

Global trends in vocational education and training

The vocational education and training sector is at the frontline of Australia's response to major global challenges.

An effective vocational education and training sector will be required to increase participation in the workforce, help companies exploit new technologies, and drive productivity improvements across the economy. The dividends are significant for institutions and economies that respond early and effectively.

Australia's standing in the global vocational education and training market The vocational education and training sector is at the frontline of Australia's response to major global challenges.

Superficially, the outlook for vocational education and training providers is bright: the focus on labour market issues has rarely been sharper and the importance of industry connections is more valuable than ever. In addition, the increased focus on having all students – from schoolchildren to university graduates – 'job ready' will act as a significant driver of demand.

However, the changing skills market (for supply and demand) has burdened providers with added complexity, risk and uncertainty. Industry growth projections are no longer linear, funding is less certain, students are more demanding, and competition is fiercer. Three major challenges face vocational education and training providers in Australia and globally:

- · a changing and broadening learner base
- · increased competition from other providers
- $\boldsymbol{\cdot}$ weaker signals of demand from industry.

The challenge for training providers spans the entire student experience – from attraction to an institution to completion of studies. It is likely to be more costly and complex for Technical and Further Education (TAFE) institutes to attract, retain and support students that are disengaged from the education system, or have a low socioeconomic status or other special needs (such as rural or remote location, disability, or culturally and linguistically diverse background), than their current student cohort.

DEMAND SIDE TRENDS

- Students are coming into vocational education at an earlier age and later in life
- 2. The international vocational education market is moving offshore
- 3. Movement between education sectors is bringing old issues to boiling point

CAPABILITIES FOR PROVIDERS TO OPERATE EFFECTIVELY IN THE FUTURE TRAINING MARKET

Flexible Responsive Collaborative Innovative

New industry partnerships

 broader, deeper, more tailored learning

SUPPLY SIDE TRENDS

- 4. Student retention is the new battleground
- 5. Delivery is now multi-channel and immersive
- 6. New funding models and costshifting approaches are emerging

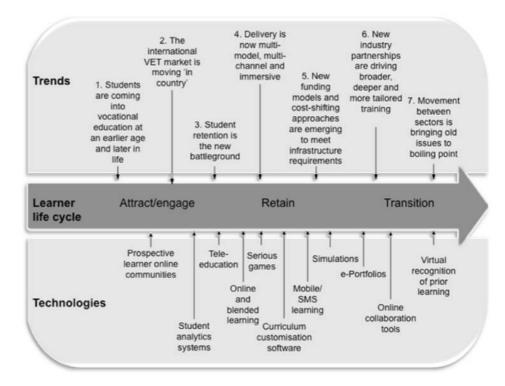
Seven trends

A broad range of macro and lower-level factors – spanning policy and government, the economy, society and technology – drive trends in vocational education and training.

In an effort to understand and assess these trends, Cisco and Optus/Alphawest engaged dandolopartners to research emerging global trends in vocational education and training.

This work is intended to stimulate debate, inform training providers and policy makers and bring into sharper focus some of the challenges that are likely to arise in coming years. The assessment of global trends draws heavily on overseas case studies and the latest policy thinking and research. The intent was to identify 'trends' in action rather than conduct a theoretical assessment of ideas that may or may not come to fruition.

This investigation has distilled seven global trends in the vocational education and training sector, based on their impact on the sector generally and their potential applicability to Australia. Each trend is presented with a real-world example.



1. Students are coming into vocational education at an earlier age and later in life This trend is also playing out locally, where Australian schools are expected to account for student pathways in the calculation of retention rates. The number of students aged 15 to 19 in Australian vocational education and training schools increased from 167,100 in 2006 to 216,700 in 2009. The very definition of retention targets – i.e. completion of year 12 or equivalent – is a direct nod to the fact that pathways into accredited training have significant value.

As demand for new and higher level skills increase, and the population in developed countries ages, older workers will be increasingly required to retrain. European countries have been particularly active in addressing this challenge through lifelong learning policies. The number of 50-to-64-year-old EU citizens participating in training increased by between 1 percent and 26 percent in EU countries between 2005 and 2009.

