



# Skills for Victoria's Growing Economy

Independent Review

June 2020

## Executive Summary

The University of Melbourne welcomes the opportunity to contribute to ‘Skills for Victoria’s Growing Economy’, the independent review of Victoria’s skills system (the Macklin Review).

Victoria’s skills system is critical to the State’s economic and social wellbeing. While impossible to predict in detail, we know that industry transition, disruptive technologies, challenges such as Covid-19 and climate change, and demographic trends will each affect the demands placed on our skills system. Skills providers will need to adapt if they are to meet these demands. It is appropriate for the Review to take a long-term view of the challenges and opportunities that these changes represent. Both the Victorian Government and the Review team are to be commended for adopting a forward-looking approach, addressing Victoria’s skills needs over the coming decade.

The Covid-19 crisis will, of course, have its own set of impacts on Victoria’s skills outlook. The pandemic has already caused widespread displacement of workers while triggering an increase in demand for some skills. It is inevitable that some of the businesses that have been shut down during the pandemic will not recover, but also that other organisations will benefit from new opportunities generated by the crisis. Included in the impact of the pandemic is its effect on the international education sector - Victoria’s largest export. As well as delivering a major hit to the State’s economy, this directly affects the operations of Victoria’s education providers and therefore the value it offers for the State. These challenges underscore the importance of quality policy development and ensuring that sector reform is driven by expert advice and a clear view of the broad aims for Victoria’s skills system.

### **About this submission**

The Issues Paper offers a comprehensive survey of the issues facing skills provision in Victoria’s post-secondary education system, albeit with a heavy focus on vocational education. The following comments do not attempt to address each of the issues raised in the Paper. Instead, the submission discusses four key areas for reform that fall within the Review’s terms of reference, identifying problems with current settings in each of those areas and recommending actions to be taken by the Victorian Government in response to these problems. In each case, we note the parts of the Issues Paper to which our comments are addressed where this is relevant.

The four key areas for reform are:

#### 1. Assessing and measuring learning outcomes

Current approaches to measuring learning outcomes fail to capture the full range of capabilities that students ought to develop in their studies. The concept of “learning capabilities” is a useful way of thinking about the outcomes desired of our education and training system. Learning capabilities are those that support a student’s capacity to continue learning beyond a given program of study. They include numeracy and literacy, but also broader skills relating to collaboration, innovation, and critical thinking. Reforms to the measurement of outcomes in senior secondary school, and a bigger role for work-based training, would better encourage the development of learning capabilities.

#### 2. Responding to emerging skills needs

Labour-market modelling is useful but limited in its ability to project long-term skills needs. Meeting the changing needs of Victoria’s economy will therefore depend upon ensuring students possess the basic skills that allow them to adapt to changing circumstances, and upon workers having the opportunity to continue updating their skills throughout their work lives. Deeper collaboration between education providers and employers, and a bigger role for micro-credentials, will make the tertiary education sector more responsive to immediate skills needs.

### 3. Reforming the VET sector

VET sector reform would benefit from a clear statement of the public value that the sector holds for the State, encompassing its role in skills provision but also its role in engaging Victorians in danger of not participating in employment or education. Curriculum reform, pursued through the National Cabinet, could unlock the potential for vocational education and training to help drive innovation in the State's economy. There is also a need for a review of subsidy levels in the VET sector given the lack of a clear policy rationale for the current settings.

### 4. Realising the potential of Victoria's universities

Victoria's universities are a major component of Victoria's skills ecosystem, delivering the graduate-level skills required in an advanced economy and driving innovation through research and development. Key to the performance of Victoria's university sector is a diverse range of institutions and promoting equity and access by offering students a range of curriculum options. The Victorian Government can support the State's universities through governance and regulation reforms that reduce red tape, and through continuing to invest in Victoria's research capability. In addition, universities are a source of evidenced based research that can inform government policy making. Whether it involves attending university or a VET program, Victoria needs high skilled workers. Our economists, education researchers, and others can help to understand transitions and opportunities through schooling. Getting easier access to education data would help us to better collaborate and think about how we can encourage Victorian youth to pursue education and training.

The comments provided below have been largely informed by an internal consultation on the Review, drawing from the research expertise available across the University on matters that fall within the terms of reference. The attached 'Capability overview' outlines relevant research being conducted at the Melbourne Graduate School of Education, the Melbourne Centre for the Study of Higher Education and the Melbourne Institute of Applied Economic and Social Research. We would welcome the opportunity to engage further with this Review.

