



**Submission to the
Senate Education and Employment References Committee Inquiry
into
Technical and Further Education (TAFE)
in Australia**

RECOMMENDATIONS BY TAFE DIRECTORS AUSTRALIA

RISK FRAMEWORK PRIORITY FOR VET SECTOR

FUNDING ALIGNMENT TO LOW RISK RTOs

‘CLEAN-UP AUSTRALIA’ IN VET MARKETING

&

REMOVAL OF BLOCKAGES FOR STUDENTS SEEKING REPUTABLE LOW
RISK RTOs FOR INTERNATIONAL EDUCATION

March 2014

Executive Summary

On behalf of its members, TAFE Directors Australia (TDA) is pleased to present this submission to the Senate Education and Employment References Committee Inquiry into Technical and Further Education (TAFE) in Australia.

This submission provides several policy updates to TDA's response to the House of Representatives Standing Committee for Education and Employment Inquiry into Technical and Further Education, 2013.

Fiscal constraints have intensified during 2014 for skills and the TAFE sector, as states and territories seek to establish their own interpretation of "entitlement" with demand-led training places for students – a key provision of the National Partnership Agreement on Skills, effective July 2013.

Meanwhile, the Australian Skills Quality Authority (ASQA) had released a significant report on marketing practices in the publically funded VET sector, with evidence of disreputable practices by a relatively large number of vocational education and training (VET) providers. In addition, ASQA published data showing substantial proportion of VET Registered Training Organisations – almost 25% - "high risk", and media revelations (ABC 7.30 Report, The Age) have continued on private colleges shown to undertake questionable practices in awarding AQF qualifications.

In addition, the Department of Immigration has imposed continued delays in any substantive reform in student visas for VET students. These international education regulations severely disadvantage low risk TAFE providers.

For these reasons, TAFE Directors Australia in its submission to the Senate Committee makes recommendations on four policy areas:

1. QUALITY RISK STANDARDS

The Australian Government introduce as a matter of urgency a risk framework for low risk (TAFE) registered training providers, under the referral powers of ASQA;

2. NATIONAL PARTNERSHIP AGREEMENT ON SKILLS

The Commonwealth seek agreement with states and territories under its NPA Agreement on Skills for public VET funding limited to low risk RTO providers (including TAFE) as a priority in order to stop Commonwealth VET funding to high risk (poor quality) RTOs. These RTOs either operate with limited scope for students or remain under compliance investigation by ASQA.

3. MARKETING COMPLIANCE REGULATION

In addition, with reference to the detailed review of marketing practices by VET RTOs released by ASQA in later 2013 uncovered a large number of unethical and misleading

communications to consumers. TDA recommends that this area is brought under the immediate remit of ASQA as part of its audit and assessment of VET courses in receipt of public funding.

4. INTERNATIONAL STREAMLINING FOR VET VISAS

The Commonwealth Departments of Immigration and Education have experienced difficulty in finalising a sustained approach to visas for international students seeking to enrol in a VET course. The sector has been given interim Streamlined Visas (23 in total to RTOs) by the Minister for Education, Hon. Christopher Pyne. However, many TAFEs and low risk providers were excluded, because Immigration has largely indicated that the VET sector lacks clarity in a risk framework.

Chinese government representatives on the Australian China Education Council, have similarly expressed concern that unlike the Australian higher education sector (under TEQSA), the VET sector (under ASQA) remains without a risk framework which includes capacity for transparent understanding for international students and their families on key issue including financial viability and similar quality criterion.

Further, work rights for VET students completing courses remain discriminatory. TDA notes that work rights were permitted for two years for university students with no restriction on courses of study, yet only 18 months for VET students and limitations to restricted courses of study.

TDA urges the Committee to address these policy inconsistencies, as a priority to improve the status of Australia's international education.

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Background

The Senate Inquiry into TAFE brings the public policy focus to Australia's public provider (TAFE) network and how it operates in the remodelled Australian VET sector.

A key factor driving change in the sector was the Gillard Government's introduction of a National Partnerships Agreement (NPA) on Skills, agreed by the Council of Australian Governments (COAG), in April 2012. The NPA committed all states and territories to a National Entitlement Scheme to Training, or student 'voucher' system. In return, the Commonwealth offered states and territories \$1.75 billion over four years, in reward payments for implementation.

However, despite calls by TAFE Directors and many industry stakeholders at the time for greater definition in the Agreement, the NPA proceeded with several undefined issues. For instance,

- The NPA on Skills was not costed for implementation or scope;
- 'National Entitlement' was not defined in terms of which qualifications under the Australian Qualifications Framework would be covered under the Agreement;
- Fees for courses for students and industry were not defined, although the extension of FEE HELP income contingent loans was undertaken;
- A quality risk framework was not agreed with states or territories at the time of referral of powers from the states and territories to the Commonwealth, for establishment of the Australian Skills Quality Authority (ASQA).

Fundamental principles – A National Charter for TAFE

In 2012-13, the then Ministerial Council, SCOTese issued a Communiqué during discussions leading up to the NPA on Skills, which affirmed the role of the public provider (TAFE) network.

In addition, the industry consultative council of SCOTese issued a Communiqué, declaring its long term support for the public provider (TAFE) network.

An earlier report by Skills Australia (now the Australian Workforce and Productivity Agency), 'Skills for prosperity' (2011) also cited that:

Public TAFE institutions and the adult and community education sector will continue to have an essential and catalytic role in social and economic development in regions and communities, a role that is not limited to training provision.

In response to concerns about the NPA, TDA initiated detailed discussions with the Skills Australia Board and executives, and hosted consultations with TAFE members, TAFE industry partners and students to develop a National Charter for TAFE.

At the 2012 TDA Annual General Meeting, TAFE members adopted unanimously the Charter which outlines four Principles under which TAFE should operate in a VET National Entitlement System. These include:

NATIONAL CHARTER FOR TAFE

1. Funding that will maintain the viability and responsiveness of public provider;
2. Quality criteria to be substantially enhanced through risk-based regulatory frameworks;
3. Governance to enable flexibility, responsiveness and competitiveness;
4. Recognition of the innovation and leadership roles of TAFE, including its pivotal position in rural and regional Australia.

Following these principles, and taking into account the Abbott Coalition Government's focus on reducing red tape and on VET reform, TDA seeks the Senate Committee's attention to the following key issues:-

1. RESTRICTING VET FUNDS TO LOW RISK PROVIDERS

VET funding should be restricted to low risk, ASQA approved providers. This is in light of ASQA findings of disreputable marketing practices across the VET sector, and 25% to almost 30% of VET being evaluated as 'high risk'. TDA argues that the \$1.75 billion reward payments in the NPA Agreement on Skills should rely on quality assured, vocational education and training by low risk, reputable RTOs. Criteria to determine low risk status may include meeting the skill needs of business, industry and community and thereby contributing to **improved productivity and social and community welfare**. *(Section b: the effects of a competitive training market);*

2. CONSISTENCY IN THE NATIONAL ENTITLEMENT AGREEMENT

Insulating the economy from **skills market failures** is essential to meeting Australian productivity targets. This can be achieved by ensuring the availability of skills training across all industry sectors and across Australia's regional and remote locations through TAFE to meet industry and community needs. *(Section b: the effects of a competitive training market, Section c: What public funding is adequate to ensure TAFEs remain in a strong and sustainable position to carry out their aims);*

3. INNOVATION AND ECONOMIC DEVELOPMENT

TAFE's important contribution to local, state and national **innovation and economic development and efficiency goals** under existing state and territory legislation for TAFEs, and their contribution to State & Territory Economic Plans needs to be formally recognised. *(Section a- ii: Developing skills in the Australian economy);*

4. ACCESS AND EQUITY IN VET

Ensuring **reasonable access** for all Australians to comprehensive quality training and education opportunities, for the benefit of social and personal development is not achievable without a robust public training sector. *(Section a – iii and iv);*

5. PATHWAYS TO WORK AND FURTHER EDUCATION

The crucial importance of providing strong, credible and seamless **pathways** from secondary school to higher education, for an increasingly diverse range of students. *(Section a - i);*

6. INTERNATIONAL ENGAGEMENT

TAFE's contribution to Australia's engagement with Asia and economic development across the region. *(Section g).*

a) The role played by TAFE institutes

i. Educational linkages with secondary and higher education

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Policy issue: Pathways to work and further education.

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TAFE institutes provide VET programs from upper secondary school to higher education qualifications. Educational pathways are recognised internationally as being critical to well functioning education and skills development systems¹ to meet productivity targets and industry demands for higher skills in the workplace. Vocational education pathways are critical when, in 2013, only 40% of Australian school leavers went on to university with the majority of the remaining 60% requiring alternative pathways into employment or further study.

Recent NCVER research shows that 17% of Indigenous students admitted to higher education courses in the Northern Territory had previously undergone a higher level VET course, such as a certificate IV, diploma or advanced diploma.² This pathway VET qualification was frequently a critical factor to build higher education based on these skills.

Vocational education in schools

VET in Schools (VETiS) provides alternative pathways to work and further education for many young people. TAFE Institutes are large providers of VETiS, including school-based apprenticeships, and often work in partnerships with government and non-government schools for the delivery of vocational qualifications. The School/TAFE partnership model has proven to be a highly successful way to ensure quality outcomes for students.

