guidelines to support the future of integrated models such as Centres of Excellence, Institutes of Applied Technologies, New Education and Training Model and a potential dual-sector university.
- iii. Increasing shared physical and workforce assets across the senior secondary and tertiary education systems supported by clear policy, governance arrangements, and strategic coordination between the systems.
- iv. Providing clear guidelines on the purpose, quality and use of microcredentials for industry, government and students.

Recommendation 13

The NSW Government should work with TAFE NSW and NSW public universities to determine credit transfer arrangements for key occupations and industries by:

- i. Establishing student-centred guidelines on credit recognition, stackability and portability of VET qualifications into university pathways and vice-versa.
- ii. Prioritising consistent credit transfer arrangements in 5-10 occupations that are NSW priorities as identified in the upcoming NSW Skills Plan.
- iii. Collaborating with the Australian Government to better incentivise these arrangements and be used as a test case for a national approach.

Chapter 2.3 – VET for Secondary Students

Current issues

VET for Secondary Students continue to struggle for legitimacy, parity and priority within senior secondary education

The Panel heard that VET for Secondary Students (VETSS) is integral to supporting post-school success and can play a crucial role in meeting future workforce needs. Over the past 5 years, significant reviews and reforms have improved access and removed structural barriers to VETSS. Stakeholders highlighted the positive impact of Australian Tertiary Admission Rank (ATAR) reform to remove university categorisation and treatment of certain Higher School Certificate (HSC) categorisation of VET courses, the expansion of the Educational Pathways Program, the establishment of purpose-built vocational high schools, and policy changes to VET staffing entitlements.

Despite the benefits students have gained from these reforms, the Panel heard that there are still ongoing system-wide concerns. Specifically, that VET continues to struggle for legitimacy, parity and priority in senior secondary education. This was found to be connected to the unclear purpose that VET serves in schools. From supporting retention outcomes, offering taster programs, to enabling employment pathways, VET is still perceived as an ‘alternative’ secondary option rather than an aspirational career-paving pathway for students.

We also heard strong views that VET curriculum in secondary schools should be better aligned with NSW labour market demands. The reviews led by Professor Masters⁴⁸ and Gonski-Shergold⁴⁹ acknowledged this. However, recent reforms have failed to improve the relevance of the VET curriculum or prioritise the development of clearly defined pathway options.

With NSW facing skill shortages and the rise of new sectors such as clean and renewable energy, ensuring that the education, training and pathways in schools reflect these evolving demands and provide successful career opportunities is critically important.

“There is an issue/mismatch between high school curriculum and post school needs – lacks flexibility.”

Wollongong Roundtable participant, September 2023

Outdated approaches to VET for Secondary Students curriculum offerings impact outcomes

Stakeholders consistently told us that current approaches to VETSS curriculum offerings are complex, rigid and lack alignment with industry needs. A major concern was the rigidity of curriculum pathways of VET courses. For example, there are VET Board Endorsed courses that count as HSC unit credit but do not contribute towards the ATAR, and courses in the Industry Curriculum Frameworks (ICFs) which include a HSC exam and contribute to the ATAR.

Stakeholders also pointed to gaps in critical qualifications such as early childhood and care education, which are not available under current ICFs. They raised concerns about the requirement for students to undertake a theoretical HSC examination for ATAR calculation, which was seen to undermine the value of the VET competency-based system. Some stakeholders even argued for bolder ICF reform noting there has not been significant expansion in over a decade, except for some new qualification pathways to existing frameworks.

⁴⁸G Masters, Nurturing Wonder and Igniting Passion, designs for a new school curriculum: NSW Curriculum Review, NSW Education Standards Authority, 2020

⁴⁹D Gonski and P Shergold, In the Same Sentence-Bringing higher and vocational education together, Department of Education, New South Wales Government, 2021

Stakeholders also pointed to policy disparities regarding current NSW VETSS recognition arrangements. Research presented to the Panel, commissioned by the NSW Department of Education, indicates that NSW students receive less credit for the completion of a VET qualification in the HSC than other states.⁵⁰

For example, in NSW a Certificate III in Business is awarded 4 HSC credit units (18% of the HSC), whereas in Victoria the same qualification earns 5 credit units (31% of the Victorian Certificate of Education). Mandatory minimum 70-hour work placements also do not contribute towards HSC unit credit in NSW, while Victorian students can earn one additional credit per year.⁵¹

“The current NESA guidelines for allowing students to undertake VET in schools was last updated in 2011. Given the current employment market and persistent skills gap this requires a rethink...to ensure that the ability for students to access VET as a learning tool is fit-for-purpose in a changing workplace and economic environment.”

Motor Traders’ Association of NSW, Submission, 2023

“If a student wants to get credit for their vocational ed qualification that they’ve been doing during school, they have to do a 100% exam. So that’s almost undermining the vocational qualification that’s nationally recognised.”

Quality Delivery of VET Roundtable participant, September 2023

The NSW Education Standards Authority’s Curriculum Reform agenda outlines a priority to strengthen post-school pathways focused on ‘new learning areas for Years 11 and 12 that clearly link learning to future employment and study options’.⁵² However, more needs to be done to consider earlier stages of VETSS and strengthen the recognition of VET qualifications within the senior secondary curriculum.

VET students expressed dissatisfaction with the career guidance they received

From a student perspective, Youth Advisory Committee members voiced concerns regarding the perceived ongoing bifurcation between VET and higher education, the pressures that this creates in being compelled into a single pathway, and the overall challenges in navigating pathways from school to post-school VET and the workforce. Many students reported receiving insufficient support and advice from careers advisors, highlighting the often-dual role of teachers in these positions and their limited experience in vocational education.

NSW Educational Pathways VET Ambassadors echoed these sentiments and noted additional challenges for regional students. One ambassador reflected on the missed opportunity to undertake VET at school, citing a lack of awareness of available VET opportunities.

However, through our broader consultations, we heard about the challenges of careers advisor roles. These issues stem from unclear job descriptions and focus, resulting in overwhelming demands placed on advisors, and the need to manage teaching responsibilities, which often forces advisors to deprioritise their advisory duties. Further blurring the responsibilities are the various career support functions and roles that exist across the NSW Department of Education, such as Regional Industry Education Partnerships Officers, Pathways Officers and Advisors and Head Teachers Careers. These positions are highly valued although are unevenly spread across schools.

Another common theme that emerged in our discussions was the importance of improving information and guidance for students, teachers, parents and carers. In 2021, the Careers NSW website was launched to offer lifelong career information and guidance to students, trainees and jobseekers. While the website aimed to serve the needs of a broader audience, it lacks information on diverse pathway options required by students. Additionally, there are 2 national career-related websites, My Future and Your Career, which provide a range of information. Despite these state and federal initiatives enhancing accessibility and availability of resources, we heard this creates public confusion with individuals having to navigate through multiple sources.