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# Recommendations

## Assessing and measuring learning outcomes

The University of Melbourne recommends that the Victorian Government:

- pursue assessment and measurement reform to give more prominence to “learning capabilities.”
- consider the adoption of learner profiles as a standard format for representing the learning outcomes achieved in senior secondary school.
- recognise the benefits of work-based training in senior secondary school, vocational education and training and higher education in supporting the cultivation of learning capabilities; and
- pursue measures to expand work-based training, such as:
  - addressing the barriers to the inclusion of work-based components in VCE;
  - developing template agreements to reduce the administrative burden for employers, students and education providers; and
  - expanding and promoting the placements that the Victorian Government itself offers.

## Responding to emerging skills needs

The University of Melbourne recommends that the Victorian Government:

- recognise skills forecasting as one tool among others by which Victoria’s education system anticipates and responds to the future needs Victoria’s labour market.
- strengthen Victoria’s capacity to respond to the changing needs of the labour market through a focus on the cultivation of learning capabilities along with continued access to education and training to allow Victorians to update their skills as needed.
- support greater collaboration between education providers and employers in curriculum design and delivery, to sharpen the responsiveness of the skills system to labour market needs.

## Reforming the VET sector

The University of Melbourne recommends that the Victorian Government:

- articulate a broad statement of the public value that the vocational education and training sector holds for the State.
- pursue curriculum reform through the National Cabinet to widen the skills aims of vocational education beyond the cultivation of competencies specific to a given occupation.
- review the allocation of subsidies for vocational education and training, and articulate clear principles for determining subsidy levels.

## Realising the potential of Victoria’s universities

The University of Melbourne recommends that the Victorian Government:

- recognise institutional diversity within Victoria’s higher education sector as a key enabler of excellence and equity.
- support innovation and performance in Victoria’s universities by enacting governance and regulation reforms relating to Council appointments and land use, while maintaining oversight measures to ensure accountability.
- support research performance and public policy impact by widening access to public sector data for authorised users in the university sector.
- invest in Victoria’s research capability through an ongoing funding program for research and research infrastructure, thereby positioning Victoria’s universities to attract and/or leverage greater levels of funding from the Australian Government and from industry.

## 1. Assessing and measuring learning outcomes

The approach to assessing and measuring learning achievements exerts considerable influence over the skills and capabilities that students acquire. The assessment and measurement framework informs curriculum design, and informs student choices concerning what to study, thereby shaping the subsequent study and employment pathways that are available to students. Getting this framework right is therefore critical. It is crucial that we measure and assess the capabilities that we value. Otherwise we are likely to merely value those that we happen to measure.

It remains the case that our assessment and measurement frameworks do not fully capture the range of skills and capabilities that learners should ideally acquire through a program of study. Reforming the ways that we measure learning outcomes represents an opportunity to drive improvements in Victoria's post-secondary education system.

A recent industry paper prepared by researchers from the Melbourne Graduate School of Education (MGSE) outlines the concept of "learning capabilities" as a way of thinking about the outcomes ideally generated by our education system.<sup>1</sup> Learning capabilities are attributes that support a student's capacity to continue learning beyond a given program of study. These capabilities include skills traditionally expected such as literacy, numeracy and IT skills. They also include broader capabilities relating for example to collaboration and innovative thinking, which often are less well captured in traditional approaches to assessment. Victoria's education system should prioritise learning capabilities. A successful lifelong learning agenda, in which students and workers continuously reskill and upskill throughout their lives, depends upon them having acquired these capabilities.

While it is generally recognised that educational programs should equip students with more than just literacy and numeracy skills, and more than the ability to complete a set of discrete tasks required in a particular job, challenges to achieving this remain. Current approaches to teaching and assessment do not adequately support these capabilities. The MGSE industry paper notes that:

Sustained effort and investment are required to change the organisation of learning so that learners can develop these capabilities. Learners need to practise performing in authentic, challenging and engaging learning tasks that require these capabilities" ... "changing assessment and recognition practices provides an effective lever to support necessary modifications to the organisation of learning."<sup>2</sup>

The University of Melbourne suggests two areas for reform in the assessment of learning outcomes for generating a greater focus on learning capabilities:

- the assessment and measurement of learning achievement in senior secondary school;
- the role of work-based training across the education system.

### Senior secondary school assessment

The Australian Tertiary Admissions Rank (ATAR) has long occupied a central position in our framework for reporting on the learning outcomes students achieve in senior secondary school. There are clear advantages to the use of the ATAR. It serves a reliable indicator of academic preparedness for students who received a high ATAR. It is also an efficient and transparent means of making course offers where demand for places exceeds supply.