Through partnerships, TAFE providers share their expertise in addition to specialized equipment, capital and industry relationships with schools to ensure training is relevant to industry skill needs. Delivery by TAFE addresses concerns expressed by industry about the lack of a nationally consistent approach to VETiS and also the quality of delivery by schools alone, particularly for apprentices:

1 For example see the Shanghai Consensus: Recommendations of the Third International Congress on TVET, 'Transforming TVET: Building Skills for work and life', The International Labour Office (ILO) G 20 Training Strategy, 'A Skilled Workforce for Strong, Sustainable and Balanced Growth' (2010).

2 Susan Bandias, Don Fuller, Steven Larkin, Indigenous education, indigenous students and the choice of pathways (April 2013).

Work must be undertaken to ensure that the schooling system has the appropriate programs available for delivery and the teaching capability to offer fit-for-purpose certificated qualifications that lead into the trades³.

While secondary schools often have appropriate facilities and teachers to deliver VET, they can be inhibited by a limited number of specific industry specialists and put at risk continuity of courses if a teacher leaves. For instance, if schools have small and potentially unviable VETiS classes, TAFE partnerships can provide consistent and reliable options for student to pursue their desired vocation.

The result is a well rounded school curriculum, cost effective delivery and increased student participation and engagement, as students explore vocational options before committing to pathways into work and further study.

TDA strongly supports the recent announcement by the Assistant Minister for Education, the Hon Sussan Ley, MP that the government will encourage more students to undertake school-based apprenticeships and VETiS. These programs have not enjoyed the status of more traditional academic pathways in the past, despite being excellent alternative pathways for young people into further learning and work.

Higher qualifications

Further to the extensive range of VET qualifications provided by TAFE nationally), 10 TAFE institutes are registered as Higher Education Providers (HEPs) in their own right with 23 institutes delivering over 100 accredited specialist higher education qualifications. This small but growing sector is directly responding to industry calls for higher technical skills in the workplace (AIG, 2013). Research commissioned by the National Centre for Vocational Education Research (NCVER) in 2013⁴ cites an increase of up to 20% in enrolments in Diplomas across a range of industry areas by students seeking pathways into higher education for better employment and career opportunities.

The emergence of TAFE institutes as 'integrated tertiary providers' is in line with developments internationally where higher education is increasingly being delivered in the USA and Canada (by Community Colleges), United Kingdom (by Further Education Colleges) and in regional economies such as New Zealand, Singapore and Hong Kong (by Polytechnics). The strength of these providers lies in the applied nature of learning, the supportive learning environments they provide, the direct links with work and industry as well as the innovative pathways into higher skills and qualifications for a diverse range of students; many of whom are first in family to undertake higher education.

³ AIG (2013). Apprentices achieving excellence. <http://www.aigroup.com.au/portal/>.

⁴ Moodie, G, Fredman, Bexley, E and Wheelahan, L (2013). Vocational education's variable links to vocations. <http://www.ncver.edu.au>

Higher education qualifications delivered by TAFE are mostly provided on a full fee basis and, like all higher education providers, are regulated by the Tertiary Education Quality Standards Agency (TEQSA). Unlike universities, however, TAFE has very limited access to Commonwealth subsidies to support students (Commonwealth Supported Places (CSP) funding) with only two TAFE institutes in Victoria receiving the funding.

Higher education qualifications are developed in close consultation with industry and have a strong applied approach. This, along with smaller class sizes, is highly attractive to an increasing number of 'non-traditional' students seeking adaptable and flexible higher education programs, with multiple entry and exit points and academic support. The experience of Sharon Hill is an example of how TAFE provides 'second chance education' through pathways from VET to higher qualifications.

Pathway to a career in nursing⁵

Sharon Hill completed her Bachelor of Nursing at Holmesglen Institute in 2012 and now works as a mental health nurse, specialising in depression and suicide care. Sharon's career ambition was first to be an air steward, a hairdresser and then a child care worker but, after completing year 12, was unsuccessful in applying to study childcare at university. Ambivalent about what to do next, Sharon completed an Associate Diploma of Business at Chisholm Institute and worked for a number of years as a personal assistant in small businesses in the outer eastern suburbs of Melbourne. During this time, Sharon married, had a family and ceased work. Some years later, with pressure to re-skill and return to work and as a single mother with four children, Sharon pursued her long-held ambition to be a nurse.

Sharon's nursing career commenced with a Certificate II in Aged Care at a local adult community college; a qualification she completed while working as a personal care assistant (PCA) in aged care facilities. With a new found confidence, Sharon went on to complete a Certificate IV (Enrolled Nursing) at Chisholm Institute, studying full time and working part time as a PCA on her days off. The Certificate IV qualified Sharon to care for patients under the supervision of a registered nurse, but not to provide the 'end to end' care for patients she desired. Deciding to study a Bachelor of Nursing, Sharon applied to university and again was unsuccessful. Undeterred, she applied to Holmesglen in the first year of the Bachelor of Nursing and was accepted with full recognition of her previous qualifications and experience.

Sharon went on to achieve ten high distinctions in her higher education study and developed a keen interest in mental health nursing. Once she has gained further professional experience, Sharon plans to complete a Master's Degree in the field.

⁵ TDA, Pathways to higher qualifications: When students choose TAFE to study higher education (2013).

http://www.tda.edu.au/cb_pages/files/HE%20supporting%20doc_TDA032_Case_Studies_Pathways%20to%20HE_V8_WEB_published.pdf

Recommendations for reform

The evolution of TAFE as integrated tertiary providers providing is now an established fact in the Australian tertiary landscape⁶. However, neither the funding nor the regulatory frameworks have kept pace with this evolution.

As recommended to the review of the demand driven funding model in higher education⁷, TDA proposes a number of principles to underpin a 'pathways platform' for the tertiary sector for consideration by the Senate Committee:

- i. Relevance to industry trends for technological and specialist skilled higher education qualifications;
- ii. Accelerated workforce participation and productivity with greater enrolments in pathway programs into higher education;
- iii. Recognition of the role under a reformed demand driven system, that students in non-university higher education should receive equity in receipt of CSP subsidies vis-à-vis universities;
- iv. Greater alignment under a reformed demand driven regime with the 'entitlement' training models for VET being phased in under the National Partnerships Agreement in Skills and Workforce Development.

TDA also makes the case that for the recognition of a polytechnic type institution within the Australian tertiary system as a welcome diversification that; broadens choice for students, strengthens the capacity and reach of the system, particularly in regional areas and supports greater inclusion of students from disadvantaged backgrounds.

To this end, TDA recommends that the current Higher Education Provider Standards be revised to allow for a 'polytechnic university' or 'university college' category to be funded for teaching and learning on the same basis as universities - public subsidy (Commonwealth Supported Places) and a student contribution funded by way of HECS-HELP.

⁶ Many TAFE Institutes also work in partnerships with universities as discussed in section 1- iv.

⁷ Undertaken by the Hon David Kemp and Mr Andrew Norton in 2013.

ii. The development of skills in the Australian economy.

Policy issue: The role of TAFE in workforce skill development in industries, enterprises and communities across the nation.

TAFEs operate under state and territory legislation, with a mandate to play a key role in supporting industry and communities to achieve individual, local and broader economic and social objectives. TAFE's are embedded in local communities and play an active role in supporting *planning* for economic and social development, and in developing knowledge and skills for local industries.

TAFE and Industry partnerships

The core skills courses offered by TAFE are unique as they are largely funded by industry, are designed for industry and have competency signed off by industry. TAFE has long been the dominant provider in this area and continues to deliver most apprenticeships and traineeships in core skills in Australia.

A study undertaken for TDA in 2013⁸ by VET researcher, Dr John Mitchell, confirmed that TAFE institutes are working closely with industry partners to meet workforce skill needs in core skill areas. Five case studies undertaken by Dr Mitchell tracked where new innovative practices were adopted by TAFEs, and how effectively this had contributed to one or more key business and government goals being delivered; these covered increased productivity and global competitiveness, improved workforce flexibility, assisting staff to build career pathways and developing skills for new economies and for regional growth. The Dr Mitchell cases studies looked at innovative partnerships, in five very diverse industries:

- Micro and small business (textiles, fashion and clothing in Victoria);
- Oil and gas sector (off-shore rigs, safety and specialist equipment, WA);
- Automotive repairs servicing (international company and dealer network, QLD);
- Health services (deeper workforce participation in regional economies, NSW);
- Advanced manufacturing (global competitiveness training investment, SA).

Based on extensive national research undertaken in TAFEs since 2007, Dr Mitchell's report concluded that a high value should be placed on the human capital residing in TAFE.

⁸ John Mitchell, Reinventing Service Delivery – case studies of TAFE Institutes meeting industry needs and government goals (2013).

TAFEs have developed significant and extensive capability over time which positions the public sector well to support Australian industries into the future.

One further key 'variable' was the new and more flexible governance arrangements for TAFEs.