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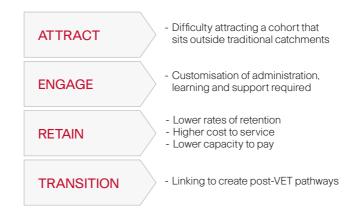
2. The international vocational training market is moving offshore

Skilled people are increasingly moving between countries in response to changing demand. In 2010, there were an estimated 193 million migrant workers globally who moved countries for employment. There is a significant opportunity for re-skilling, training and accrediting migrant workers. It would stand to reason that growth in the movement of people between countries for vocational training will also continue to rise. However, evidence suggests this is not the case. Two major factors have contributed to a global trend away from offshore training:

- The world's two largest international training source markets, China and India, have added significant training capacity.
- US, EU and Australian training providers have begun investing heavily in 'in-country' delivery as a model for international education.

3. Student retention is the new battleground

The economic argument for student retention is irrefutable: it is significantly more expensive to acquire a new customer than to keep an existing one. While this principle has not necessarily been researched in the training market, providers are recognising that much of the cost associated with training a learner is expended well before completion. In cases where funding is tied to completion, the economic cost of losing students mid-stream is significant.



College dropout rates are recognised as providing a conservative estimate of dropout rates in vocational education and training. One in five students in the US and one in seven students in Canada do not make it into the second year of their college courses. The US figure alone represents a total cost to the nation's economy of \$6.2 billion from students not being retained. The focus of vocational education and training providers is occurring on three fronts:

- · developing an understanding of student risk factors
- · better tracking of changing student circumstances: academic, behavioural and financial
- · faster and more intensive responses to at-risk students.

4. Delivery is now multi-channel and immersive

The emergence of online and blended learning is hardly a new trend. However, its uptake globally is significant. Recent trends in blended and online learning models tend to focus on two areas:

- a move away from replicating face-to-face pedagogy towards developing new pedagogies that make full use of this medium
- · a move towards mobile learning.

The global uptake of online and blended learning is significant.

5. New funding models and cost-shifting approaches are emerging to meet infrastructure requirements

Revenue uncertainty, cost and profit pool pressure, and difficulties forecasting future skill needs are forcing institutions to think laterally about infrastructure requirements. Institutions are looking at innovative ways to minimise investment in new infrastructure through the use of new technologies (such as simulators or online collaboration tools) to avoid expensive investment in major capital. New financing models and cost-sharing arrangements allow for cloud-based services to reduce administrative expenses while improving focus on instructional services.

REVENUE PRESSURE

PROFITABILITY

COST PRESSURE

- Threat to VET providers as the 'natural' industry partner
- Margin pressure in the most profitable market segments
- Scalable programs, systems and capital
- Robust and diversified revenue streams
- Competitors with lower cost bases
- Interoperability challenges: technical, pedagogical and cultural

Institutions are looking at innovative ways to minimise investment in new infrastructure through the use of new technologies.

6. New industry partnerships are driving broader, deeper and more tailored training A basic supplier-consumer model between industry and providers has dominated vocational education. As competition intensifies – including new competitors from outside the vocational education and training sector – industry is demanding new partnering models. These models focus on establishing deeper collaborations, and broadening or customising training.

7. Movement between education sectors is bringing old issues to boiling point Traditional boundaries between educational sectors are blurring. Given the overlap in products, learners are distinguishing less between types of providers and expect to seamlessly move between sectors. Despite expectations of seamless transitions, the global reality is quite different. The sheer volume of movement between sectors has challenged funding models, recognition of prior learning and articulation frameworks. The increased focus on disadvantaged students moving between systems is also challenging systems used to capture and share information about performance.

Skills are a global currency

Skills are a global currency: they are a source of economic advantage and increasingly 'tradable'. Some would argue this has always been the case and the 'war for talent' - a term coined in the late 1980s - has been raging for decades.

However, global trends have significant implications for training institutions today, in terms of both threats and opportunities. The vocational education and training sector's continued evolution and relevance hinges on its responsiveness to new demands from industry, learners and the broader community. Organisations that provide training will need to adapt in fundamental ways, and across both administration and training/learning. Specifically, they will need to become more:

- · flexible in managing costs
- responsive to new learner requirements and industry
- · collaborative with other sectors, industry and learners
- · innovative across all aspects of the student lifecycle.

Australia is recognised as a progressive market for vocational education and training. This is largely influenced by the highly decentralised nature of the TAFE system in some states, and the move towards a contestable model in the Australian training market.

Under a contestable model, significant power has been transferred to the consumers of education and training, and the influence of government as a purchaser has been reduced. On this issue, the world is watching Australia with interest.

For more information

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