Notwithstanding these benefits, there are legitimate concerns about the way that ATAR is used and about the misunderstandings relating to this use. Important to the current discussion, the ATAR is

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<sup>1</sup> Milligan, S. K., Luo, R., Hassim, E., & Johnston, J., (forthcoming). *Future proofing students: How to assess and credential complex capabilities*, Melbourne, Australia: Melbourne Graduate School of Education, The University of Melbourne: Melbourne.

<sup>2</sup> Ibid., p.4.

determined by academic achievement and is less useful in capturing the broader set of skills not measured in senior secondary examinations. Also, the ATAR is ‘university-centric’ in that it reflects preparedness for university study. It is therefore less relevant to non-university pathways. The ATAR can also have a distortive effect on students’ subject selection, to the extent that students choose subjects based on what they believe will maximise their ATAR rather than based on their interests and post-school aspirations. Finally, the over-emphasis on the ATAR in schools and in the media masks the diversity of admissions criteria used by universities: growing numbers of students are admitted in part or entirely on a basis other than the ATAR.

There is an opportunity to enact reforms that broaden the approach to measurement and assessment in senior secondary school outcomes – to safeguard the advantages of the ATAR while reflecting a wider set of educational and career aspirations for students. The *Beyond ATAR* policy paper – published by the Australian Learning Lecture and co-authored by researchers at the University of Melbourne and RMIT University – proposes a set of reforms to the interface between senior secondary school and post-secondary education in Australia.<sup>3</sup> Its proposals include the introduction of ‘learner profiles’ for reporting the learning outcomes of senior secondary students.

#### *Learner profiles*

The learner profile proposal draws from certification frameworks already in place in other countries. A learner profile is a standard format for recording a student’s achievements in senior secondary school. The profile would include the formal grades received for the units a student has taken, but also a statement of the broader capabilities that are often inadequately reflected in those grades, as well as extra-curricular activities the student has engaged in. Importantly, the learner profile would be a “living document” that is, in part, authored by students themselves. This will allow students to “chart their learning and development, indicating growth over time,”<sup>4</sup> encourage them to identify more strongly with their learning achievement and help them to foster a better understanding of the career options open to them. This approach would complement the use of the ATAR i.e. ATARs could be incorporated into the learner profiles, emphasising that this is one of a number of measures of learning attainment.

#### **Work-based training**

There are considerable benefits on offer through expanding the role of work-based learning and training in the outcomes generated in senior secondary school, vocational education and training, and higher education. Work-based programs allow for students to be assessed on a broader set of skills than those that are typically prioritised in classroom settings. Applied learning settings can be particularly beneficial for students with currently low levels of education achievement. A recent study of work-based programs in Australian senior secondary schools found that “lower performing students see applied learning subjects as being a better fit for them because they build on their interests and capabilities and help them develop and apply knowledge and skills [...] applied learning is preferable as it incorporates experiential, hands-on, active learning and work-based learning approaches”.<sup>5</sup>

While the benefits of work-based learning are well-documented, substantial barriers continue to impede this playing a bigger role in our education system (see below for a discussion of the challenges experienced at the University of Melbourne). Some of these barriers are cultural: many still understand education in terms of subject blocks. There are also bureaucratic impediments to expanding work-based programs, such as the administrative costs entailed in agreements between

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<sup>3</sup> O’Connell, Megan, Sandra Milligan and Tom Bentley (2019), *Beyond ATAR: A Proposal for Change* (Australian Learning Lecture).

<sup>4</sup> *Ibid.*, p.17.

<sup>5</sup> Klatt, Gosia, Teresa Angelico, and John Polese (2018), “Emerging partnership practices in VET provision in the senior years of schooling in Australia”, *The Australian Educational Researcher* 45.2, pp.217-236, p.231.

employers and students. More generally, some employers may be unconvinced of the potential benefits to their organisation.

The Victorian Government could drive the expansion of work-based learning and training in senior secondary school and in post-secondary education. This should include allowing for greater curricular and timetabling flexibility in Victoria's schools, and developing standard template agreements to reduce the administrative burden for employers, students and education providers. As a major employer, Victorian Government should lead by example by expanding and promoting the placements it offers. Consideration should be given to establishing a Government-wide approach to recruiting students to work-placements.

#### **University of Melbourne and Victorian Public Service work placements**

The University of Melbourne is actively seeking to increase the opportunities for work placements for its own students. As one of the largest employers in the State, the Victorian Public Service and other public sector bodies are a significant source of placements for our students and students from other Victorian universities. Recent analysis conducted by the Faculty of Arts at the University of Melbourne addressed some of the barriers to greater take up of public sector placements for our students. Two key factors emerged as inhibitors to students benefiting from work placements: a lack of information on placement opportunities; and red tape that makes placements administratively onerous with requirements that are confusing for both the student and the host organisation.