On this basis, Dr Mitchell concluded that TAFEs had built strong networks with industry, capitalising on industry specialisations and regional priorities and leads in the provision of foundation skills such as language, literacy and numeracy, core technical and technology skills and higher specialist, environmental sustainability and innovation skills to meet industry needs. Greater flexibility and responsiveness by TAFE is also being driven through the National Workforce Development Fund, operated by the Australian Workforce Productivity Agency, which funds industry directly for workforce development.

Key to improving skill development and workforce productivity is the provision of funding for 'skill sets' or 'modular' VET programs to meet specialist industry and small business skill needs. Through skill sets, enterprises can meet specific skill needs that can contribute to broader multidisciplinary qualifications in non-licensed trade over time with the time and cost imposts of full qualifications. Currently, VET funding is limited to full Training Package qualifications only which can be a disincentive to training.

A Commonwealth Department of Industry and Innovation (DIIRSTE) commissioned TDA last year, to undertake an Econometric Model of the VET Sector in Australia. The Independent Economics Econometric Report (Canberra, 2013 Ref: www.tda.edu.au) showed that the overwhelming economic gain to an economy from an investment in a VET course was an almost immediate outcome with employment prospects.

The Independent Economics Econometric Report further showed that productivity is almost doubled if skill sets are applied rather than relying solely on full VET qualifications.

TDA recommends that Skill set and 'modular' vocational educational training programs must be funded by government, in addition to full vocational occupational qualifications, to allow for more flexible approaches to skill development. This may be one of the most dynamic outcomes in micro-economic reform for the Australian Government, to make a real boost toward Australia's productivity.

TAFE and community partnerships

A long-standing tradition under most state and territory legislation (excluding Victoria), is to require that TAFE institutes also meet community service obligations (CSOs) in their local regions providing important services for equity groups and for economic development and social cohesion. This broader role is acknowledged and valued by industry:

TAFE's remit goes well beyond the basic trades; they provide services to local communities, and particularly in regional areas they're a key hub in the community. They just don't aim for the lucrative parts of the market, but fulfil a much broader training role, and they're very much organisations that operate for the public good (Willox, 2012⁹).

Many TAFEs contribute to the economic development and social welfare of their regions by:

- Building local skills and capability for improved productivity and efficiency in key sectors of the economy;
- Increasing workforce participation where completing a VET qualification assists around 98% of students who want a job after training (and 99.9% of students who want to go on to further study)¹⁰;
- Providing a 'second chance education opportunity' for people and contributing to community welfare through the social impact of education attainments and through training workers in areas of skill shortage and growing need, such as health care and aged care; and
- Participating in local planning and development activities as valued members of the community.

The contribution of TAFE to regional economies is also in the employment opportunities it provides and in the economic activity it generates. A campus contraction or closure has a cascading effect in reducing training opportunities and also in direct job losses and loss of regional income. For example, cuts some years back to TAFE funding in Gippsland, Victoria, resulted in reduction in teaching positions, and reduced courses at GippsTAFE in Warragul, with significant flow on effects with a predicted loss of \$1 million from the regional economy.

TAFE play a unique role in meeting public policy objectives for skills training in ways that private RTOs, with the *raison d'être* of return on equity (profit), do not¹¹.

Any surplus generated by a TAFE institute is, by definition, reinvested in education and training and community services and to cross subsidise lower margin activities plus TAFE institutes are active in many important skill areas that are not as profitable, or 'thin' markets.

In its submission to the Productivity Commission, the NSW Department of Education and Training illustrated the importance of public TAFEs in these markets where the actual or potential number of learners is too small, relative to the cost of delivery, to sustain

⁹ Innes Willox (2012). Industry and TAFE harmed by VET reforms, Campus Review, 24 July 2012.

¹⁰ NCVER, The value of completing a VET qualification (2012).

¹¹ The, the new constitutions of Victorian TAFEs, gazetted on 10 April 2013, provide that TAFEs "operate in accordance with the economic and social objectives and public sector management policy established from time to time by the Government of Victoria". See for example section 11 (1) (b) of The Constitution of the Advance TAFE Order 2013

efficient provision. Conversely, the Commission noted that the private VET sector is regarded as not engaging sufficiently in thin markets.

TDA commissioned a survey of Queensland community and industry in 2012, during its consultation on establishing priorities for the public provider found that almost 85% of Queenslanders – including employers – regard TAFE as an extremely important and valuable community asset that should be preserved and appropriately funded. The clear message from the survey is that Queensland TAFE is considered to be a trusted provider of high quality VET with some 81% of respondents strongly agreeing or agreeing that qualifications delivered by TAFE are reliable and of high quality and well recognised nationally.

Over 80% agreed that TAFE plays an essential role in developing a highly skilled and productive workforce in Queensland and contributes to the economic development and social cohesion of regional communities. Almost two thirds of employer respondents agreed that TAFE has the capability to address the skills needs of their businesses.

TDA holds that this community provision and contribution to local economic development must be recognised through adequate resourcing and support by Governments.

- iii. The development of opportunities for Australians to improve themselves and increase their life, education and employment prospects.

Policy issue: Building communities of life long learners and productive workers.

Since its inception, TAFE's purpose has been to "prepare people for work, develop the individual and provide second chance education"¹² through the provision of pathways from school into higher learning, particularly those who might not otherwise have chosen to go to university.

For the individual, undertaking education and training has personal benefits in the tangible form of income and in the less tangible form of developing their capacity to participate in society and the economy. At a minimum, completion of Year 12 or an *equivalent vocational qualification* adds significant value to an individual's working capacity.

Increased literacy and numeracy skills, as well as more 'hands-on' engagement with concepts and ideas and increased awareness of self-learning, are valued highly by prospective employers. This point is starkly illustrated by data below presented in a recent AWP report.¹³

Labour force participation of persons aged 15–64 with and without non-school qualifications, Australia, 2012

Non-school qualifications	labour force (%)			
	Year 10	Year 11	Year 12	Total
With non-school qualification	84.1	86.3	87.2	86.5
Without non-school qualification	61.6	69.8	76.1	68.9

Source: Unpublished data from ABS, *Education and work, Australia, 2012*, cat. no. 6227.0, ABS, Canberra.

Employment rates for people who left school after completing Year 10 or below, but have completed a Certificate I or II, are around 10 percentage points higher than for people who do not have a post-school qualification.¹⁴

¹² Leesa Wheelahan, *The fractured social settlement in VET in Australia (2012)*.

¹³ AWP, *Future Focus*, p.70.

¹⁴ AWP, *Future Focus*, p.55.

Lower level qualifications, such as Certificates I and II are important to workforce participation, particularly for those from disadvantaged backgrounds who require assistance throughout their studies. TAFE is critical to these students in developing foundational skills in particular for work and further higher education.

According to the Allen Consulting Group, the strength of TAFE lies in its broad approaches to lifelong learning 'rather than just one or two (approaches) as other providers.'¹⁵

This well recognised strength of TAFE supports a wide range of Australians to increase their life, education and employment prospects.

TDA argues that this fundamental capability of TAFE to contribute to individual and community well being needs to be recognised by state and federal governments. Additionally, vocational education and training needs to be promoted as an equally valid and rewarding career pathway to that of higher education.

¹⁵ Allen Consulting Group, The complete package: the value of TAFE NSW (2006), p.iv.

- iv. **The delivery of services and programs to support regions, communities and disadvantaged individuals to access education, training and skills and, through them, a pathway to further education and employment.**

.....

Policy issue: TAFE's role in addressing social and economic disadvantage in communities through education and training

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TAFE is critical to providing access in education to a wide range of learners to ensure:

. . . all Australians have access to the quality education, training and support they need to be equipped for a life of success in learning and employment (COAG, 2008).¹⁶

The significant challenge for Government is creating structures that cater for diversity in learners from school leavers, to mature-aged students and students who may have experienced social and/or educational disadvantage. Of particular concern is the concentration of apparent disadvantage among Indigenous students and students from low socio-economic status (SES) backgrounds, particularly in regional and remote communities.

Meeting learner diversity

As is well documented, educational disadvantage often results in low levels of language, literacy and numeracy (LLN) skills. This is of considerable concern when up to 50% of Australians have been assessed with literacy and/or numeracy scores below the minimum standard needed to manage the complex demands of life and work (AIG, 2012). This is not a marginal issue as AWP (2013) comments:

It is a huge challenge for mainstream Australia and it is constraining individual opportunity and economic development. Building LLN skills will be critical to increasing labour force participation and transitioning to a more productive, higher skilled economy¹⁷

A recent report by the Centre for Policy Development¹⁸ indicates that the TAFE sector serves a disproportionate share of students with disabilities, is the main training provider outside metropolitan areas, provides more training towards skills in areas of shortage and provides costly training such as mining and construction skills in support of greater access for learners. TAFE is also Australia's dominant VET provider for indigenous

¹⁶ COAG Communique, 3 July 2008.

¹⁷ AWP, Future Focus, p.81.

¹⁸ C. Stone, Valuing skills: why vocational training matters (2012).

enrolments with many regional TAFE institutes recording 50% or more indigenous student enrolments¹⁹.

To support students from disadvantaged backgrounds, TAFE has well established capability and support mechanisms in place to meet educational and social needs. This is confirmed by three quarters of respondents to the TDA survey of community and industry in Queensland 2012, who highly value TAFE's role in supporting members of equity groups, who might otherwise be economically marginalised and who require assistance into work and/or further education.

