

Victorian TAFE
Association



Response

Securing our future economic prosperity -Discussion Paper on Skills Reform **(Victorian Government April 2008)**

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**VTA RESPONSE TO SECURING OUR FUTURE ECONOMIC
PROSPERITY DISCUSSION PAPER ON SKILLS REFORM –
VICTORIAN GOVERNMENT APRIL 2008**

EXECUTIVE SUMMARY

There is agreement that the role of VET is pivotal to the competitiveness of individuals, enterprises and the workforce and governments should devote significant additional resources to improve the participation rates, accessibility and skills levels of the workforce. Not being privy to all the research and modelling underpinning the proposed reforms in the Discussion Paper, VTA members have varying degrees of concern about the assumptions/assertions made in the paper.

There is serious concern that the paper seems to assume that new entitlements will be limited to linear pathways from lower level qualifications to higher level qualifications only. Numerous case studies in our submission illustrate the validity of non-linear progression in skills development and inequities that will arise if the mooted changes are implemented as proposed. There is also concern about the need for mapping and alignment of these reforms with Commonwealth VET reforms and other skills development programs including Skill Up and Commonwealth labour market program reform. The availability of income contingent loans must be parallel with any fee reforms to offset possible negative effects on participation as a result of higher fees.

The paper provides no convincing evidence that eligibility requirements for government subsidized VET need to change, nor that there need to be more providers in VET in order to meet the stated goals of reform for greater participation. The examples and case studies provided identify potential unplanned reform outcomes from the perspective of how the proposed reforms may or may not move the VET system towards the government's stated goals and impact negatively on the on-going health and viability of the publicly owned system. Potential de-regulation of fees could lead to destructive price competition for more attractive market share at the expense of the overall viability of the public provider which must retain 'full service' capacity.

To provide meaningful advice about possible outcomes, VTA would need clarity about the proposed nature of eligibility to new entitlements; particularly as it may apply to existing employees and be available through employers.

Case studies of practices from existing RTO's indicate the propensity for poor practice within existing regulatory requirements/guidelines and the need for more rigorous compliance procedures and auditing to ensure quality provision. VTA members are concerned that eligibility requirements for entry of RTO's as approved providers of training to entitled individuals and enterprises will need to be more rigorous than is now the case.

Demand side issues relating to the deeply ingrained attitudes and behaviours of individuals and enterprises are noted in the discussion paper but not really addressed. These include the poor general understanding of the social and economic utility of TAFE qualifications and the fact that market reforms require the existence of an informed market, which VTA members believe is not the current situation. These issues must be addressed prior to the establishment of contestability and arguably require a significant public marketing/education program much more sophisticated than any previous TAFE marketing campaign.

Governance reforms are required to ensure TAFE Board business decision making is not impeded by bureaucratic or policy impediments to competitiveness with private sector RTOs. TAFE Boards' accountabilities and authorities should be refined so that they are not placed at a commercial disadvantage. Effectively this would require deregulation of public sector requirements in relation to employment of staff and executives. It should also enable Boards to establish subsidiary enterprises and dispose of business assets not owned by the government at their own discretion.

The VTA is opposed to wholesale implementation of major reform by the commencement of 2009 and even in any pilot or phased in manner. The underlying reasons for our opposition are associated with institute planning, systems, processes and behavioural change and promotions/marketing that would be required to be undertaken prior to implementation.

The view of the VTA is that government should proceed with caution regarding the extent and timing of change to ensure all risks are identified and addressed up front.

The Victorian TAFE Association makes five recommendations.

1. A package of reforms must be aligned to Commonwealth Government and other State policy initiatives to ensure consistency and clarity in accessing governments' supported funding for vocational education and training.
2. Reforms to increase fees payable by students accessing Victorian government supported VET programs cannot proceed until all processes are in place to enable Income Contingent Loans.
3. Implementation of any package of reforms must be accompanied by at least twelve months of intensive communications with prospective students, industry, communities and RTOs.

4. Implementation of an investment model based on competition and contestability must include rigorous, transparent quality criteria for RTOs to be entitled to deliver government supported VET places.
5. A staged approach be used to implement any demand driven model of VET provision in Victoria commencing with a pilot program in the first year and full implementation over at least a three year period following evaluation of the pilot program.