##### *Information on placements*

The Faculty undertook analysis of the websites of 52 departments and public sector bodies. It found that information for students interested in taking placements was often vague, difficult to find, or lacking entirely. Only 24 of the websites surveyed included any information for prospective interns. The absence of clear information for students and universities inevitably limits the extent to which students benefit from placement opportunities.

##### *Red tape*

Student placements must satisfy several criteria in order to be compliant with the Fair Work Act (2009). Key among these is the requirement that the placement be approved by an authorised training organisation. As each training organisation must independently develop their own mechanisms for assessing and approving placements, a large variety of forms, agreements and contracts have to be developed. In addition to this, many public sector organisations have developed their own agreements which may or may not be compatible with those of the training organisations/ Universities. This results in significant processing time for placement agreements, which causes significant delays in approving placements on the part of both the host and the training organisation.

#### **Recommendations**

The University of Melbourne recommends that the Victorian Government:

- pursue assessment and measurement reform to give more prominence to “learning capabilities.”
- consider the adoption of learner profiles as a standard format for representing the learning outcomes achieved in senior secondary school.
- recognise the benefits of work-based training in senior secondary school, vocational education and training and higher education in supporting the cultivation of learning capabilities; and
- pursue measures to expand work-based training, such as:
  - addressing the barriers to the inclusion of work-based components in VCE;
  - developing template agreements to reduce the administrative burden for employers, students and education providers; and
  - expanding and promoting the placements that the Victorian Government itself offers.

## 2. Responding to emerging skills needs

### Labour-market forecasting

The Issues Paper rightly addresses the challenges associated with attempting to accurately model the future needs of the labour market.<sup>6</sup> As the Issues Paper notes, different models inevitably differ in the forecasts they produce. This is partly due to the differing timeframes targeted by these models. There are also important differences in what models aim to predict, with some projecting shortages in specific skills, others growth in demand for particular occupations, and others changes in demand from different industry sectors. Of course, even if where these things are held constant, a significant level of variation exists between models.

Importantly, the difficulties with producing accurate forecasts of labour market changes relate to the nature of the exercise itself, rather than with the shortcomings of a given model. The Issues Paper states that “despite substantial investment in complex data modelling, Victoria (like other Australian States and Territories) does not have a comprehensive understanding of the occupational demand facing the State in the medium-to-long-term”.<sup>7</sup> This is true, but not surprising. Given the complexity in the factors that drive changes in the labour market, the inability to predict long-term shortages with precision is only to be expected. There will be cases where greater confidence in future skills need is warranted, such as where demand is driven by the Government’s own spending programs.

This is not to suggest that there is no value in attempting to model future skills needs, or that we should not seek to improve these forecasts. Skills projections are an important part of the evidence base concerning the future make up of Victoria’s labour market and therefore of the changing demands on the State’s skills system. Nonetheless, the forecasts themselves are only one of the tools by which our skills system reacts to the coming needs of the Victorian economy.

### Lifelong learning, re-skilling and industry engagement

The key to meeting the needs of the labour market is therefore ensuring that students and education providers are in a position to deal with an uncertain future. This means enabling students and workers to continue learning and updating their skills throughout their work lives. Part of this involves equipping students with the learning capabilities discussed above. Prioritising these capabilities will build resilience into Victoria’s workforce, allowing students and workers to adapt in the face of labour market changes.

In addition to a focus on basic learning capabilities, we need to ensure that our post-secondary system allows workers to access continued learning opportunities throughout their careers, and that education providers recognise the learning gains made in other parts of the education system and informally through work. The Issues Paper identifies a number of the barriers to Victorian students accessing opportunities to upgrade their skills. The so-called “upskilling rule” – where eligibility for the public subsidy is dependent upon the student undertaking a qualification that is higher than any they currently hold – is an example of policy whose outcomes are entirely detached from its rationale. In many cases, upskilling or reskilling is a case of gaining skills that *complement* the skills and knowledge the student already possesses. A bachelor degree-holder looking to undertake a VET diploma to further their career is likely to benefit from the course not despite but because of the skills already acquired through university study.<sup>8</sup> Our skills system should be designed to encourage students in this position to access further learning, not make it difficult for them to do so.

A separate aspect of sharpening the responsiveness of our post-secondary education system to skills needs is deepening the engagement between education providers and industry, government and

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<sup>6</sup> pp.16-19.

<sup>7</sup> Pp.17-18.

<sup>8</sup> See Issues Paper, p.42 (Case Study 2).



other employers. As already discussed, part of this involves giving work-based training a more prominent place in course offerings. There are also significant benefits promised through greater collaboration between providers and employers on the design and delivery of 'just in time' education. To this end, the University of Melbourne's School of Professional and Continuing Education (MSPACE) offers a suite of courses that target immediate skills needs, including custom programs that address the requirements of particular businesses.