⁵⁰ Nous, VET for Secondary Students (VETSS) insights report, New South Wales Government, 2022 (Unpublished)

⁵¹ Nous, VET for Secondary Students (VETSS) insights report, New South Wales Government, 2022 (Unpublished)

⁵² NSW Education Standards Authority, About the NSW Curriculum Reform, NSW Government, 2024



“Teachers still say you need to get an ATAR because university is a better option.”

“TAFE isn’t spoken about in the same regard as university in schools”.

Youth Advisory Committee Roundtable participants, April 2024

“I suggest that careers advisers should not be coming from within the school, that it be another service, they come from outside the school instead. They need a broad range of industry knowledge across the breadth of issues.”

Greater Sydney Roundtable participant, August 2023

Regulatory barriers hinder school-based apprenticeships and traineeships uptake

Across our consultations, we heard that school-based apprenticeships and traineeships (SBATs) offer positive outcomes for senior secondary students. This is reflected in the data which showed that ‘students who undertake VETSS and SBAT programs are more likely to continue into post-school VET and A&T programs, and often into similar fields of education. While the number of students who undertake SBATs is small, descriptive statistics show positive correlations between uptake and employment outcomes, especially for certain cohorts.’⁵³

However, a prevailing view is that the practical challenges and complex compliance requirements at both national and state levels often overshadow the benefits of SBAT pathways (see ‘Focus – school-based apprenticeships and traineeships compliance and regulation’ on page 62). These challenges are not restricted to students alone, impacting administrators and employers. As noted in the Joyce Review, a lack of employer engagement, higher administration costs and external training locations presents challenges to the SBAT pathways.⁵⁴

⁵³ CESE (Centre for Education Statistics and Evaluation), Pathways for the Future Pilot Project: Summary report, NSW Department of Education, 2021

⁵⁴ S Joyce, Strengthening Skills: Expert Review of Australia’s Vocational Education and Training System, Australian Government, 2019

Focus – school-based apprenticeships and traineeships compliance and regulation

Commonwealth apprenticeship support:

- The Australian Apprenticeship Support Network (AASN) serves as the initial point of contact for all inquiries about apprenticeships. AASN provides personalised advice and support services throughout the apprenticeship journey, including the signing of Training Contracts. These contracts are then registered and regulated by the relevant state training authority.
- AASN conduct the Training Contract sign up, including assessing eligibility for the incentive program, offer support services, and have regular contact with the apprentice or trainee and employer.

Training Services NSW responsibilities:

In NSW, Training Services NSW facilitates the establishment and oversight of SBATs, offering support, guidance and approval throughout the process. This includes:

- Legislative responsibilities: Training Services NSW oversees SBATs under the Apprenticeship and Traineeship Act 2001 NSW No 80 and Amendment Act 2017 No 42. They register and monitor these arrangements in NSW.
- SBAT approval: Applications to start SBATs are submitted to Training Services NSW for approval. Training Contracts are lodged through an apprenticeship network provider.
- Registered training provider approval: All training providers must be approved by Training Services NSW through the NSW Department of Education's Smart and Skilled procurement process to deliver training to SBATs.

Student requirements:

Current requirements entail students entering Training Contracts, completing a minimum of 100 days of paid employment days, enrolling and successfully completing specified Australian Qualification Framework qualifications and fulfilling on-the-job training alongside formal training requirements by specified deadlines.

Schools and provider requirements:

Schools and providers must manage student enrolment, training plans, assessment records and reporting to regulatory bodies. Similarly, employers must navigate contractual obligations, workplace arrangements and compliance with relevant laws and regulations.

A specific concern raised was the need for SBATs to have a complete training plan to start a contract. Delays in finalising these training plans affect a student's ability to begin their formal training. Additionally, frustrations arise from administrative delays in the sign up and contracting process, noting that the drive for increased apprenticeship and traineeship applications contribute to system pressures (and backlogs) at both the state and national levels, further affecting SBAT processing times.

Schools also face the challenge of building effective partnerships with employers who are key to supporting SBAT and work placement success. However, we heard that they often lack the resources and support to do this, placing pressure on an already strained teaching workforce.

“The administrative workload in supporting an SBAT in a school is also extensive...This workload is falling back on career advisers who do not have time to support large groups of SBATs.”

Quality Delivery of VET Roundtable participant, September 2023

Inequitable program supports across NSW schools impacts the student experience

Across public high schools, we heard that VETSS service delivery is not coordinated under a centralised approach. This has resulted in unmet demand for VET courses and disparities in the range of VET pathways support services across some metropolitan and regional schools.

Stakeholders acknowledged the NSW Department of Education offers a wide range of VET pathways support, such as the Educational Pathways Program and Regional Industry Education Partnerships. While these programs are highly regarded and in-demand by schools, workforce supply and funding constraints have impacted their distribution. Additionally, we heard that the absence of centralised mechanisms to coordinate programs through school networks has limited the exchange of best practice and resources.

In terms of ongoing practical challenges, stakeholders highlighted the difficulty in integrating VET course delivery into school timetables, particularly for externally delivered VET, with additional complexities experienced by SBATs.

“Partnerships have been developed in some schools, but a systemic approach is required.”

Tamworth Roundtable participant, August 2023

“Moving forward, AISNSW encourages a stronger coordinated voice between industry, employers, Australian Skills Quality Authority (ASQA) and schools, to support school RTOs in ensuring quality and relevant VET delivery.”

Association of Independent Schools of NSW, Submission, 2023

Areas of opportunity

Progressing reform to align curriculum and education offerings with industry demands

To address the long-standing issues of parity, VET for Secondary Students delivery should be focused on high-quality offerings aligned to NSW Government priority areas and local industry demands, with SBATs embedded as a core offering in schools.

Our view is that VETSS must be structurally integrated within the secondary curriculum with clear articulation pathways from at least Stage 5. This requires reviewing current secondary pathway structures across VET Board Endorsed courses and Industry Curriculum Frameworks, including HSC and ATAR calculation, and work placement. It should seek to break down barriers and address system rigidity, foster choice and better recognise the strengths of the NSW VET system’s competency-based approach across all formal assessments.

Addressing policy disparities and inequities in VETSS is crucial to supporting students to achieve success. The NSW Education Standards Authority has an important role in accrediting all teachers, and in the governance of VETSS including setting curriculum and managing the HSC. The Panel believe there is opportunity to review VET practices and policies to align with other jurisdictions (particularly in terms of unit credit recognition) where there are greater benefits for NSW students.

As acknowledged in Chapter 1.3 – Industry and skills, industry has a critical role to play in the NSW VET system. In schools, enhanced industry engagement would enrich curriculum design, clarify learning pathways and career opportunities, and support work experience. Leveraging sector-wide expertise to develop relevant and effective VET programs that meet industry needs will also support enhanced student outcomes.

Elevating SBATs as a flagship model and successful pathway in VETSS

The administrative issues outlined on SBAT pathways provide clear direction for the change that is needed. The Panel believe without addressing the operational challenges associated with SBATs, uptake will be limited and its prestige as a strong pathway to employment will continue to weaken.