Geographical reach

To further support access to education and training, TAFE has unparalleled geographical reach across Australia with 61 TAFE institutes located in metropolitan, regional and rural areas providing educational pathways to many diverse communities. This provision is critical, given the appreciable gap in participation and attainment levels between the populations of metropolitan areas, and that of regional and rural Australia. By being embedded in local communities, TAFE contribute to local community welfare and social development where training workers in areas of skill shortage and growing need, such as health and aged care is essential.

The Victorian Parliament's, *Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria* conducted in 2004 found that 'where students are able to study in their local region, they are more likely to remain in that region to seek employment.' Thus, regional presence by TAFE and universities is a significant factor in retaining young people in rural and regional areas.²⁰

TAFE/University collaborations

The distribution of institutes throughout regional Australia makes TAFE an attractive partner for universities. Initiatives as University of Ballarat's (UB) partnership with six regional TAFE institutes to bring higher education to regional communities have emerged over the past few years to ensure educational, organisational and financial sustainability in thin regional markets. Other examples of such TAFE/university partnerships include:

- Australian Polytechnic Network (APN) - a new tertiary network comprising the University of Canberra, Melbourne's Holmesglen Institute, Northern Sydney Institute, South Western Sydney Institute and Brisbane's Metropolitan South Institute of TAFE. The APN is designed to bring the best of vocational and higher education together as an innovative network of tertiary partners; and

¹⁹For example, in regional Australia, Bachelor Institute of Indigenous Tertiary Education, Charles Darwin University, Kimberley Training Institute, Tropical North Queensland Institute, and TAFE NSW (Western Institute)

²⁰ Victorian Parliament - Education and Training Committee, *Report of the Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria*, p.6.

- Deakin at your Doorstep where Deakin University provides access for students in regional areas to higher education through purpose built learning centres at five TAFE institutes and six campuses throughout Victoria.

Indigenous education and training outcomes

TAFE Directors Australia has engaged with the Prime Minister's Indigenous Taskforce, with attendance at regional and remote consultations led by Chair, Andrew Forrest. On 5th March 2014, at a TAFE Meets Parliament 2014 meeting of the 'TDA' national Board with Alan Tudge MP, Parliamentary Secretary to the Prime Minister, TDA made a detailed submission seeking reforms in various training contract responsibilities under Commonwealth control. One key agency is the Job Network, whereby JSAs have been known to issue training contracts and TDA argues more attention may be applied to case study management, and a role for TAFEs, to ensure job outcomes.

For the Taskforce, TDA made the following recommendations:

- I. A Review of the Job Services Australia and Remote Jobs and Communities Program (RJCP) Providers funding conditions which currently do not require genuine employment pathways for participants;
- II. Improving job outcomes and retention rates through the improvement of case management services for indigenous students flowing through to ongoing employment beyond the first six to 18 months. TDA also argues this policy should apply in all tertiary institutions for 'at risk' learners;
- III. Reforms to VET funding policy:
 - Funding 'skill sets' to allow indigenous students to build pathways into work and further education. At higher levels, this reform would motivate the establishment of social enterprises by indigenous individuals or communities with commitment by industry and government for financial support;
 - Co-investment in training - an additional strategy for Government to consider to encourage better engagement with industry is the adoption of 'co-investment' principles from the National Workforce Development Fund (NWDF);
 - Revising the NPA on Skills - While the NPA Agreement specified various qualification outcomes, and data delivery, it did not require attention to special industry training needs, nor to the case management approach we argue is essential to indigenous successful training and employment outcomes.
- IV. TAFE collaboration with VTEC Network – with TAFE already enrolling large numbers of indigenous students, there are opportunities for more structured relationships with the new enterprise TVEC training centres in remote locations, linked with mining firms. VTEC training centres provide highly specialist and case managed VET training, often using 'skill sets'.

TAFE already has significant capacity to delivery vocational education and training to indigenous students and many partnerships to extend capacity and reach into remote and regional areas. EG -

- North Coast – TAFE NSW initiated a successful Learning Circle partnership with five other TAFE Institute, designed to improve learning outcomes for work-related programs in remote and isolated area of the State.

In metropolitan areas, TAFE NSW - Western Sydney has special employment support for its indigenous students, South Western Sydney Institute (SWSI) operates a pre-employment service for indigenous students, servicing clients like Defence ADF, Police NSW, Local Aboriginal Land Councils, Centrelink, Kari and community health workers, and operates collaboratively with Mission Australia. Central Institute of Technology, WA, also focuses on placing indigenous students in employment.

b) The effects of a competitive training market on TAFE.

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Policy issue: Restricting VET Funds to low risk providers through a robust risk-based regulatory framework.

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TAFE institutes have been operating in a competitive market for almost 15 years, however in most recent years the “market” exploded with many states and territories allowing the registration of several extra thousand RTOs prior to the referral of powers to the Commonwealth in 2012-13, creating the Australian Quality Standards Authority (ASQA). The total number of RTOs reached 5,001 registered training organisations on or about this time of referral, although some recent audit action and deregistration under ASQA has seen that number decrease marginally, to some 4,700 RTOs. Disturbingly to TAFE Institutes and our clients, ASQA made little attempt to quickly refine this enormous cohort of RTOs under their jurisdiction, despite representations from TDA. Yet the regulator proceeded with full cost recovery charges (again a major ‘hit’ to TAFEs), nor responded at all to our written submission during the regulatory impact statement that such charges had required of the ASQA agency.

A further concern to TAFEs throughout has been that compliance costs have been adversely affected, no special provisions have ensued on a risk framework.

Because so many RTOs require regulation, this lack of a risk framework being applied to either the registration, or even criterion for which RTOs may qualify for VET public funding, are major issues affecting TAFE, major enterprises operating as RTOs, and some private colleges showing quality in the VET sector.

TDA has also noted that the introduction of contestable funding models has seen some financial analysts of Australian Stock Exchange (ASX) companies indicate that the trend for private RTOs to move to ASX listings is one issue, however a wider issue (for compliance) is that even more providers may choose to enter the VET market to access public VET funding, to take advantage of marketization policy imposed without reference or restriction under the NPA Agreement.

One example was the ASX IPO listing of Vocation Limited in late 2013 - a consortia of eight RTOs which 'pooled' into one corporation to form a public company. The Prospectus published for Vocation Ltd indicating it would target public VET funding. Vocation Ltd Chair for the IPO was former Hawke Government Education Minister, John Dawkins, who at the time was also Chair of the National Skills Standards Council (NSSC), a Commonwealth funded VET quality agency. TDA raised concerns at the time, and only when Vocation Ltd was officially opened its ASX listing, did Mr Dawkins stand down as Chair of NSSC.

It remains unclear if Industry Minister Hon Ian Macfarlane MP, will continue with the NSSC, leaving the role of quality and risk framework uncertain.

Questions of quality

This demonstrated rapid growth in RTO providers has resulted in inconsistent, and in some cases, poor quality delivery by some providers and significant reputational damage to the Australian VET sector, nationally and internationally. NCVER data shows the damage has impacted on employers' confidence in the formal VET sector, and some qualifications; EG some employers reported that individuals receiving training, in some cases, do not have the skills and knowledge required to perform to industry standards, while other employers express concern about complexity in the VET system. Finally, many employers of trainees were impacted by deep Budget cuts to Commonwealth VET assistance payments in 2012-13.

These concerns were also widespread in TDA's Queensland survey in regard to the quality of delivery by private RTOs with employers indicating they prefer to employ a person with a TAFE qualification over one with a qualification from a private college.

TDA argues for greater attention to quality in the system so Australian and international students can be assured of a robust and highly credible qualification at the end of their studies. Equally, employers need assurance that the graduates they employ have the knowledge, understanding and skills they need to do the job.

TDA endorses the National Skills Standards Council's effort to strengthen the regulatory framework, with the introduction of a new *Australian Vocational Qualifications System* which requires all training providers to meet the same standards no matter their sector or regulator.²¹ While ASQA has found that almost 30% of VET providers are 'high risk'; the quality of TAFE provision has not been under question:

²¹ National Skills Standards Council, *Improving vocational education and training – the case for a new system, 2013*.

*I think we can assume an employer looking at qualifications from a TAFE or some of the better private providers would not have a question about the quality of that qualification. The question is, what about the others?*²²

TDA submits for the Committee's consideration that the competitive training market urgently requires a risk-based quality regulatory framework. In response to the many concerns about quality associated with rapid growth, TDA advocates that VET funding is restricted to low risk providers according to a new regulatory framework.

TDA proposes three key principles – quality, transparency and responsiveness – as the foundation for the development of a new set of national standards for providers in receipt of government funding.

While the current quality standards must be improved, improvements to the standards alone will *not* guarantee consistency in quality of delivery nationally. What is required is transparent, consistent and expert interpretation of the standards by the Regulator (and the auditors) to support a capable and confident VET workforce to meet the standards and assessment principles required by Training Packages.

Failure to address quality for delivery across all providers of VET will have major political, social and financial consequences.