More broadly, the University of Melbourne's graduate online course offerings reflect the shift towards non-traditional programs. Students are typically free to tailor programs to their particular needs, for example by consolidating subordinate qualifications (Graduate Certificates) into a Masters degree. This allows the student the flexibility to move in and out of graduate study as per the demands of their professional and family life. The credentialing of the learning outcomes achieved in shorter programs is a way of better responding to students' needs and makes for greater efficiency in that it avoids students needing to undertake longer programs unnecessarily.

#### **Case Study: Graduate Diploma in Early Childhood Teaching**

Recent changes in Government policy have entailed a critical need for early childhood educators in Victoria. In 2020, the Department of Education and Training Victoria (DET) introduced a requirement that each long day care centre needs to employ two Bachelor-qualified (or above) Early Childhood Teachers. In addition, the implementation of subsidised kindergarten for all 3-year old children in Victoria has created a need for an estimated 4,000 additional teachers.

The Melbourne Graduate School of Education (MGSE) has responded to increased demand for early childhood educators by developing the Graduate Diploma in Early Childhood Education, which can be completed in one year. The course is an initial teacher education (ITE) qualification to be accredited with the Australian Children's Education and Care Quality Authority's (ACECQA) and supporting registration as an Early Childhood Teacher (ECT) with the Victorian Institute of Teaching (VIT). A series of microcredits are being created to offer alternative pathways into the Graduate Diploma. These represent a suite of professional learning activities for practising early childhood teachers and educators.

Key details:

- The course will include an equivalent of 60 days of workplace learning, offered as a Commonwealth Supported Place (CSP) for domestic students initially.
- The course will include two focus areas – foregrounding Indigenous Worldviews and sustainability – in alignment with a) the Australian cross-curriculum priorities, b) Victorian Early Years Learning and Development Framework, c) UNESCO paper on the role of early childhood in a sustainable society, and d) the University of Melbourne's *Advancing Melbourne* strategy.
- The course will include subjects framed in a modular manner so that micro-credentials enable teachers within the industry to upskill, supported with the latest research and also to support career change into the early childhood field.

Requirements for entry include either a Bachelor degree in any field or a Diploma in Early Childhood and Care or related field with a minimum of five years of documented relevant work experience in a leadership position in an early childhood setting. This opens up the course to respond to the current early childhood educators working in the field wanting to upskill to become an early childhood teacher.

#### **Recommendations**

The University of Melbourne recommends that the Victorian Government:

- recognise skills forecasting as one tool among others by which Victoria's education system anticipates and responds to the future needs Victoria's labour market.
- strengthen Victoria's capacity to respond to the changing needs of the labour market through a focus on the cultivation of learning capabilities along with continued access to education and training to allow Victorians to update their skills as needed.
- support greater collaboration between education providers and employers in curriculum design and delivery, to sharpen the responsiveness of the skills system to labour market needs.

### 3. Reforming the VET sector

It is crucial that the two major components of Victoria's post-secondary education system – higher education and vocational education and training (VET) – are functioning optimally and complementarily. It is widely recognised that the vocational sector has suffered under perceptions that a vocational qualification represents a lesser pathway than a bachelor degree. Unequal funding arrangements have exacerbated this problem. For example, the demand driven system for allocating domestic bachelor funding had the effect of skewing enrolments away from the vocational sector. The health of Victoria's skills system depends upon vocational education and training representing a different but equally valuable, high-quality option as that offered at our universities.

Reform of the vocational sector would be aided by a broad statement of the public value that it holds for Victoria. This would naturally include an articulation of its role in contributing to the mix of skills needed for an advanced economy like Victoria's. Yet the sector's value extends beyond helping to sustain the skills needs of Victoria's economy and social services. Vocational providers have a critical role in supporting foundational skills (e.g. literacy and numeracy) for adult learners, in engaging those at a significant risk of not participating in employment or education, and of providing those with low levels of education attainment an opportunity to re-enter the education system. The geographical distribution of Victoria's TAFE campuses is also significant. In parts of regional Victoria, TAFE campuses are the major tertiary education presence, and therefore represent a key access point into further education for members of those communities. The reform proposals for the VET sector recommended by this Review should follow an articulation of the value it represents in providing varied pathways into continuing education for a cross-section of the community.