Addressing compliance and regulatory burden that cause system bottlenecks for SBATs are immediate operational barriers that must be resolved. Additionally, enabling greater flexibility within the school structure to manage scheduling constraints, such as accommodating workplace hours in the school timetable would alleviate pressures for SBATs.

Another critical enabler is ensuring adequate supports and guidance across the SBAT network. We heard the Educational Pathways Program that include SBAT engagement officers have worked well to enhance SBAT outcomes including completion rates. However, as noted in earlier sections, scaling this program to ensure equitable and adequate access is core to achieving this aim.

We are aware that innovative solutions are being investigated by the department regarding a proposed VET for Secondary Students operating model. The model seeks to support schools through both centralised and localised functions and aims to enhance coordination of VETSS programs (including SBAT supports), better integrate VET courses into school timetables, streamline administrative processes



and optimise the allocation of VET teachers across public schools. Ensuring the new operating model enables enhanced decision-making around vocational offerings in schools and where resources should be allocated should also be a critical focus.

Improving the quality, consistency and availability of careers advice to meet the evolving needs of students

The Panel acknowledge the significant role careers advisors have and the pressures on advisors to cater to the evolving needs of students. The Panel's view is the role of careers advisors as specialist positions in schools needs to be reinforced with clearly defined role descriptions based on careers-only teaching position. This approach enhances the utility of careers advisors by allowing for a more focused and specialised career guidance service, with careers advisors being able to dedicate the necessary time and resources to stay current with industry trends, educational pathways and employment opportunities.

It will also enable advisors to focus on providing quality careers counselling with tasks such as organising work experience provided by localised careers support functions and roles. The Panel note

that this will require clarification of the roles, scope, interactions and relationships across people and programs that exist to support careers advisors such as Head Teacher Careers currently embedded within the Educational Pathways Program.

The Panel also acknowledges there are valuable state and national careers resources. The recommendation from the inquiry into the perceptions and status of vocational education and training to overhaul the Your Career website and develop a national careers education strategy for secondary schools⁵⁵ are both welcome steps forward which will hopefully better address the information needs of students. To build on this and ensure a student-centred approach, there is an opportunity for NSW to develop a centralised digital hub that consolidates existing and emerging careers and pathways information for students in NSW. The hub should function as a central source and entry point for navigating comprehensive career guidance information, including details on pathways, and links to resources on the HSC, subject selection, and the ATAR. This could be initially explored using existing student portal platforms available to government students and expanded to all students across the state.

⁵⁵House of Representatives, Standing Committee on Employment, Education and Training, Shared vision, equal pathways - Inquiry into the perceptions and status of vocational education and training, Australian Government, 2024

Recommendations

Recommendation 14

The NSW Education Standards Authority should ensure that curriculum for VET for Secondary Students is underpinned by:

- i. Industry relevant curriculum –prioritising high-quality VET offerings that align with NSW Government priority areas and local industry needs.
- ii. Strengthened recognition of VET qualifications –reviewing HSC examination requirements and developing a consistent approach to integrate VET competency outcomes into the ATAR calculation.
- iii. Increased unit credit recognition –awarding increased credit towards the HSC for completing VET qualifications and mandatory work placements to support dual accreditation.
- iv. Clear articulation pathways –establishing clear pathways from Stage 5 to support transitions from school to post-school destinations aligned with strong outcomes.

Recommendation 15

The NSW Department of Education should embed the school-based apprenticeship and traineeship (SBAT) pathway as a core offering within secondary schools by:

- i. Addressing compliance and regulatory burden as a priority.
- ii. Scaling supports through the Educational Pathways Program.

Recommendation 16

The NSW Department of Education should improve the quality, consistency and availability of careers advice in schools by:

- i. Strengthening the role of careers advisors as dedicated careers-only teaching positions. These roles should have clearly defined role descriptions, focused on providing high quality, student-centred careers and pathways counselling.
- ii. Integrating localised careers support functions with clarity on the roles, scope and interactions of these positions in supporting career advisors.
- iii. Delivering a centralised digital hub that serves as a single-entry point to access and navigate careers and pathways information for students. The hub should provide comprehensive and consolidated information on pathways and leverage existing state and national resources.

Chapter 2.4 – Apprenticeships and Traineeships

Current issues

Financial and regulatory barriers limit student and employer uptake of Apprenticeships and Traineeships

Apprenticeships and Traineeships (A&Ts) offer valuable training pathways for students and employers by combining formal study with practical on-the-job training. They offer strong employment outcomes for those who complete them with 95.6% of apprentices and 89.7% of trainees employed after completing their training in 2023.⁵⁶ However, despite its many potential benefits, the Panel heard that A&Ts are not as valued by students and employers as they were in the past.

We heard that financial concerns, including incentives and remuneration continue to play a key role in how A&Ts are perceived. Currently and historically, A&Ts are paid lower wages than full-time workers in recognition of their training status. However, in a strong labour market, this disincentivises students from undertaking these pathways. In recent years, incentives offered by the Australian Government to employers have improved A&T uptake, however as funding availability varies, employers often perceive their training costs as not fully covered over the long term.

The Panel notes the Australian Government’s Strategic Review of the Australian Apprenticeships Incentive System intends to better understand the impact of financial incentives on A&T uptake. This critical review provides an opportunity for the NSW Government to work collaboratively with the Australian Government to improve NSW’s A&T funding arrangements.

Contracting and administration associated with the system is also complex and acts as a barrier to commencements. Many small to medium sized enterprises lack the capacity to navigate state and national administrative requirements. The Panel recognises that many of these administrative

requirements aim to maintain the integrity and quality of the A&T system. The challenge for A&T regulators is to appropriately balance quality assurance risks for learners with excessive administrative burden for providers.

We heard clearly the NSW Government has an important role as an employer of A&Ts. However, the percentage of A&Ts directly employed by the NSW Government is historically low.⁵⁷ Despite this, A&Ts working in the NSW Government typically have higher completion rates compared to other A&Ts. To grow this number and capitalise on the many benefits offered by A&Ts, the NSW Government has committed to increasing the number of A&Ts employed across the NSW public sector by an additional 1,000 between 2023-26. To date, this initiative has supported a large increase in A&Ts in the public sector. However, like national initiatives that rely on high employer incentives, there is a risk that this increase is unsustainable over the long term.

“For apprentices and trainees, particularly those in their first and second year – economic factors are paramount in whether they will choose the apprenticeship pathway.”

National Australian Apprenticeship Association, Submission, 2023

A&T cancellation and withdrawal rates remain a concern

The number of A&T withdrawals remains persistently high as attrition rates for NSW A&T Training Contracts commencing throughout 2016-2021 have averaged close to 50%.⁵⁸ This level of non-completion is concerning, particularly where A&T completions are tied to employment outcomes for a variety of trades industry licences.