VTA RESPONSE TO SECURING OUR FUTURE ECONOMIC PROSPERITY
DISCUSSION PAPER ON SKILLS REFORM – VICTORIAN GOVERNMENT
APRIL 2008

INTRODUCTION

That educational achievement is directly linked to an individual's future economic prosperity and the prosperity of their community is not a matter that will be debated in this response to the discussion paper on skills reform (Victorian Government April 2008). Victorian TAFE providers are acutely aware of the critical contribution vocational education and training makes to building individuals' skill levels, capacities to work and Victoria's economic growth.

Membership of the Victorian TAFE Association (VTA) includes all Victorian all Victorian stand-alone TAFE providers and four multi-sector universities. TAFE provides vocational education and training (VET) to over 350,000 individuals annually and employs over 10,500 effective full time staff. On behalf of all eighteen TAFE providers in Victoria, the VTA will comment on the proposed approaches to achieve the Government's four objectives described in the Executive Summary of the discussion paper:

- *Boosting numbers of individuals and businesses accessing training, which will increase the skills of Victoria's workforce.*
- *Developing a VET system that engages more effectively with individuals and businesses and is easier to navigate.*
- *Ensuring the system is more responsive and flexible to the changing skills needs of businesses and individuals.*
- *Creating a stronger culture of lifelong learning.*

THE CASE FOR CHANGE

Alignment of training allocations with individual need

VTA concurs that economic growth, through increased productivity and workforce participation, relies on skills. Skills shortages in Victoria impose a risk to achieving sustained economic growth and the training system is critical to alleviating skills shortages. That said, VTA questions the statement (page 9) that there is a lack of alignment between the allocation of government subsidies and individual need for training or re-training. Access to government supported training in TAFE is not solely granted on the basis of where and/or when a person applies rather than on their individual needs. Victoria's TAFE providers work collaboratively and innovatively to ensure the needs of individuals and employers are met. TAFE providers consistently over-deliver



on targets for government supported training reflecting a commitment to meeting clients' needs and community expectations.

The discussion paper (page 9) uses an example where a 30-year-old university qualified professional may receive a government supported place if there is one available when they enrol; while a 30-year-old in a low skilled job with no qualification above year 10 may not receive a place if the training provider has filled its allocation of places. This example is overly simplistic and leads the reader to deduce the university qualified professional should not be entitled to a government supported place. The scenario may well be that the university qualified professional having skills in a traditional industry no longer offering employment in a community, wishes to gain qualifications in new industries to stay in that community.

The issue raised by the scenario referred to above and the second example of an individual seeking to enrol in a Certificate IV in Nursing (page 9) is linked to the lack of funded places in Victoria and the targets imposed on TAFE providers in the Government determined Training Plans.

A focus on supply of training

The discussion paper cites Australian Bureau of Statistics, Education and Work 2007 data as evidence of a focus on supply of training rather than meeting demand. A review of the ABS data table suggests that caution should be used in relying on the data that 27,500 individuals were unable to gain placement on application to TAFE across Australia.

The notes accompanying the data indicate most of the estimates for persons under 25 years have a relative standard error of 25%-50% and other data has a relative standard error greater than 50% and is considered too unreliable for general use. It would have been more useful had reliable Victoria-specific data been quoted. In any event, Victoria's proportion of the national total is likely to be approximately 7,150 individuals unable to gain a placement on application to TAFE. This figure is around 2.04% of current annual enrolments.

Furthermore, the ABS data that individuals were unable to gain placement on application to TAFE needs to be reviewed to ensure that data tracking applicants who do not meet pre-requisite entry requirements or for whom a preferred course is not available, are excluded.

Even assuming the reliability of the data, there is nothing to suggest that a demand driven model would improve any individual's chances of gaining a place. Instances where the people do not meet pre-requisite entry requirements or where the preferred course is not available need to be excluded to gain a truer picture of any unmet demand. Applications in thin markets should also be discounted from the data. For example, labour market data may show that in a rural town there may be 500 people without post school qualifications. If six of those people make an application to do a Certificate III in Civil Construction (a skills shortage area), a qualification not offered in the town by any RTOs, it is highly unlikely their expectations can be



met – the market is too thin. This is not to be construed that RTOs, whether TAFE or private, are inflexible to accommodate genuine demand. In examples such as that provided here, the costs to provide the training (both human capital and physical infrastructure) cannot be justified. Opening the market to contestability is not going to address issues of providing training where there are thin markets.