#### Curriculum reform

There is a clear need for curriculum reform in vocational education and training. As discussed above, changes to vocational curriculum should give a more prominent place to work-based training. Curriculum reform should engage with conceptual questions concerning the basic nature and aims of vocational education and training. For the most part, vocational education in Australia has been focused on the development of specific skills or competencies required by specific occupations. This is sometimes contrasted with higher education which is concerned with the cultivation of knowledge. This way of thinking about vocational education has limited the VET sector's potential contribution. University of Melbourne researchers have argued that 'knowledge circulation' – not just the development of competencies – ought to have a far more prominent place in vocational education. This would involve a greater emphasis on VET students absorbing new knowledge and participating in the translation of that knowledge into professional practice.<sup>9</sup>

The University of Melbourne acknowledges that this will require working with the Commonwealth Government and other State governments through the National Cabinet to reform. The Victorian Government has an opportunity to play a leading role in reform in this area.

#### VET subsidies

There is a pressing need to review the allocation of subsidies for vocational education and training courses. There is a lack of clarity around the principles for determining these allocations. What is clear is that the current settings are delivering outcomes at odds with the presumed policy rationale. It would be helpful for this Review to identify the benefits that are intended in subsidies, linking these to the broad statement of the public value suggested above.

The role of skills lists in the allocation of public subsidies needs to be re-assessed. The point of using these lists in the allocation of subsidies is obviously to encourage better matching of enrolments with

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<sup>9</sup> Goedegebuure, Leo and Ruth Schubert (2017), "Vocational Education and the Innovation Agenda: Towards the Creation of Effective Innovation Ecosystems", in Richard James, French S. and Kelly P. (eds.) *Visions for Australian Tertiary Education*, Melbourne Centre for the Study of Higher Education: Melbourne, pp. 111-121.

skills gaps. However, it is not clear that tying subsidies to identified skills gaps is a good means of addressing shortages. That a given training program corresponds to an immediate skills need is not necessarily a good reason for it to be targeted with subsidies. Often the presence of a skills shortage in a given area indicates that the private returns – either to the individual student or to the business taking on an apprentice – are sufficient to attract students to the relevant program. Given this, there is a risk that public subsidies intended to address skills gaps are allocated to enrolments that would happen anyway.

While it is appropriate that public subsidies play a role in addressing skills gaps, there is a question as to how to best formulate the connection between subsidy levels and skills needs. A possible approach is to tie subsidies not just to identified skills needs but also to an assessment of the public and private benefits generated by different courses. This would help to target subsidies to programs that respond to skills needs but where the earnings premium is nonetheless low, thereby ensuring that the public subsidy has the intended outcome of increasing enrolments in the targeted area.

It is also important that subsidised places provide an opportunity to build foundational skills for those with currently low levels of attainment. It is appropriate that foundation courses in basic numeracy and literacy and certificate I and II programs more generally are highly subsidised, given the public benefits of establishing these skills are very high. Consideration might also be given to targeting higher subsidy levels for specific cohorts (e.g. those who are unemployed or those in low SES postcodes), notwithstanding the challenges of administering such an approach.

### **Recommendations**

The University of Melbourne recommends that the Victorian Government:

- articulate a broad statement of the public value that the vocational education and training sector holds for the State.
- pursue curriculum reform through the National Cabinet to widen the skills aims of vocational education beyond the cultivation of competencies specific to a given occupation.
- review the allocation of subsidies for vocational education and training and articulate clear principles for determining subsidy levels.

## 4. Realising the potential of Victoria’s universities

Victoria’s ten universities<sup>10</sup> are an integral part of the State’s skills system. Our universities are central to sustaining the high-level skills needed to support a knowledge-intensive economy. Between 2008 and 2018, Victoria’s higher education institutions delivered 373,457 undergraduate completions and a further 210,265 postgraduate completions.<sup>11</sup> This has driven significant growth in the share of working age Victorians with a bachelor level (or higher) qualification, helping to meet the changing needs of an advanced economy.<sup>12</sup> University research activity is likewise a key part of Victoria’s skills system, driving the take up of new knowledge and technology throughout the economy and providing a point of contact between industry and the tertiary education sector. The Review’s focus on vocational education is understandable given the need to restore confidence in the VET system and given that funding responsibilities for higher education reside mostly with the Commonwealth Government. Nonetheless, the importance of Victoria’s higher education sector and the opportunities for the Victorian Government to support it should not be overlooked.

The Victorian Government has shown an appreciation of the importance of the State’s universities through its support package in response to the Covid-19 crisis, including the \$350m ‘Victorian Higher Education State Investment Fund’ in support of capital works, applied research and research partnerships, deferrals of payroll taxes and the \$45m emergency relief fund for international students. This is the right time for the State Government to revisit the strategic engagement and policy alignment it has with its universities as drivers of R&D, innovation and economic uplift.