Market failure

The Australian Workforce Productivity Agency (AWPA) has described TAFE as a “bulwark” against market failure; a key issue was TAFEs being ‘in place’, by virtue of its quality delivery and also through its capacity to anticipate and respond to emerging skill and community needs.

This fundamental role has been recognised in other public inquiries into the VET system such as the Productivity Commission who observed that if left to operate as a ‘free market’, VET may experience a number of ‘market failures’, with sub-optimal outcomes for industry, community and learners.

Government intervention to address potential market failures will secure system efficiency²³ and reduce the impacts of failures on individuals, communities and industries, particularly in regional areas.

There is evidence of market failure in Victoria with numerous TAFE campus closures and a scaling down of activity in some areas. The most publicised closure was the former Lilydale campus of Swinburne University in Victoria which provided VET and higher education courses to several thousand students. The region contains low socio economic pockets, significant population of young Indigenous people, high levels of student

²² The previous NSSC Chair, John Dawkins, quoted in New training 'system' could spark college exodus, The Australian, 12 March 2013

²³ Productivity Commission, Vocational Education and Training Workforce, Research Report, (2011). Similar issues were canvassed in the Victorian Essential Services Commission, VET Fee and Funding Review – Volume II: Technical Analysis, (2011), p. 8.

disengagement and low levels of tertiary and vocational education attainment. As John Ross, journalist from the Australian newspaper commented earlier this year:

*All the signs point to evidence that neglect and a rush towards privatisation are dragging the vocational sector into crisis.*²⁴

There are also signs of similar failures beginning to emerge in other jurisdictions such as South Australia.

The private provider sector is not well positioned to fill the gaps in provision. Typically, private RTOs are small scale providers in terms of enrolments and scope of delivery (providing only a small number of courses in a limited number of areas) and cannot replicate the depth and breadth of TAFE provision across many locations and areas of economic priority. Private providers are also vulnerable to the vagaries of changing funding systems.²⁵

TDA urges the Committee to consider the substantial public investment in the TAFE network through public funding, grants and endowments (as well as student contributions through fees and charges) over many years.

Over this time, TAFE institutes have developed capacity and understanding of training provision to meet the economic, social and cultural needs of their local communities, and the skill needs of individuals and industry to a scale that existing and new private RTOs would be unable to match (or replace).

²⁴ John Ross, *VET in crisis as pressure mounts*, The Australian, 15 January 2014

²⁵ The South Australian Government introduced a raft of changes, including capping and cancelling course and substantial fee increases, in December 2013. The Victorian Government has made several major changes to funding arrangements in the last two years and now does so with 10 day notice to providers.

c) **What public funding is adequate to ensure TAFEs remain in a strong and sustainable position to carry out their aims**

.....

Policy issue: Consistency in the National Partnership Agreement for Skills Funding including funding for TAFE to fulfil its role as public provider.

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TAFE's purpose is clearly to provide access to high quality education and training services for Australian industries and communities. To fulfil this role, TAFE institutes need a reasonable degree of certainty in funding that allows for their community contribution and institutional diversity²⁶.

National Entitlement to Training

The national training entitlement was introduced in VET through the National Partnership Agreement (NPA) in 2012. However, while a 'national agreement' in principle, there has been no agreement across States and Territories since that time regarding:

- the ***nature of entitlements*** for students;
- the ***quality criteria*** that should be applied to providers in receipt of public funds;
- the ***governance arrangements for public providers***;
- the ***role of public providers*** in servicing local communities.

Yet, the NPA, signed by all states and territories agreed in principle to 'transition support to TAFE' in the new competitive VET environment. The letter of the NPA required signatories to develop and implement strategies which enable public providers to operate effectively in an environment of greater competition.²⁷

As jurisdictions move towards contestability, pressure has intensified on TAFE through funding cuts and changed pricing for VET across jurisdictions. \$80 million was cut from TAFE budgets in NSW, \$79 million in Queensland and an estimated \$83 million in South Australia and eight different funding models currently exist as each jurisdiction has implemented its own approach to contestability.

For those most advanced in implementation (Victoria and South Australia), severe financial difficulties have impacted on TAFE, especially those institutes delivering core skills courses in regional areas (thin markets).

²⁶ A regional TAFE, for example, might face higher operating costs than metro counterparts and have less opportunity for alternative income streams.

²⁷ National agreement for skills and workforce development (2012) paragraph 25(d).

Funding cuts add to an alarming long term decline in overall VET funding, relative to other education sectors and on a per student basis. According to AWPAs Future Focus report (2013), from 2006 to 2010 real recurrent government expenditure on VET increased by 10% but expenditure per student annual hour *decreased* by 14% during the same period.

While the number of government-funded students continues to rise, climbing 4% to a record high 1.55 million in 2012, funding rates have fallen by 6% to \$12.62 per student per hour, the lowest on record, down from \$17.03 in 2004 (down 26%). The downward trend in per student funding is most pronounced in Victoria and South Australia, now at \$10.67 and \$10.57 respectively.

The Australian Productivity Commission 2014 *Report on Government Services* confirmed broad reductions in funds for VET across the country and reduced funding for public TAFE providers as governments have marketised VET systems²⁸. More alarmingly, AWPAs found that recurrent funding since 1999 has increased 31% for public primary schools, 20% for secondary schools, and remained steady for the university sector, but has fallen by 25% for vocational education and training.

Commonwealth and state government recurrent expenditure, funding per full-time equivalent student (schools and higher education) and per annual hour (VET) indexed to 1999 (1999=100)

Year	Primary government schools	Secondary government schools	Vocational education and training	Higher education
1999	100	100	100	100
2000	108	103	94	99
2001	113	105	89	92
2002	113	108	92	89
2003	117	113	94	89
2004	124	117	94	93
2005	124	118	91	101
2006	127	116	89	102
2007	128	116	86	102
2008	129	115	82	103
2009	128	115	80	99
2010	130	122	75	108
2011	131	120	75	103

AWPA concluded that a ‘tipping point’ at which funding cuts compromise the quality of provision was imminent and recommended a review to determine an appropriate level of funding for delivery of VET to ensure quality standards are met. This would take into account that base funding encompasses contributions from governments, employers and individuals and that a funding model should be flexible enough to accommodate the significant variations that can occur across different modes of delivery and the additional support required for disadvantaged students.

²⁸ Productivity Commission, Report on Government Services 2014 – [Chapter 5 – VET](#) , Table 5A.19.

AWPA also recommended an increase in public and private funding of at least 3% per annum in real terms to meet projected industry demand for skilled, qualified workers assuming similar levels of indexation in higher education and VET for the publicly funded component.

AWPA estimated that investing an additional 3% per annum would require an additional \$860 million in public and private expenditure in 2014, compounding annually to reach \$1,190 million in 2025. This 3% investment was additionally nominated by the Australian Industry Group, as a required support for the VET system, and support for pathways.

The extensive Federal Budget cuts to employer incentives for trainees, and some apprenticeship payments, and support for Group Training, together have had a severe impact on future supply of core technical skills in Australia - a significant concern to future capacity and productivity. More recently, NCVET has tracked steep declines in apprenticeship enrolments and completions, indicating an impending crisis with no clear commitment to investment for Australia's technical skilled and trade occupations.

TDA maintains that adequate funding for critical skills -- from apprenticeships through to higher qualifications -- should be provided in order to meet the needs of students and employers and to alleviate skill shortages into the future and recommends further reforms to funding models as outlined below.

1. Skills set funding

The provision by Government of funding for '*skill sets*' or '*modular*' VET programs to meet specialist industry and small business skill needs. Through funded skill sets, enterprises and students can build pathways toward broader multidisciplinary qualifications (as they do in universities) in non-licensed trade areas and better manage their pathways from basic to higher qualifications.

This is a current right under HECS loans to university students, yet denied to VET students. Currently, VET or FEE HELP places are limited to full Training Package qualifications only.

Skill set funding reform would require Commonwealth direction to future State/Territory VET Agreements but would not require an overly onerous investment. As mentioned earlier, a DIIRSTE commissioned report showed that productivity is almost doubled if skill sets are applied rather than full Training Package qualifications.

2. Funding for higher education

The Australian Government has provided funding under the Structural Adjustment Fund (SAF) to universities for seven years with one criterion encouraging universities to collaborate with TAFE and other eligible VET institutions for articulation arrangements. To date, TAFE Institutes have not been granted direct access to SAF or access to

Commonwealth funding for students, despite recommendations in the Bradley report²⁹ (2008).

Yet, TAFE Institutes are delivering, in their own right high quality, applied and specialist higher educational programs that meet the needs of industry for higher skills and the career aspirations of new cohorts of learners.

While TAFE institutes are in collaboration with universities to extend education opportunities into regional and outer urban areas, they also compete in areas such as the AQF 5 and 6 levels (Diploma and Advanced Diploma/Associate Degree). These qualifications were once the province of TAFE until university places were uncapped in 2009 and university offers increased by 16.4% to 2012. A number of universities have also established their own RTOs to provide foundation and pathway programs (at AQF 3/4 level) or have entered into arrangements with private RTOs to deliver such programs.