Another challenge noted in the discussion paper is that good providers in the system are not rewarded (page 10). TAFE providers negotiate triennial agreements and stringent targets with Skills Victoria annually based on quantitative and qualitative research of industry skills shortages and employer needs. TAFE providers offer a full range of complementary quality learning activities to contribute to employment outcomes for TAFE graduates and meet all compliance requirements. What defines a ‘good’ performance for a provider? TAFE providers would have serious concerns about the potential of any definition based on enrolments at particular qualification levels to cause quality provision of VET to be compromised.

VTA notes, listed among the challenges for the current VET system, that some aspects of product development and implementation can be slow. TAFE providers and other RTOs cannot be nimble and responsive to industries’ training needs where drawn out processes for accreditation of curriculum and endorsement of training packages mean that they are continually in catch-up mode or working to adapt current offerings rather than starting with a fresh canvas. Addressing deficiencies in training products should pre-empt changes to eligibility criteria for government subsidisation of VET.

THE WAY FORWARD

It is difficult to fully comment on the discussion paper without the benefit of the research, modelling and analysis undertaken of the Victorian workforce referred to in the discussion paper. This is not referenced by way of a bibliography or footnote. The VTA is familiar with the CEET research referred to elsewhere in the discussion paper and would appreciate the opportunity to review other data analyses including financial modelling used to inform the discussion paper.

Investment Reform - Increasing access to government supported training

VTA endorses the government’s intention to increase the number of students in training and to encourage lifelong learning but disagrees with the view that lifelong learning must equate to learning in higher qualifications. A Google search of ‘lifelong learning’ provides many definitions and descriptions but all have in common an understanding that lifelong learning involves *the ongoing acquisition of knowledge or skills*. The acquisition of knowledge and skills does not occur solely in the constructs of a qualification structure and certainly is not constrained to learning at the Diploma and Advanced Diploma levels. Lifelong learning may include linear pathways in accredited VET training but



equally it may be horizontal or tangential. Taking what may appear to be a step back, or sideways, before taking a step forward (non-linear pathways) in the qualification hierarchy is also a legitimate learning pathway leading to workforce participation and or increased individual workplace productivity. A culture of lifelong learning values learning to make career changes into new and emerging industries/occupations.

Eligibility Criteria

Many variations could be offered and debated regarding the eligibility criteria for training supported by the Victorian Government. The essential characteristics of any eligibility criteria are that they are transparent and based on the principles of equity and access.

Consider examples where the eligibility criteria includes:

- Australian citizens, permanent visa holders and holders of some temporary humanitarian visas (current situation), and
- people without any post secondary school qualification (Certificate 3 or above), or
- people entitled to the Youth Guarantee (ie: to age 20), or
- people holding a post secondary school qualification and seeking a qualification higher than their existing qualification. (nb: using the AQF framework as the point of reference)

Example 1: Josh, a 22 year old Australian citizen, left school in year 10 and has been engaged in part time unskilled work for the past five years. He realises that the jobs open to him are limited and he needs to build his skills. Josh wants to return to full time study doing intermediate VCAL including a Certificate II in Hospitality (Kitchen Operations). Josh would not be entitled to subsidised funding for his TAFE course because VCAL is not a post-school qualification.

Example 2: Kristy is 26 living in Horsham. She completed her VCE in 2006 and then undertook a Certificate IV Fitness at a local RTO. Employment opportunities in the fitness industry are limited in Horsham but Kristy does not wish to leave this regional community. She notices frequent advertisements for vacancies in nursing and also spots an advertisement for Cert IV Nursing at the local TAFE provider. Kristy wishes to make a career change. Kristy would not be eligible for subsidised funding for this course despite the fact that there are skills shortages locally.

Example 3: Mario (32) completed a Diploma in Engineering and has been working for 12 years in engineering related occupations. Mario has recently been retrenched and wishes to retrain. He is looking at either pursuing a paraprofessional career in polymer technology or biotechnology. Mario will not be able to enrol in the Advanced Diploma of Laboratory Operations because he does not have the Diploma and relevant work experience. Mario is ineligible for subsidised training to enrol in the Diploma of Laboratory Operations because he already holds a Diploma of Engineering. He decides not to pursue this option. Mario is interested in the Advanced Diploma of Polymer



Technology. This qualification is available as an approved training scheme for an apprenticeship. He finds that with his existing work experience, access to this qualification would be through the Diploma of Polymer Technology. But Mario cannot enrol in the Diploma of Polymer Technology because he does not hold a Certificate IV in Polymer Technology nor can he demonstrate equivalent skills. Mario is not eligible for subsidised training because he already holds a Diploma of Engineering. In frustration Mario takes a job driving a truck in WA.