### System excellence and equity

The Issues Paper raises the question of system excellence and equity and how these are best promoted in our tertiary education system. The University of Melbourne argues that diversity among education providers is a key enabler of excellence and opportunity. A differentiated university sector, with a diverse range of institutions, helps to advance equity-related objectives. Institutional diversity provides students with genuine choice and drives social mobility through a range of pathways and access points.<sup>13</sup> It also allows for so-called ‘natural experiments’ where the outcomes of different missions can be compared and assessed.

Victoria is already home to a diverse spread of higher education providers, including research intensive universities, comprehensive universities, four of Australia’s six dual sector universities and regionally based universities. It is the location of two of the major curriculum innovations in Australian higher education of recent times: the University of Melbourne’s graduate curriculum model (the Melbourne Model) introduced in 2008, and the block learning model implemented by Victoria University in 2018, in which bachelor students undertake subjects sequentially across a semester rather than concurrently. System diversity is a useful lens through which the Victorian Government might view the strengths of the State’s university sector and how it can continue to support it.

The University of Melbourne identifies three key areas where the State Government can assist the performance of Victoria’s universities: improving the settings around governance and regulation; improving access to public sector data for authorised researchers; and research investment.

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<sup>10</sup> Including Australian Catholic University.

<sup>11</sup> Department of Education, Skills and Employment, “Higher Education Statistics” (U-Cube). <http://highereducationstatistics.education.gov.au/> This figure includes Victoria-based universities and non-university higher education providers based in Victoria. This does not include Australian Catholic Universities.

<sup>12</sup> Australian Bureau of Statistics, “6227.0 – Education and Work”, May 2019.

<sup>13</sup> Goedegebuure, L; Massaro, V; Meek, L; and Pettigrew, A, (2017) “A Framework for Differentiation”, Visions for Australian Tertiary Education (Melbourne Centre for the Study of Higher Education), pp.7-16 (p.8).

## **Governance and regulation**

Victoria's universities are over-regulated relative to their counterparts in other States. In several areas, red tape impedes university performance without advancing its intended aims. There is an opportunity to follow other States in reducing regulatory burden, while maintaining oversight measures that safeguard university governance, performance and financial management.

### *Property transactions*

Victoria's universities require Ministerial approval before purchasing, selling or leasing land. This requirement impedes the efficient management of university assets, largely due to the time it often takes to secure Ministerial approval. This inhibits the performance of Victoria's universities without adding to probity or the public good.

There is a clear case for removing the requirement for Ministerial approval – at least when it comes to freehold land, including land purchased for investment purposes – allowing universities to respond to opportunities as they arise. Importantly, removing this requirement would leave other oversight mechanisms in place, including the tabling of University annual reports in Parliament, routine audits conducted by the Victorian Auditor-General's Office, and the requirement to seek land valuations from the Valuer General Victoria.

### *University Financial Matters*

Victoria's University Acts require Ministerial approval when seeking to borrow money or to enter into other financial arrangements in support of its operations. The time and effort associated with securing approval is amplified by the requirement for an agreement between both the Minister for Education and the Treasurer. The delays caused by these requirements jeopardise opportunities that are time-sensitive and undermines the financial performance of Victoria's universities.

There is also significant duplication in financial reporting requirements to which universities are subject. Since the Victorian Auditor-General mandates full and consistent reporting across the sector, eliminating additional reporting requirements relating to specific transactions would reduce administrative effort without undermining transparency and accountability.

In general, the principle should be to allow universities to manage their own financial affairs with appropriate oversight from the University governing body - University Council.

### *University Council appointments*

The University Acts determine the requirements for the appointment of new members to University Councils. These requirements include that an equal number of members be appointed by the Victorian Government and by the Council itself, in addition to elected members and 'official' members. The Acts also determine the length of term of appointed members.

University governance would better reflect contemporary best practice if Councils were permitted to appoint their own members, an arrangement that has been in place in South Australia for two decades. The key aims of the arrangements for appointing Council members should be to ensure that the process reflects best practice governance principles, and to ensure that University Councils preside over the appropriate mix of skills and knowledge. While acknowledging that the Victorian Government has an interest and legislative responsibility to safeguard good governance, this can be achieved without Council members being directly appointed by Government. The use of an agreed skills matrix to ensure Council members collectively satisfy the skills and knowledge needed, as well as the existing requirement to table annual reports to the Minister and Auditor General, would provide adequate oversight and accountability.