In a competitive marketplace, the current funding and regulatory frameworks markedly disadvantage TAFE as opposed to universities. The demand driven funding system in higher education (which exposed 39 public universities to competition) warranted nearly \$400 million in structural adjustment funding. However, similar Commonwealth policy to expose Australia's TAFE institutes to competition from nearly 5,000 RTOs (plus universities) attracted no adjustment funding for TAFE at all.

Exacerbating this inequity is the denial of public subsidies for higher education students (CSP funding) to all but two TAFE institutes delivering higher education programs. Students are required to pay full fees for a higher education course at TAFE which is a significant disadvantage for students, many of whom are from low SES and other disadvantaged backgrounds, and for TAFE institutes, despite having lower cost structures.

The lack of CSP and other funding also stifles innovation and the emergence of new, more industry relevant qualifications.

TDA advocates that significant reform to VET and higher education funding arrangements will remove discriminatory public policy practices (including international student visa arrangements as argued later in this submission). TDA recommends that, in the national interest, the Committee consider:

- Retaining incentives for employers of apprentices and trainees and reward payments for completions;
- Funding the development of skill sets in areas of skill shortage (health services, ageing, disability, ICT and related sectors);
- Special funding for TAFE in regional Australia including allocations for infrastructure under the Education Investment Fund (EIF);

²⁹ Bradley, D, Noonan, P, Nugent, H, Scales, W, 2008 *Review of Australian Higher Education: Final Report*, Department of Education, Employment and Workplace Relations, Canberra

- Specific funding for the development of foundation skills including language, literacy and numeracy to support workforce and education participation; and
- Making Commonwealth Supported Places available to students who wish to study higher education qualifications at non-university providers.

TDA also submits that the decline in public investment in the VET sector works against declared public policy to improve the skills of the Australian workforce and policies relating to equity and social inclusion. On those grounds alone, a moderate increase in funding of the order suggested by AWPA is justified.

Further, a 'base funding review', as has occurred in school education (the Gonski review) and higher education (the Lomax-Smith review) is necessary in order to establish the minimum funding required to sustain the public provider network in its role as a comprehensive service provider.

This would establish the minimum, guaranteed funding required to sustain the public provider network as a comprehensive service provider, separate to contestable funding, and examine the effectiveness of current partnership arrangements in achieving the desired policy outcomes of increased number and level of qualifications in the Australian workforce and improvement in national productivity.

3. The case for additional investment in TAFE

A study, commissioned by TDA in 2013³⁰ to determine the individual and economic benefits of increasing the number of individuals with Certificate III level qualifications and above, found that investment in TAFE represents 'value for money' with an internal rate of return of 18% - double that of the typical business.

For the individual, VET serves to boost the pre-tax earnings of students by improving:

1. **employability** (completers), who are more likely to participate in the workforce, less likely to be unemployed, and more likely to work fulltime compared to those with no post-school education; and their
2. **productivity** so they can work in more highly-skilled occupations and command higher wages.

Importantly, the study found that it is not only students who complete a qualification at a higher level than previously held, who benefit from VET but that benefits also flow, at a lesser rate, to those who do not complete a full qualification but instead complete components of a qualification, including skill sets that meet particular licencing or industry needs (module completers. NCVER research indicates that module completers are expected to generate 50-70% of the employability and productivity benefits of graduates.

³⁰ Independent Economics, Cost-benefit analysis and returns from additional investment in Vocational Education and Training.
http://www.tda.edu.au/cb_pages/files/Econometric%20Final%20Report.pdf#page=8&zoom=auto,0,468

Re-skillers who undertake training at the same or a lower level than a prior qualification to enable them to adapt to changing industry and/or economic needs also benefit from improved employability.

At the broader economy level, additional investment in VET yields significant net economic benefits, as measured by the real internal rate of return³¹ (IRR) – that is, the net economic benefit to the economy per additional dollar invested in VET:

- The employability and productivity benefits to the 22% of students who *upskill and graduate* at Certificate III and above results in an estimated IRR of 7%;
- When the benefits to the 37% of students who *upskill and module complete* are taken into account the IRR more than doubles to 15%;
- Adding further the benefits of the 31% who *reskill and either graduate or module complete* the estimated IRR rises to 18%.³²

When all benefits and costs are taken into account, each dollar invested by governments, students or businesses in VET is expected to generate 18 cents (that is, plus 18%) of ongoing annual net to the Australian economy benefits as compared to returns on business investment of around 9%.

Under two funding scenarios, additional investment from government and private sources over 5 years (2013-2017) is estimated to generate economic outcomes as follow, principally in the form of greater employability:

- Scenario 1 – “**committed funding**” of an additional \$2.7 billion in VET funding a 5.6% expansion in the VET system – is estimated to yield a net benefit of \$13.4 billion
- Scenario 2 - “**further expansion**” of \$6.7 billion funding a 13.7% expansion – is estimated to yield a net benefit of \$32.5 billion.

³¹ The real internal rate of return is defined as the discount rate that equates the present value of the real costs with the present value of the real benefits.

³² The remaining 10% who do not complete any modules are not included in the calculation of benefits.

d) Factors affecting the affordability and accessibility of TAFE to students and business.

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Policy issue: Funding is the most significant factor impacting on the affordability and accessibility of TAFE for students, businesses and communities.

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The introduction of entitlement, significant funding cuts to TAFE and changing policy environments in all states and territories has resulted in a number of factors impacting on the affordability and accessibility of TAFE, particularly in remote and regional areas including:

- Confusion about the training system and how to choose from the 4,700 RTOs competing for VET business;
- Different VET entitlement and policy systems across state and territory borders;
- A lack of trust in the quality of VET qualifications by students, employers and international stakeholders;
- Increasing enrolment and other fees (further discussed in section f);
- Changing subsidies and entitlements within jurisdictions that can change quickly;
- Barriers to entry where qualifications are not funded in some industry areas due to a mismatch in funding and skill needs;
- Funding inequities in the VET and higher education system in both the grant and student loan systems (e.g. VET Fee HELP and CSP funding);
- Varying visa requirements for international students (section g);
- Cuts to courses and local services, particularly in regional and remote areas.

Cuts to courses and services

As many smaller TAFE campuses and centres lack the scale to be ‘commercial’ and, have in the past, been subsidised through surpluses generated through other business, it is inevitable without funding that some will be closed or reduced in capacity. To sustain them in the market system would require higher fees and charges for individuals and businesses.

This trend, along with retrenchments of staff members is currently underway or is foreshadowed in the public provider in all jurisdictions. This affects not only accessibility to TAFE’s services, it has ‘knock on’ effects through communities, as illustrated with the downsizing of GippsTAFE’s Warragul campus.

Removing courses through downsizing and closures also removes pathways to work and higher education, such as the diploma level courses lost at Warragul and also

opportunities for partnerships between universities and TAFE in regional Australia. Federation University, a dual sector university, reduced its TAFE activity by 30-40%, in its response to reduced VET funding arrangements in Victoria. Other providers cannot always replace the range of programs that TAFE offers, particularly in thin markets³³. It takes considerable long term investment to replace these losses.

³³ In Victoria, for example, private providers have 92% of publicly funded enrolments in financial and insurance services, 74% in administration and support services, 78% in public administration and safety, 75% in retail trade, 72% in transport, postal and warehousing, and 83% in wholesale trade. In contrast, private providers have only 4% of enrolments in the more expensive courses such as mining, 6% in professional, scientific and technical services (which includes a lot of engineering) and 11% in information media and telecommunication.

e) Different mechanisms used by State governments to allocate funding.

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Policy issue: the introduction of entitlement models and contestability has reshaped and fragmented the VET sector.

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Contestability models of VET reform under the NPA have dramatically reshaped the VET sector in Australia with Government spend on vocational education spread increasingly thinly. Various industry peak groups have expressed concern about the speed and seeming ad hoc nature of the roll out of national entitlement in some jurisdictions, and the lack of appropriate checks and balances with implementation. Innes Willox, Chief Executive, AIG in an address to the National Press Club in August 2012, noting the closures of dozens of courses at regional TAFE in Victoria, said:

It is of significant concern to industry that we won't be able to then drive the skills pool in the future and kids in regional Australia will miss out on opportunities to gain skills and then get into the workforce.

Jenny Lambert, Director of Employment, Education and Training at the Australian Chamber of Commerce and Industry, in an interview for *Campus Review* in 2012, commented that that in economic terms, this form of 'public funding' distorted the market and serves as an incentive for providers to follow the money trail. The unintended consequences of rapid and apparently poorly designed National Entitlement implementation by States and Territories include:

- significantly different State to State regimes on fees and levels of subsidy for the same courses;
- enrolment caps applied to courses where there is strong industry demand for graduates, thus limiting the availability of graduates with "skills in demand" (which rather defeats the *raison d'être* of an open and competitive market);
- courses being taken out of the market by the funding agencies due to a lack of funding;
- some State Treasury Departments withdrawing funds from the market after the commencement of the entitlement model;
- the entitlement model driving prices down with an adverse impact on quality of provision;
- a one size fits all approach, with an assumption that the public benefit is equal across and within States and Territories - an assumption which is obviously flawed;
- constant interventions by governments and unreasonable expectations to implement change have impacted on existing contracts between TAFE and industry

based on a contract price underpinned by government subsidised training (an industry expectation in Victoria). These contracts become unviable when funding decreases.