⁵⁶National Centre for Vocational Education Research (NCVER), Apprentice and trainee outcomes 2023, NCVER, 2024

⁵⁷NSW Department of Education, Update and information about the NSW Public Sector 1,000 Apprenticeships and Trainees, NSW Department of Education, NSW Government, [Unpublished]

⁵⁸National Centre for Vocational Education Research (NCVER), Completion and attrition rates for apprentices and trainees 2020: state and territory data tables, NCVER, 2023



Effective student support was flagged by many stakeholders as vital to supporting completions. Stakeholders told us that a student's distance from where they train or work is a major influencer on completion rates. This is increased for students in regional, rural and remote areas and reinforces the need for improved support for these cohorts. From July 2024, the Australian Government will be funding a new Australian Apprenticeship Support Services model. This model will offer more specialised mentoring and support for students in key equity groups such as students who are from First Nations, who have a disability, are from remote Australia and women in male-dominated roles.

“There are options for improving the retention rate by providing support for both the apprentice and the employer. Mentoring is one option.”

Ai Group Centre for Education and Training, Submission, 2023

Barriers to innovation and agility issues within current A&T models

We heard from stakeholders that there is a lack of flexibility in the A&T system. For example, training duration is rigid, multiple approvals are required

from various parties, and long lead times are needed to update A&T qualifications. This can restrict the responsiveness of A&T system in meeting the needs of learners, teachers and industry.

An example raised with the Panel is where the NSW Apprenticeship and Traineeship Act 2001 requires registered training organisations (RTOs) to obtain employer endorsement of competency for all units of competency before they deem a student competent overall. We note that appropriate sign-off processes are critical to ensuring workplace competency – however, we also heard from TAFE NSW that the current approach adds to workloads with minimal benefit overall, particularly for a provider at its scale.

Degree and higher-level A&Ts were promoted as a pathway to attract a more diverse range of people to apprenticeship opportunities by offering more advanced on-the-job skills and degree graduates for employers. Pilots for these models have been undertaken in several jurisdictions, including NSW. However, as outlined in Chapter 2.2 – Tertiary integration, there have been difficulties in the implementation of these models. Trials with higher A&T models have had challenges with ongoing sustainability due to difficulties in reconciling legislative, regulatory and funding models between the VET and higher education sectors and marketing challenges resulting from the unfamiliar nature and small scale of the pilots.

“There are benefits that arise from degree apprenticeships. The apprentice has the opportunity to apply their learning immediately back in the workplace... For the employer, there are also benefits. They can help shape their apprentice’s learning to the skills they need in their workplace and can help them develop the employability skills they value.”

Ai Group Centre for Education and Training, Submission, 2023

Areas of opportunity

Long-term reform can be facilitated through the NSW A&T Roadmap

The Panel acknowledges that the NSW Department of Education (the department) has recently released the Apprenticeship and Traineeship Roadmap in April 2024.⁵⁹ The roadmap presents strategic objectives for the NSW A&T system over the next 3 years, including to:

- Build the agility of the A&T model and pathways that meet student and industry needs.
- Increase participation in A&Ts.
- Direct resources and support to students and employers to increase completion rates.
- Build system capacity to meet current and future demand.
- Strengthen internal systems and processes to support training delivery.

We strongly support the directions taken by the department on the roadmap. For the roadmap to make effective changes to the system, our view is that the department needs to appropriately resource implementation, establish strong governance structures and set clear targets against action items.

Across the roadmap, the Panel believes the department should prioritise work to improve the utilisation of the A&T system to make it easier to navigate. The department should also prioritise improvements to completion rates through better targeting of support services. For example, maximising the availability of support by aligning NSW’s A&T support services to complement the new Australian Apprenticeship

Support Services model to be introduced by the Australian Government.

NSW can be a leader in the development and implementation of degree and higher A&T models

The Australian Government aims to advance the take up and development of degree and higher A&Ts through funding for TAFE Centres of Excellence (COE) by facilitating opportunities for students to gain more advanced skills needed by industries.

With the recommendations in Chapter 2.2 – Tertiary integration, NSW can lean into the expansion of higher A&Ts through its investments on existing integrated tertiary education models. Development of higher A&T models will help to embed A&T pathways through all stages of the student journey – from school to university and offer more opportunities for students.

Currently degree and higher-level A&Ts require a student to undertake a separate qualification at the same time as a higher education qualification or to progress from an A&T qualification. An action the NSW Government can take to progress higher A&T models is to amend legislation to allow qualifications above AQF level 6 to be declared as an A&T qualification. This would align with South Australia’s change to recognise higher level A&Ts in legislation and allow the establishment of regulated guidelines for the delivery of degree level A&Ts through formal Training Contracts.

“A broadening of the apprenticeship model needs to extend across more industries and include ‘Higher Apprenticeships’ to ensure VET is a preferred pathway for students to remain engaged in post-school education, training and work.”

Catholic Schools NSW, Submission, 2023

The NSW Government should be a model employer of apprentices and trainees

The Panel believes the NSW Government should use the opportunity of its commitment to employ an additional 1,000 and leverage its size and scale to act as a model employer of apprentices and trainees. This includes leading best-practice employment strategies, such as setting aspirational completion targets and diversity targets for employment of A&Ts in regional

⁵⁹ NSW Department of Education, Apprenticeship and Traineeship (A&T) Roadmap 2024-2026, NSW Government, 2024



NSW, equity cohorts such as First Nations students, students with disability and disengaged young people. By acting as a model employer of A&Ts, the NSW Government can influence the employment of A&Ts across other employers to highlight their positives and encourage diversity in the system.

The NSW Government should also strive to ensure the sustainability of A&T pathways in the public sector beyond the election commitment's duration. This

would require the building of capability amongst public sector employers to effectively navigate the A&T system, the promotion of A&T pathways in the public sector for prospective students and for government agencies to embrace A&Ts as part of their workforce strategy going forward. An embedded A&T pathway should have the same esteem and support as the NSW Public Sector Commission's graduate program and provide an alternative for non-university graduates.

Recommendations

Recommendation 17

The NSW Department of Education should reinforce the Apprenticeship and Traineeship Roadmap by establishing public-facing targets for NSW apprenticeship and traineeship (A&T) outcomes and prioritising actions that would support this, including:

- i. Better targeting of employer and student supports, particularly for regional, rural and remote based students to improve A&T completions.
- ii. Simplifying and addressing inefficiencies in existing A&T regulation and policies such as requirements for employer signoffs.
- iii. Innovating the A&T model by amending the A&T legislation to recognise higher apprenticeship models.

Recommendation 18

The NSW Government should position itself as a model employer of apprentices and trainees, particularly in regional, rural and remote NSW, by embedding its employment of apprentices and trainees past the current 1,000 apprentices and trainees commitment.

Section 3:

Underpinning the system

3.1 VET workforce

3.2 Assets and infrastructure

Underpinning a successful NSW VET system is its workforce, facilities, assets and infrastructure – more simply described as who delivers training, and how and where it is delivered.

Efforts to enhance the training system will be ineffective if these fundamental components of training delivery are not supported.

The NSW Government needs to grow and enhance what we currently have, both in terms of the VET workforce of committed and skilled educators and extensive VET infrastructure.