## **Researcher access to public sector data**

University research has a key role in the development of public policy solutions, such as understanding the choices students make in pursuing post-secondary education.. Ensuring access to quality public

sector data for authorised users within the university sector will drive research performance in this area, thereby improving public policy outcomes. The Productivity Commission emphasised this point in its 2017 *Data Availability and Use* report, noting that “data that allows performance monitoring and comparison of government activities is a fundamental starting point for improving delivery of those activities to the community.”<sup>14</sup>

The Victorian Government would benefit by reviewing arrangements for providing access to public sector data to authorised researchers where this is relevant to their inquiries. Research performance is often impeded by a lack of access to relevant data. There is also scope for better linking of datasets across public sector bodies in Victoria, and between the Victorian Public Service and Australian Public Service. The Victorian Government should prioritise widening access to data for authorised users, consistent with safeguarding data privacy and integrity, to improve public policy-related research outcomes.

### **Research investment**

Victoria’s universities operate in an increasingly competitive environment. Commonwealth research funding is both finite and contestable, placing universities in Victoria in competition with those in other States. Victoria’s universities also compete globally for research talent and for industry income. It is likely the current pandemic will lead to a constrained environment with respect to industry funding, further sharpening competition for this income among universities.

Targeted State Government co-investment in Victoria’s research capability will help to unlock greater levels of funding from both the Australian Government and from industry, which in turn facilitates research and investment that can grow new industries and create jobs. As discussed above, the Higher Education Investment Fund is a welcome line of support in response to the current pandemic. A permanent strategic investment fund would support research performance on an ongoing basis. Funding could target several areas:

#### *Research co-investment fund*

Victoria’s universities are in direct competition with other Australian universities for research grants provided by Australian Government agencies. Relatively small amounts of funding from the State Government enhance the prospect of successful outcomes on grant applications. The Co-operative Research Centres (CRC) program and Medical Research Future Fund (MRFF) programs are examples of where State Government support significantly improves overall funding outcomes. Similarly, research partnerships with industry often depend upon co-investment from the Australian and State Government.

Following the redesign of the CRC program in 2015, State Governments have become more active in seeking to have CRCs headquartered in their State, given the resultant investment in jobs and infrastructure, and the priority access to the research and IP for local institutions and businesses. Fewer CRCs have been headquartered in Victoria as a result of increased co-investment from other States: Victoria has secured only two CRC headquarters since 2015, compared to New South Wales’ seven and Western Australia’s five.

#### *Business R&D incentives*

The LaunchVic program supports the start-up ecosystem in Victoria. There is scope to now consider how research-industry collaboration more broadly may be supported. One option is for the Victorian Government to leverage procurement spending to drive industry investment in R&D and closer links between industry and research. This could involve changes to the ‘Victorian Industry Participation Policy’ (VIPPP), so as to give more prominence to engagement with Victoria’s research sector. This may involve either requiring businesses tendering for relevant major projects to nominate a research

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<sup>14</sup> Productivity Commission, *Overview: Data Availability and Use*, p.5.

institution with which they intend to collaborate, or least considering research engagement in the assessment of tenders. An alternative approach is a ‘tech voucher’ program of the kind established in New South Wales and in parts of Europe.

Consideration should be given to existing incentives for investment in R&D that are provided by the Federal Government, and how Victorian Government programs might complement these.

#### *Research infrastructure fund*

Strategic investment in research infrastructure is crucial to the performance of Victoria’s universities. Apart from NCRIS, there is no routine funding provided to universities by the Australian Government for this purpose. The Victorian Government has been active in this area in this past; the synchrotron facility in Clayton, and the Melbourne biomedical precinct are two examples of State-supported infrastructure that have delivered tangible benefits to research performance and impact, jobs and new industries. For example, The Doherty Institute is currently at the global frontline in understanding Covid-19.

Establishing a research infrastructure fund – a competitively allocated funding program for investment in research facilities – would help ensure that Victoria maintains and builds upon its world-class research infrastructure. Underpinning funding allocations would be a view of the existing research capabilities enjoyed by Victoria’s universities and how these align with the needs of industry. Criteria would include that the initiative being funded had multiple universities committed to co-funding and, where appropriate, industry investment as well. South Australian Government support for Proton Beam Therapy is an example. A program with similar design and resourcing to the Research Attraction and Acceleration Program recently established in New South Wales would represent a key support for research infrastructure in Victoria.

#### **Recommendations**

The University of Melbourne recommends that the Victorian Government:

- recognise institutional diversity within Victoria’s higher education sector as a key enabler of excellence and equity.
- support innovation and performance in Victoria’s universities by enacting governance and regulation reforms relating to Council appointments and land use, while maintaining oversight measures to ensure accountability.
- support research performance and impact by widening access to public sector data for authorised users in the university sector.
- invest in Victoria’s research capability through an ongoing strategic funding program, thereby positioning Victoria’s universities to attract greater levels of funding from the Australian Government and from industry.