Key aspects of National Entitlement implementation by jurisdiction³⁴

Element	VIC	SA	QLD	WA	NSW	ACT	NT	TAS
Program	Victorian Training Guarantee	Skills for All	Great Skills. Real Opportunities	Future Skills	Smart & Skilled	-	-	Skills for Work
Timing	2008	July 2012	July 2013 (trial) July 2014 (full)	Jan 2014	Jan 2015	2014 tba	2013, expanding July 2015	Jan 2014, expanding Jan 2016
Providers	VIC-based or history of VIC delivery	Open	Open	Open (tbc)	NSW-based or NSW presence, staff & history (tbc)	tba	Currently public providers only	
Criteria	Approved as per Statement of Expectations 3yr contracts for some RTOs	Approved as per Skills for All guidelines	Approved as Pre Qualified Supplier	Current providers + new RTOs via EOI.	Plans to approve as per NSW Quality Framework	tba	tba	Must meet Skills Tas quality definition
% training funds contestable	100%	Unclear. TAFE courses receive 3x the private RTO subsidy.	100% from July 2014*	Currently unclear	tba	tba	tba	tba

Element	VIC	SA	QLD	WA	NSW	ACT	NT	TAS
Qualifications	VTG List (Skills VIC)	Skills for All List - DFEEST	Skills List (by DETE)	Priority Skills List - ITCs	NSW Skills List	ACT Skills Needs List	tba	
Eligibility	Cert II – Adv Dip multiple + Foundation skills	Cert II & III multiple + Foundation skills	Cert III (currently 10 <u>quals</u> under trial) + Foundation skills**	Cert II up to Diploma. Foundation skills & Access programs only at TAFE.	Cert II & III first qual'n Foundation Skills Reduced subsidy for > Cert IV	Cert III Foundation Skills and wrap-around support	Cert III	Cert III first qualification Foundation Skills
Course fee	Set by RTO	Set by RTO	Set by Govt	Set by Govt	Set by Govt	tba	tba	tba
Subsidy	Hourly per qual and nominal hours.	Hourly rate per UoC (> for TAFE) Cap on qual numbers	Per qual	Hourly rate per UoC (> for TAFE) Cap on qual numbers	Per qual Provider cap on total \$\$	tba	tba	tba
Student contribution	RTO must set and publish.	Optional	Mandatory but RTO determines fee	Mandatory & set by Govt	Mandatory & set by Govt in 1 st year. Out years tba, likely optional	tba	tba	tba

In the 2013 submission to the House of Representatives Inquiry into Further and Technical Education (TAFE), TDA argued that TAFE's role must be clearly articulated and embedded in national policy within the National Partnership Agreements and/or other Commonwealth funding agreements.

³⁴ Source ACPET

TDA also argues that national arrangement for VET funding and delivery need differentiation between the roles of the Australian and State/Territory Governments; a view echoed by Skills Australia:

An ongoing and unresolved tension in any discussion of the sector's future is the issue of joint government ownership in terms of funding, strategy, policy and leadership. [It has been identified as] a 'burning issue' that required resolution through the Australian Government assuming responsibility for the sector.

While Skills Australia did not recommend structural change in government responsibility, with attendant constitutional and funding issues, it did propose a clear differentiation of government roles premised on:

- the Australian Government driving coherence of national strategy, policy, regulation and standards;
- the key focus of state and territory governments residing in service delivery - streamlining for consistency; comprehensibility and ease of access; maximising of service impact; and providing seamless support for clients and users.³⁵

TDA acknowledges that establishing such a clear differentiation of roles would be a delicate and complicated process. Nevertheless, given the breakdown of certain key aspects of the current national partnership approach, it is necessary to give serious consideration to proposals for to create greater clarity, certainty and consistency in national arrangements.

³⁵ Skills Australia, Skills for prosperity – a roadmap for VET (2011), p.160.

f) The application and effect of additional charges to TAFE students.

.....

Policy issue: The introduction of market-oriented reforms has been accompanied by substantial fee increases in higher level VET courses (diploma and above) in all jurisdictions.

.....

Under the HECS-HELP scheme through which the Commonwealth government provides a subsidy towards undergraduate programs at universities (and a few non-university higher education providers), the student contribution towards a degree in nursing is set at \$6,044 in 2014, meaning the total cost to of a three year degree would be a little over \$18,000.

Under funding changes confirmed in December 2013, the full fee for an 18 month Diploma of Nursing at a WA TAFE institute increased nearly five-fold, from \$1,862 to \$9,131. The fee in a Victorian TAFE for the same qualification can be up to \$14,630 and up to \$13,900 at a NSW TAFE.

When some VET fees approximate or exceed university fees concerns are raised on two grounds:

- 1. Efficiency.** Under the demand-driven funding system in the university sector, universities have considerably increased their intakes, with some universities expanding their intake of nursing degree applicants, for example with a subsequent reduction in demand for TAFE delivered sub-degree programs. However, TAFE might better suit the needs, aspirations and circumstances of some people and serves as a pathway to further training/study (through formal arrangements with universities).

It is generally accepted that TAFE pathways provide an excellent preparation for higher education, even for those students who have not excelled at school, and who might be considered ‘academically underprepared’ for direct entry into higher education. TAFE provides an advantage for such students of smaller group teaching and a practical orientation. Successful completion of a TAFE qualification also builds confidence. All the evidence points to a student with, for example, a low ATAR, who takes a TAFE pathway and articulates to university study, ultimately performing on a comparable basis with a student who enters university directly with a substantially higher ATAR

By contrast, an academically underprepared student is likely to struggle and there is a greater propensity to withdraw. One recent media report suggests that up to one in five university students withdraw in their first year – and that’s just first year

students. While there are many reasons why a student might withdraw, difficulty handling study and the culture of university is certainly one of them.

- 2. Equity.** TAFE has traditionally catered more effectively than universities for the needs of students from various equity groups such as those from economically disadvantaged backgrounds. Therefore, steeply increasing fees for higher level VET qualifications impact negatively on these students and are likely to act as a disincentive to further training and education.

There is little research to indicate that fees and associated training costs figure highly in the decisions about where to engage in education and training. Other factors do including availability, sustainability, relevance, flexibility and length of courses, and the time involved.

Elsewhere in this submission, it is argued the different treatment of students undertaking a degree at TAFE vis-a-vis students undertaking a degree at a university is inequitable in that TAFE students have to pay full fees as against the subsidised fees that apply to university students. This is now also increasingly the case with TAFE students undertaking sub-degree programs – such as a Diploma of Nursing – who on a pro rata basis can be paying considerably more than degree students in similar fields of education.

This provides a compelling case to review and reform fee arrangements to put the fees of TAFE students at degree level and the VET qualifications on a similar footing.

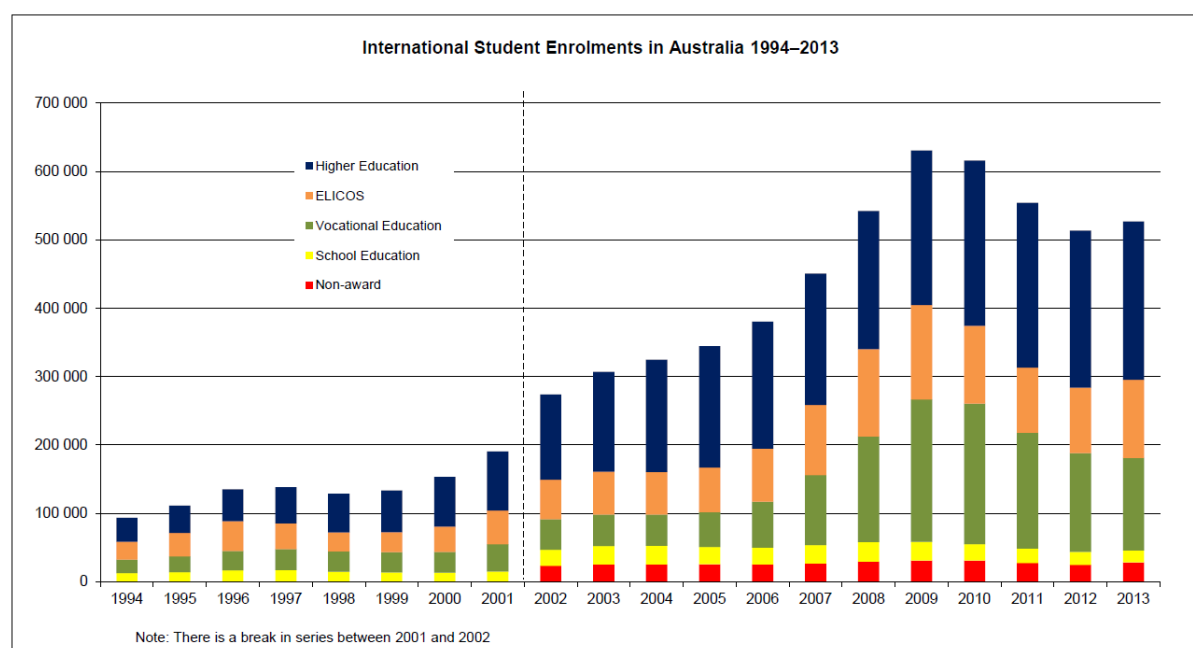
g) TAFE – International education

Australia's TAFE Institutes rank among the top three international technical, vocational education and training (TVET) providers in the world. TAFE Institute expertise is increasingly in demand from employers, government agencies, education institutions and donor organisations, particularly in the Asian region to improve technical skills training in the region for increased productivity and workforce participation. Of equal importance is TAFE's role in supporting Australian students and businesses to engage with other countries through outbound mobility programs and industry-led training programs.