This means a better focus on supporting our current VET teaching workforce and ensuring that quality training delivery remains a central focus for the NSW Government. We also need to attract more skilled teachers noting that the sector is experiencing significant workforce shortages.

An overarching principle that guides our work is that public VET assets and infrastructure should be used for public good, and future decisions should consider how we use these assets so that the community can get the most benefit from them.

Chapter 3.1 – VET workforce

Notes on terminology:

- The VET workforce encompasses a wide range of roles and career pathways. This includes those who directly teach, train or assess, and critical support roles including curriculum design, learning support, quality assurance and compliance, administration and operations, and registered training organisation (RTO) leadership.⁶⁰
- There is significant diversity of terminology across these roles, with a wide range of job titles in use across the Australian VET system. For those who teach, train and assess this includes titles such as ‘teacher’, ‘trainer’, ‘lecturer’, ‘practitioner’, and ‘assessor’.
- For our Review, the term ‘VET teaching workforce’ is used to capture all roles that deliver training or teaching to VET students, and the broader term ‘VET workforce’ is used to capture all roles across the system.

Current issues

The NSW VET teaching workforce is experiencing high administrative burden and workload imbalances

The state’s VET workforce, whether publicly or privately employed, remains the critical enabler of how the NSW VET system will meet our ongoing skills and workforce challenges. Throughout our Review, we received significant feedback that the current NSW VET teaching workforce is challenged by unsustainably high workloads, driven in part by overburdensome administrative and compliance activities. This administrative burden stems from a wide range of sources, including compliance requirements related to both state and national regulations, national Training Package delivery and assessment requirements and updates, RTO delivery practices, mandatory teaching and industry accreditation, and from the systems used to deliver training and report on outcomes.

The huge volume of feedback we received indicates workload imbalances are a major issue for our workforce, however much of this feedback was either anecdotal or without a strong evidence base. A greater understanding of which administrative activities are

necessary aspects of robust training delivery, such as recording training outcomes or meeting necessary compliance criteria, and which are unnecessary or could further be streamlined is required.

As a clear example of the need to better understand the complexities of workload balance and administration, we note the removal of TAFE NSW from Smart and Skilled requirements (as recommended in our Interim Report) will reduce administrative activity. However, the exact saving to teaching time remains to be determined and a significant proportion of this would be at an organisational level rather than teaching level. The complex interplay between Smart and Skilled requirements, regular Training Package regulatory requirements and internal teaching policies and procedures, including the capacity of current TAFE NSW Student Management Systems, also contribute towards teaching workloads and requires further review.

“There is a pressing need to address the excessive compliance demands that overburden teachers and undermine good pedagogy.”

TAFE Community Alliance, Submission, 2023

⁶⁰ Jobs and Skills Australia (JSA), VET Workforce taxonomy, Australian Government, April 2024 (Unpublished)



Upskilling has been sidelined in the face of immediate challenges

The quality of VET teaching is critical to how the NSW VET system will meet current and future skills needs. However, through submissions and survey responses, NSW VET teachers indicated they have concerns around current support for upskilling and reskilling, training quality, capability growth, and industry currency across their profession—both in the public and private VET workforce. Broader workforce capability needs (such as leadership, digital literacy, understanding of emerging technologies, problem solving, working in teams) also require ongoing attention.

With the growing pressure on the VET teaching workforce to deliver training and meet greater skills gaps, the focus on upskilling and enhanced teaching quality has been seen by some as falling by the wayside. Concerns include a perceived erosion of high-quality teaching practices and methods, and the central importance of effective pedagogy within VET is diminishing. This drive towards quantity of delivery over teaching quality has been exacerbated by the high non-teaching workload burdens discussed previously.

The Panel recognise there is an inherent tension between trying to support teaching quality and safeguard professional standards, while at the same time ‘opening up’ the profession to make it more accessible to broader industry professionals to fill

acute skills gaps. A better balance needs to be struck between ensuring there is flexibility for new teaching professionals to move in and out of industry and ensuring the highest levels of teaching quality in NSW VET.

“There has been a declining commitment and investment in the ‘E’ of VET: education... there has also been a declining investment in professional development of both in-service and pre-service VET teachers.”

Individual Submission, 2023

VET teaching capacity is further constrained by a lack of workforce mobility

There are severe pressures on the current VET teaching workforce to meet skills demands, with the ongoing challenges associated with attracting new teachers, trainers and assessors in the current constrained job market. The Panel recognises that a crucial aspect of VET teaching workforce effectiveness is its composition and ensuring it has the correct mix of educators, support staff and industry expertise.

In response to current constraints, one area the Panel examined is how flexibly our public VET teaching workforce can be utilised. This includes both TAFE NSW staff and teachers in our public high

schools delivering VET qualifications. Employment arrangements used across the public sector, which importantly serve to safeguard teacher conditions and standards, can also limit flexibility in how the teaching workforce is utilised.

As a subset of the VET teaching workforce, the VET for Secondary Student (VETSS) teaching workforce is similarly constrained by separate agreements which impact the potential VETSS growth and contribution. We heard numerous examples during our consultations of VETSS delivery being limited by insufficient numbers of VET teachers in some schools or underutilised VET teachers in others. Additional credential requirements for VETSS teachers, including school teaching qualifications in addition to the VET sector requirements, further contribute to limited mobility across the public VET workforce and create barriers to entry for industry trainers.

Attracting and motivating people into the workforce remains a critical challenge

While supporting and retaining our current VET workforce is of critical importance, its long term sustainability is dependent on how effectively we can attract new teachers and address workforce supply. This is particularly the case given the demographics and status of the current VET workforce, which are aging (with 40% of the current national workforce aged 55 and over⁶¹) and highly casualised (with 46% in either casual or contract positions⁶²). These challenges are further exacerbated as trainers and assessors are required to be highly skilled in their industry and hold relevant education credentials to be qualified to teach.

Effectively attracting new teachers into the NSW workforce will also play a critical role in supporting capacity within our current VET teaching workforce, providing greater opportunities across the sector for critical activities such as educational leadership and succession planning.

Addressing workforce issues requires coordinated activity at a national, state, regional and local level to address training, industrial and broader career attractiveness factors that currently limit workforce supply. The Panel believes there is a significant opportunity cost if these issues are not addressed which will impact many sectors and delivery outcomes – for example, affordable housing supply, the care sector and modern manufacturing. The VET Workforce

Blueprint, collaboratively undertaken by the Australian, state and territory governments, will seek to provide an actions-based approach to building, retaining, and supporting a high quality workforce.

VET teacher qualification and compliance challenges, particularly around Training and Education Training Package (TAE) requirements, have been a longstanding barrier to attracting new people to the teaching workforce.

The Panel notes that significant steps are being undertaken at the national level to address TAE issues. Earlier this year, Skills Ministers agreed to changes to the current Standards for RTOs to expand the workforce pool. This includes:

- i. enabling people who hold a qualification in education as a secondary school teacher to deliver training in any VET setting under supervision
- ii. enabling people who are ‘actively working towards’ their TAE qualification to deliver training under supervision.

These recent changes are an important first step in growing the VET teaching workforce but there is much more to be done including exploring how provisions could be appropriately extended to primary school teachers to enhance delivery of foundation skills in VET.

In NSW, successful pilots such as the TAFE NSW Paid to Learn program (see case study 4) offer useful examples on what can be achieved in terms of attracting new people and expertise into the sector. However, these approaches require significant public funding and should be used as a targeted strategy. A further important consideration is increasing workforce diversity, to ensure that VET workforce is diverse and reflective of the students they teach and can further support cohorts experiencing disadvantage.

“Attracting industry professionals into the VET sector as VET practitioners will require the development of a strategy to attract, recruit, train, and retain industry professionals into the teaching workforce.”

AI Group Centre for Education and Training, Submission, 2023

⁶¹ Australian Bureau of Statistics (ABS), Census of Population and Housing for Vocational Education Teachers in the TVET sector, Australian Government 2021

⁶² G Knight, I White and P Granfield, Understanding the Australian Vocational Education and Training Workforce NCVER, 2020

Areas of opportunity

Invest in the quality and capacity of the current VET teaching workforce first, including reducing administrative burden and focussing on teacher upskilling and reskilling

Given the volume of feedback on current NSW VET teaching workforce issues, our strong view is this should be prioritised. We need to better understand and reduce administrative burden for teachers and create greater workforce mobility to support capacity over the longer term. This focus should also be matched by prioritising investment in upskilling to support best practice educational pedagogy to support the profession in meeting future challenges of both the system and students.

Understanding the work pressures on the VET teaching workforce will require moving beyond anecdotal evidence. A more rigorous evidence base should fully detail and quantify the multiple intersecting demands placed on VET teachers from an administrative, regulatory and compliance perspective and establish clear goals to reduce burden within a targeted action plan. This could include a comprehensive audit to remove, simplify, or digitise administrative tasks through appropriate measures. It could also seek to clarify and define what activities are necessary for quality assurance purposes and consider where new technology such as AI can be leveraged to simplify onerous tasks. Establishing this action plan approach in partnership with key workforce stakeholders will help drive a coordinated approach with a focus on quick wins and measurable outcomes, such as a reduction in over-burdensome and unnecessary compliance activity at the state level.

The NSW Government should also work collaboratively with key stakeholders across the NSW VET system (including TAFE NSW, unions, and peak bodies for community and private providers) to support the VET teaching workforce upskill and reskill in areas of high teaching need. This should include development and implementation of activities within existing resources that support industry currency, communities of practice, a focus on pedagogical best practice, and programs that support career progression and build leadership capability. Noting the national profile of 40% aged over 55, leadership capability development has been identified as critical across the sector's workforce to enable succession planning and the required knowledge transfer across high performing teaching teams.

Pilot collaboration models across TAFE NSW and schools to better utilise existing workforce

Increasing opportunities for collaboration across different components of the public VET teaching workforce (particularly across the department and TAFE NSW's VET workforce) will help retain, upskill and better utilise current VET trainers. It will also ensure the public workforce is better able to be targeted by the NSW Government to be responsive to local skills needs.

Given the long-standing, effective and separate employment arrangements that are currently in place for different components of the public VET teaching workforce, this opportunity would need to be explored through an appropriately targeted trial that is co-designed between the NSW Government and key representative bodies such as the NSW Teachers Federation. Piloting and evaluating these collaborative approaches in identified local and regional areas would then inform future workforce planning activities.

“Establish joint partnerships between TAFE colleges and local public schools to ensure TAFE teachers and schools teachers work together with student groups.”

NSW Teachers Federation, Submission, 2023

NSW should work with the Australian Government to position itself as a national leader in workforce attraction

The emerging national VET Workforce Blueprint presents a promising framework for all stakeholders to work together to address critical workforce challenges within the sector. The blueprint's strong focus on growing the workforce, enabling and promoting multiple entry pathways, and implementing succession planning will lead to significant measures that improve the long-term sustainability of the NSW VET system. Of note is the blueprint's aspiration to target the development of specific responses at the national, state and territory, RTO and local levels.

The Panel sees an opportunity under the blueprint for NSW to lead on the development and implementation of targeted initiatives to attract more industry-experienced professionals and adult educators into a high-quality VET teaching workforce. A key opportunity is how to sustainably leverage and expand approaches that have successfully demonstrated how to attract new VET teachers, such as the TAFE NSW Paid to Learn



program (see case study 4). Any further development and expansion of programs should be targeted on areas of critical skills needs and teacher shortage.

A key focus for the development of pathways into VET careers should be workforce diversity, with targeted approaches needed to encourage equity cohorts to consider VET careers. Noting key cross-governmental priorities such as the Closing the Gap strategy⁶³ and recommendations from the Disability Royal Commission⁶⁴, the Panel's view is equity cohorts in the VET teaching workforce include educators with a specific focus on First Nations students, students with disability, students from culturally and linguistically diverse (CALD) backgrounds, and regional and remote students. Diversity pathways programs should include clear pathways for progression and support for specific wrap-around services for these aspiring educators to ensure they can successfully transition into the VET workforce.

The Panel also notes the opportunities the NSW Government has as a major employer and trusted partner with industry to promote opportunities to existing industry professionals to explore careers in

the VET teaching profession. This includes exploration of industry awards that are controlled by the NSW Government to include provisions on access to paid study leave to do VET teaching qualifications.

Similarly, exploring how the NSW Government can use its purchasing power through major government contracts should look to ensure industry professionals that deliver the contracts are provided with opportunities to undertake VET teaching qualifications. Finally, the Panel notes the new approach detailed in Chapter 1.3 – Industry and skills to developing industry compacts in identified critical industry areas and suggest that expansion of the VET workforce should be prioritised through those new agreements.

“Explore avenues to boost the supply of TAFE teachers, including ensuring their time is used most effectively; ensuring VET teacher training is fit-for-purpose; and trialling approaches to broaden the pool of VET teachers, while maintaining quality.”

NSW Productivity Commission, Submission, 2023

⁶³ Department of the Prime Minister and Cabinet, Closing the Gap, Commonwealth of Australia, 2024

⁶⁴ Australian Government, Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability Final Report, Australian Government, 2023

Case study 4: Attracting new VET teachers - TAFE NSW Paid to Learn program

Established by TAFE NSW in late 2022, Paid to Learn (PTL) offers an accelerated pathway to becoming a qualified teacher. The program fast tracks the transition of qualified industry professionals into vocational teacher roles in 14 weeks, providing wraparound support while new recruits are paid to complete the Certificate IV in Training and Assessment (TAE). Through this approach, PTL removes barriers for industry experts keen to pursue a career in teaching, while simultaneously tackling critical teacher shortages across NSW.

As of May 2024, 140 teachers have completed the PTL program –with the program having a 97% completion rate of participants in its first 3 cohorts. The program also demonstrates strong retention rates and has resulted in a significant decrease in delayed apprentice starts due to providing additional teaching capacity. The success of the PTL program is enabled through rigorous wrap around support and an innovative reporting system that captures and implements feedback provided by participants.