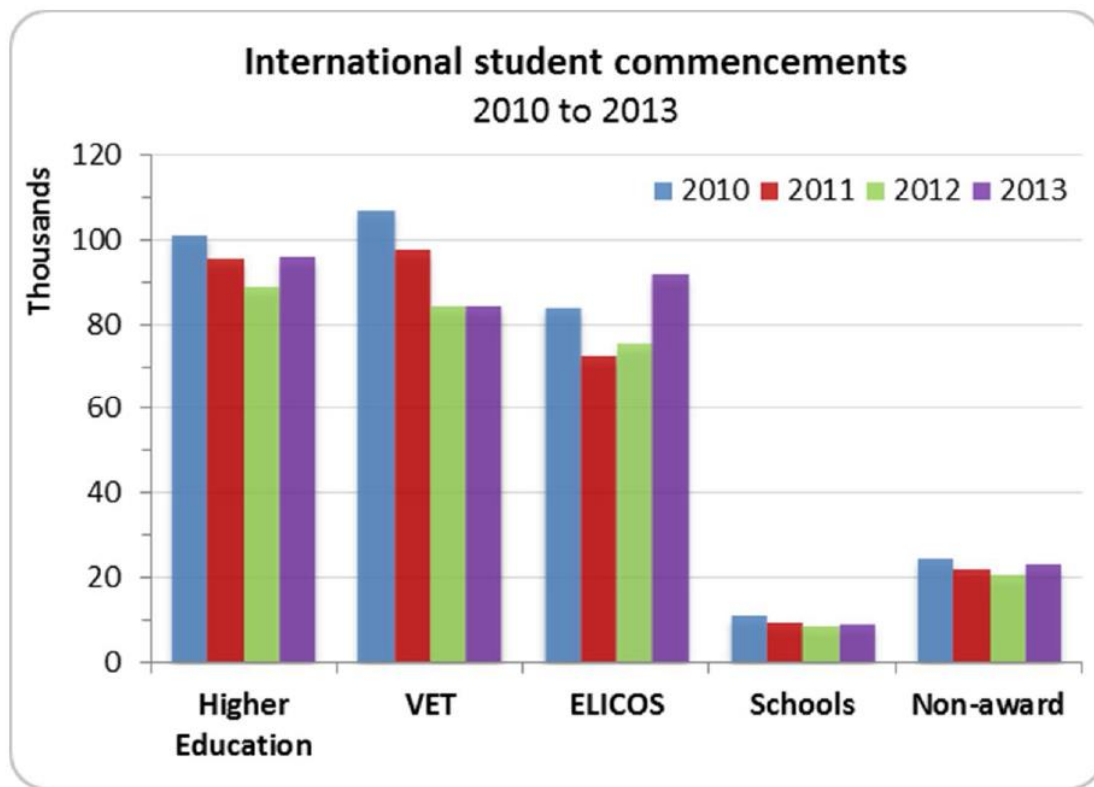
International education market

In 2009, education was Australia's third largest export industry, estimated to be generating \$18 billion in revenue and 188,000 direct jobs. However decline were experienced in 2010 due to a combination of factors, such as a rising Australian dollar, the rise of competitor countries and negative publicity concerning student safety and welfare and college closures in the private VET sector, and Immigration Department severely limiting visas for VET students, even for low risk (TAFE) RTOs.

In 2011, there were 426,748 international students studying in Australia, compared with 468,694 in 2010 (a 9% reduction) and 491,176 in 2009. International student and related spending increased from \$14.8 billion in 2007-08 to a peak of \$18.1 billion in 2009-10 and then trended downward to reported revenue in the 2011-12 financial year of \$14.7 billion, a reduction of about 19% from the peak.



Australian Education International – International Student Enrolments in Australia 1994 – 2013



Australian Education International – End of Year Summary of International Student Enrolment Data – Australia - 2013

Offshore engagement

TAFE is a leading exporter of education services and products for overseas markets. With more than 91 offshore partnerships delivering high quality education for more than 50,000 students in their own country, TAFE also provides:

- offshore workforce training for Australian and overseas companies;
- capacity building projects for aid and development organisations;
- high level consultancies for overseas governments and industry.

TDA supports TAFE institutes to expand offshore engagement through formal networks including:

- UNESCO UNEVOC (nominated coordinating centre for South East Asia);
- World Federation of Colleges & Polytechnics (Deputy Chair);
- China Education Association for International Exchange (Australian partner in world wide leadership training program);
- Community College Association of America (vocational and higher education network partner);
- UK Mixed Economy Group (higher education partner);
- UK Commonwealth (lead researcher into VET systems development);
- USA and China Green Skills networks (founding member);

- China Central Institute of Vocational Technical Education (research partner).

TDA strongly urges the creation of a competitive grants program which provides seed funding to initiate or expand offshore partnerships. This will enhance our international competitiveness, support Australian industry in opening up new markets, and promote advanced technical study options in Australia.

Student visa policies

A key factor has been changes to migration rules and regulations, which have particularly impacted the VET sector, including TAFE. For example, Holmesglen Institute reported a decline of 34% in international student numbers in 2012, which translates into a loss of revenue of in excess of \$10 million.

The current streamlined visa processing discriminates against all providers except universities and a small number of non-university higher education providers. The Knight Review³⁶ of student visas recognised the deleterious impact that declining international revenue would have on university financing (even though university international student numbers have more than held up). Knight observed that, without the prop of international revenue, universities would have to either reduce their level of research or reduce their level of services to Australian students, most likely both. The only way to avoid such reductions would be for Australian taxpayers to “makeup the shortfall”.³⁷

As a result, under new rules introduced for universities in April 2012, international applicants to all universities are treated as 'low risk', making visa processing faster and easier by reducing the amount of money they need in order to demonstrate that they have the financial capacity to live and work in Australia, and eliminating the need for them to sit language tests for visa purposes.

The same measured approach has not been extended to the reputable, quality assured public TAFE sector, although a number of VET providers, including 16 TAFEs, can have limited access to the streamlined arrangements through ‘business partnerships’ with universities. It is not clear to TDA why the Commonwealth perceives a ‘high risk’ in accrediting TAFEs in their own right but a ‘low risk’ when TAFEs partner with universities when:

- While there have been evident quality issues in the VET as a whole, TAFE provision is of a demonstrably high standard;
- While there are more than 5,000 VET providers, there only 61 TAFE institutes;
- While a number of private RTOs have collapsed in recent years, TAFEs have proved as stable as universities;
- Like universities, TAFEs are public sector entities in which taxpayers have a huge financial stake.

³⁶ M.Knight, Strategic Review of The Student Visa Program: Report (2011).

³⁷ Shining Knight to the rescue, The Scan, 29 January 2012.

The sole use of visa compliance rates used by the Department of immigration and Border Protection (DIBP) does not give an accurate assessment of risk. Streamlined visa processing is also restricted to degree level courses or above.

TDA argues for a more comprehensive risk profiling of all providers offering international education services for international students. This profiling would include not just visa compliance rates, but also the results of regulatory reviews and audits including those carried out by ASQA, TEQSA, state regulatory bodies and the Tuition Protection Service.

The onus will be on the provider to maintain low risk ratings not just for visa compliance (DIBP), but for consumer protection (TPS) and sound education and financial management (ASQA, TEQSA and state regulatory bodies).

To further enhance TAFE's international profile and its capacity to deliver, TDA argues for a higher level of support from the Australian government and a greater public recognition of TAFE's role. This includes more favourable visa policies for inbound international students, direct government investment in supporting offshore partnerships, a more equitable allocation of funds for VET student mobility programs, and a whole-of government approach to supporting international networks. TDA submits that the Government should:

- Directly support new or expanded offshore partnerships through a dedicated and competitive grants program, aligned to government and industry priorities;
- Ensure a more equitable allocation of funds for VET student mobility programs;
- Develop a more comprehensive risk framework which enables all high quality, low risk providers to offer streamlined visa processing for prospective international students.

TAFE in Australia has enjoyed a 15 year mentoring role for China's public technical colleges and polytechnics. This cooperation has netted Australia considerable public dividends, with many China colleges operating collaborative curriculum and wider cooperation agreements with Australian TAFE Institutes. This offshore transnational education has seen 45,000 Chinese students enrol within China in a TAFE delivered Australian qualification course each year³⁸. A key benefit for a Chinese student undertaking such a TAFE course is that, along with inculcating English language skills, it contributes to improved work-ready skills and employment options. Chinese graduates with a TAFE qualification experience improved employability compared with traditional Chinese university graduates, where some 20% can experience difficulty in finding jobs within the first year of graduation.

³⁸ AEI data (2012). DIISRTE website

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