Going forward, the VET Review Panel notes that there are opportunities to leverage the PTL program approach to attract current industry talent where the full TAE is not a barrier or required. For example, recruiting staff to upskilling with Assessor skillset or other specific skill sets is feasible and still providing the wraparound support to ensure high completion and retention rates.

Recommendations

Recommendation 19

The NSW Department of Education and TAFE NSW should support the current VET teaching workforce by immediately implementing activities that:

- i. Better understand and reduce unnecessary administrative workloads to improve the teaching experience and maximise the value of teachers' time.
- ii. Investigate solutions to align regulation and compliance requirements across the NSW VET system.
- iii. Prioritise investment in upskilling and reskilling the current public sector VET workforce in areas of high skill demand.
- iv. Pilot collaborative workforce arrangements at select secondary school and TAFE NSW campuses and use a robust evaluation approach to inform future workforce planning and enterprise bargaining activity.

Recommendation 20

The NSW Government should work with the Australian Government to develop and implement initiative(s) under the emerging VET Workforce Blueprint that enable and promote multiple entries and pathways for new VET teachers, including:

- i. Expansion of successful approaches such as the TAFE NSW Paid to Learn program to target areas of critical skills needs and teacher shortage.
- ii. Encourage equity cohorts including First Nations, students with disability, culturally and linguistically diverse students, regional and remote students to consider careers in VET.
- iii. Leverage the NSW Government's role as an employer, industry partner and major purchaser to promote opportunities for industry professionals to enter the VET teaching workforce.

Chapter 3.2 – Assets and infrastructure

Current issues

Long-term underinvestment in VET physical and digital infrastructure and assets

Consultations and submissions to the review made it clear that the current NSW VET system is failing to consistently provide assets and infrastructure that are fit-for-purpose and meet face-to-face and online training delivery needs of students and communities. Despite many positive and notable investments into VET infrastructure by the NSW Government, there remains significant inconsistencies in quality and access for VET infrastructure across the state. This has resulted in scenarios where state-of-the-art VET infrastructure is available at some locations or industry areas, yet many parts of the state are reliant on outdated or inadequate training facilities and equipment.

This long-term underinvestment applies not just to new facilities and equipment, but critically to the maintenance and upkeep of current infrastructure. The Panel note that the asset replacement rate for TAFE NSW infrastructure has failed to keep pace with other public sector standards. This has resulted in the state's largest VET provider often struggling to maintain its facilities to a basic usable level and not able to proactively plan for longer-term investment to upgrade facilities and equipment to industry standards. Similarly, access to high-quality and industry aligned VET for Secondary Students (VETSS) facilities varies significantly across the state often limiting the ability of schools to offer VET to their students.

Our Interim Report noted that improved data on current infrastructure is needed to better understand the type, location, and usage of existing VET-related infrastructure, particularly NSW Government-owned and funded facilities. We recommended that the NSW Government undertake a comprehensive asset audit and note that this robust evidence base will be critical to informing future strategic approaches to investment-planning for the state's assets and infrastructure.

“Many existing VET facilities and TAFE campuses in NSW have outdated or non-existing infrastructure. Maintaining and upgrading these facilities can be costly and challenging.”

M W Training and Management Consulting,
Submission, 2023

Underutilised public infrastructure does not benefit local communities

Our Interim Report highlighted many stakeholders' views around the perceived decline in connections between public VET infrastructure and local communities, particularly at many TAFE NSW campuses across the state. This lack of connection between communities and assets is being felt not just at a customer service level, but also how assets and infrastructure are being accessed and used by the broader communities.

The Panel's strong view is that that public assets should be used for public good. VET assets should be made available for other public or community purposes when the assets are not used and no longer serve a genuine teaching and learning need. However, we note that changing policies around facilities access, and current NSW Government requirements to seek commercial rents for public assets⁶⁵, limits leasing options that are more aligned with community-orientated outcomes. Furthermore, we note that underinvestment in asset maintenance has also made the commercial leasing of publicly owned infrastructure unachievable in many circumstances due to their poor state or quality. This leaves these assets in a state of limbo and subject to further deterioration.

Mismatch in regional infrastructure and skills needs are of concern

What has been notable throughout our consultations has been how critically important VET facilities are to regional and rural communities, often serving as

⁶⁵NSW Treasury, NSW Treasurer's Direction TD92.2 469.01 - Seeks for market values to be achieved on leasing activities of all agencies, NSW Government, 2018

important community hubs in these areas. The NSW Government must appropriately consider regional needs and the importance of physical campuses to regional communities in asset planning. Many stakeholders reflected that there are significant current mismatches between existing VET infrastructure and the skills needed by regional workforces. This is further exacerbated by the condition, functionality and performance of many local facilities not meeting contemporary learning requirements.

One area the Panel explored in addressing these mismatches is the effectiveness of networked or shared approaches to effective infrastructure sharing, however we note that these are difficult to implement in practice. Competing industry organisations and registered training organisations (RTOs) are understandably reluctant to make investments that may provide a benefit to their competitors. Even where there is willingness to collaborate and share, practical considerations such as asset availability, timetabling and bookings, health and safety issues, risks to equipment and insurance liability concerns, act as barriers to effective asset sharing.

The Panel note that overall, there is a lack of information and incentives for providers across the sector to share facilities or co-invest in more cost-effective models. For public assets, the Panel notes that a range of policy constraints are currently in place that serve to limit the effective sharing of assets. For example, the need to demonstrate market value is being achieved when allowing an external party to use public facilities often precludes government entities from engaging with community organisations and other not-for-profit groups. Competitive process guidelines also require consideration which limits direct dealings with partners without due competitive and open process.⁶⁶

“Challenges regarding maintaining, replacing and obtaining physical and digital infrastructure, particularly outside capital cities... needs either access to capital or reasonable and flexible policy approaches from government to managing large estates, including the ability to make major changes where necessary.”

University of Newcastle, Submission, 2023

Areas of opportunity

A strategic and coordinated approach to guide public investment into VET facilities

The asset audit, as recommended in our Interim Report, presents a significant opportunity for the NSW Government to use its findings to inform a more coordinated approach to planning and funding for NSW VET infrastructure. Building on the audit, future capital investment into VET infrastructure should be driven by rigorous evidence-based decision-making based on understanding training demand and industry needs in specific areas of the state.

This opportunity shouldn't just focus on guiding decisions related to funding new infrastructure, though this is vitally important, but also guide the utilisation and upkeep of current assets. For most of the state and our communities, the VET infrastructure that currently exists will form the backbone of training provision long into the future. If the NSW Government is not maximising and maintaining its existing stock of VET assets, then planning for effective future investment will be challenging. Our strong view is that making best use of what we currently have should be the central consideration within any strategic approach to capital investment.

Going forward, investment planning for future skills needs must be evidence-based and responsive to robustly determined regional skills demand. To do this effectively, capital planning for skills should be strategically aligned to the NSW Skills Plan once in place. This consistent, evidence-based approach will also benefit key organisational strategies such as the emerging TAFE NSW Campus Master Plan.

“The largest challenge for capital investment for infrastructure is related to funding... A long term single touch approach to funding would help alleviate this issue.”

Motor Traders' Association of NSW, Submission, 2023

⁶⁶Independent Commission Against Corruption (ICAC), Guidelines for managing risks of direct dealings, 2018



Public benefit and public good should guide decisions on underutilised assets

To appropriately leverage audit findings, the NSW Government should develop a decision-making framework that will guide future use considerations for public VET assets. This framework should apply consistently to all NSW Government agencies that manage VET assets and the NSW Government should develop and embed effective governance approaches to enable a whole-of-system view to be taken on investment decisions. A first principle for this decision-making framework should be ensuring that any decision delivers public benefit and public good. Effective implementation of this approach should also allow decisions to be aware of broader public sector asset management strategies, heritage considerations and local need (for example, housing, health and education needs in a local area).

Under this future framework, the Panel could foresee how the NSW Government might support the alternative use or adaptive reuse of a non-essential, unused and not fit-for-purpose VET asset or landholding if it:

- i. meets strict criteria around public benefit and
- ii. contributes to a legitimate asset planning strategy as part of a broader evidence-based approach.

To support this framework, current policies that direct the use of public assets for skills activities should be reviewed to ensure they are leading to the best outcomes for local communities. This includes examining current community-use and commercial rent related policies and should seek to ensure that NSW Government efforts to maximise utilisation of the current VET asset portfolio are not obstructed by conflicting policy objectives.

Sharing infrastructure and assets provides a cost-effective approach to enhance training access and outcomes

Our consultations highlighted instances of networked approaches to effective infrastructure sharing and identified benefits for industry, RTOs and students when training delivery involves shared use of resources that parties may not have access to on their own. This approach has strong alignment with stewardship, which sets collective goals for the system then uses assets strategically to deliver on those outcomes. However, there is a notable lack of strategic coordination and collaboration across schools, industry and RTOs to utilise available infrastructure and assets more effectively for training purposes. In cases where collaborations occur, they are often reliant on local relationships that have been cultivated over long periods of time.

To overcome barriers to improved collaboration, there must be collective interest and alignment between stakeholders when sharing infrastructure and assets with clear mutual benefits. As detailed in Chapter 2.2 – Tertiary integration, the recently established Liverpool Health and Education Precinct, which brings together schools, TAFE NSW, universities, health providers and industry, offers an exciting model for future precinct planning and shared asset models.

Further building on examples of best practice, stakeholders should be provided with clear guidance on how asset sharing can be implemented and managed effectively. This is particularly the case for public assets, which are subject to the range of current NSW Government policy considerations detailed above which can act to constrain innovation and flexibility in approaches to asset sharing and co-location.

The Panel sees the development of strategic guidance and protocols for best practice infrastructure and asset sharing as a practical next step to support improved

training outcomes and greater utilisation of government investment into VET infrastructure. These protocols should acknowledge that asset sharing, networked assets and co-location of facilities can be very difficult in practice due to governance challenges and management practicalities. To be effective, these protocols should provide a clear framework for how these issues can be managed.

“Encouraging providers to explore partnerships with industry and finding innovative ways to access the latest equipment are strategies that have had previous success. This is often easier to achieve at the local level, where providers can establish personal relationships with local businesses.”

**Ai Group Centre for Education and Training,
Submission, 2023**

Recommendation

Recommendation 21

The NSW Government should use the findings of the NSW VET infrastructure asset audit to inform the development of:

- i. An overarching NSW Government strategic capital investment model for public VET infrastructure that encompasses the following key aspects:
 - investment planning for physical and digital assets that is responsive to regional skills need and aligned to the NSW Skills Plan
 - proactive and sustainable asset maintenance strategies for existing VET infrastructure, ensuring maintenance spend for VET infrastructure addresses current maintenance backlogs and is in line with comparable NSW Government assets
 - a ‘public benefit first’ decision-making framework to guide utilisation and re-use strategies for public VET assets
 - examination of current NSW Government community-use and commercial rent related policies to maximise utilisation of the current VET asset portfolio for community and public benefit.
- ii. NSW Government VET guidance and protocols for networked assets and facilities sharing that will inform:
 - co-location, governance and cost-sharing models for networked assets and integrated learning facilities
 - partnerships between VET providers and industry for asset and equipment sharing.

Next steps

Our Review has found that NSW's current VET system requires significant transformation. Appropriate and carefully managed reform is needed to ensure NSW has the capacity and capability to meet the skills challenges we face now and into the future.

This Final Report provides our directions for the NSW VET system, building on the system's existing strengths and emphasising where further change is required. Foremost among these strengths is the committed and collaborative nature of its many stakeholders. The Panel is indebted to all stakeholders who have provided extensive and insightful input to our Review. Going forward, continuing to harness this deep knowledge and capability will be critical to the future of the NSW VET system.

We see the recommendations that we have put forward within our Interim and Final Reports as a call to action for the NSW Government to transform, integrate and underpin the NSW VET system.

The significant volume of change as recommended within our Reports will require careful contemplation by the NSW Government. We recognise that large-scale transformation in a complex and important system such as VET can't occur all at once. A planned and stepwise approach is critical to deliver on the change management program within the fiscal environment. This will ensure that confidence can continue to be built with key stakeholders across the sector.

Major changes, such as embedding stewardship across the system and moving to a more needs-based funding model requires detailed planning and staged implementation with clear milestones articulated. We also recognise that given TAFE NSW's critical role as the backbone of the VET system, significant and measured longer-term reform is required. It is crucial that TAFE NSW produce a clear costed reform map, stepping out the actions, timeframes and key deliverables under its Charter to ensure it can be leveraged as a strategic asset for government.

We urge the NSW Government to begin the transformation journey by prioritising action to safeguard and enhance aspects of the system that have a direct and immediate impact on our learners and providers. This includes:

- undertaking urgent updates to prices, fees, loadings and contracts to provide greater certainty to our providers delivering critical training. Similarly, increased focus is required into the crucial underpinning elements of the system, our VET teaching workforce and the assets and infrastructure used to deliver training.
- to better support current learners, work needs to commence to increase access to wrap around support for equity cohorts, commit to meeting the specific skills needs of our regional communities, and enhance the delivery of VET to secondary students.
- to set up the system for future success, there is a need to prioritise the development of critical new data and performance components for the system, including the Skills Insight Data Asset, Performance Outcomes Framework and Industry Compacts through the NSW Skills Plan. In the tertiary space, priority should be placed on developing new credit transfer arrangements in key occupations and industries, and providing greater clarity on the role of microcredentials.

In closing, this Report sets out our view for the future of the NSW VET system as a network of high-quality training providers with the NSW Government as its steward. To achieve this, reform must place students at the centre of the system and ensure that delivery is attuned to industry needs. Through doing this we will be on track to restore VET as a key driver of our State's economy and be better prepared to meet future challenges.

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

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