Example 4: Tran holds a bachelor degree in nursing, and a master's degree in psychiatric nursing. He is still paying off substantial HECS debts. His career path now finds him working with a community mental health service. Tran needs employment skills to assess co-morbidity and develop care plans. Tran approaches a local TAFE provider to enrol in the Diploma of Alcohol and Other Drugs only to find he is ineligible for subsidised training because he holds a post graduate degree qualification. Tran is not willing to incur further fee debts and his employer is not in a position to pay \$10,000 for the qualification.

Example 5: Doris, a Koori elder, has been preparing to enter the workforce initially completing a Certificate I in General Education for Adults, Certificate II in Learning Pathways for Australian Aboriginal and Torres Strait Islander Peoples and Certificate II in General Education for Adults. Doris feels confident to tackle more mainstream training and has approached a local TAFE provider to enrol in the Certificate II in Business. Doris is ineligible to receive subsidised training because she already holds Certificate II level qualifications.

Example 6: Employment in the VET workforce requires teachers to hold a Certificate IV in Training and Assessment (or equivalent). Sam (aged 49) has extensive experience as a qualified carpenter and holds a Certificate IV in Building & Construction (Building). He does not hold a Certificate IV TAA and has little knowledge of VET though he has trained apprentices on the job. Sam wishes to pursue a career in VET. To date VET providers have leveraged the cost of professional development for VET teachers recognising the public benefits of having a highly qualified VET workforce. Referring to the eligibility criteria above, training for many VET teachers will not be subsidised by the Victorian Government.

Example 7: TAFE providers deliver VET to people incarcerated in Victorian prisons. Typically prison inmates undertake VET specifically related to employability skills and linked to prison industries. Adopting eligibility criteria that only allows subsidised training to be allocated for the delivery of higher qualifications could see some members of Victoria's prisoner ineligible for government funded training.

Example 8: To build a culture of lifelong learning and Victoria's skills base needs recognition of the importance of government funding to relevant, related learning. Owners and operators of small and medium sized businesses are typically qualified in their area of industry specialisation, such as farmers with Diploma/Bachelor Degree qualifications, but need specific business acumen in vocational skills such as computerised accounting and business management. The Certificate IV in Business is a valuable complementary qualification for



operators of small to medium sized businesses yet under the eligibility criteria above, government subsidised training is unlikely to be available to this cohort.

The above examples describe potential VET students. There is also the likelihood for existing students to be confused about their future training options and pathways. Any eligibility criteria need to be clear and unambiguous.

Tightening the eligibility criteria will result in diminished offerings of lower qualifications by TAFE institutes meaning that the skills and knowledge for higher qualifications will not be in place. Reflecting on the examples above, the VTA has serious concerns that the impact of tightening the eligibility criteria beyond Australian citizens, permanent residents and holders of some temporary humanitarian visas will:

- compromise the development of skills and knowledge underpinning entry into higher VET qualifications;
- encourage traditional linear progression of VET that does not suit an 'on demand' learning industry expectation;
- stifle non-linear learning pathways; and
- negatively impact on access to training for under-skilled people.

Systemic implications in the event of changed eligibility criteria

The current eligibility criteria for subsidised funding have been in place for many years and are imbedded in the explicit and tacit knowledge in TAFE providers. If there are to be changes to the eligibility criteria as mooted in the discussion paper careful consideration needs to be given to changing the mindset of the workforce and within agencies closely aligned to VET. Active intensive marketing across all Victorian communities, professional development of the VET workforce and targeted communication strategies to industries and key stakeholders (eg NACs, GTOs, Employment Services Providers) must precede any implementation of changes to the eligibility criteria. Time must be allowed to integrate this new knowledge into organisations' systems and processes and community understandings of VET to ensure people make informed choices about VET. The responsibility for this communication strategy rests with the Victorian Government.

Refocussing subsidised training to higher level qualifications carries with it likely increased demands on workbased delivery and access to industry placements. In some areas this may place significant demand on industry to ensure workbased delivery components are met when the demand for higher level qualifications grows. Children's Services is a prime example. In regional settings the eligibility of a "higher qualification" is not always the "fit for purpose" or best solution, particularly when the region lacks large employers and there is limited long term continuity of employment available.

Preparing for any changes to eligibility criteria must include mapping to other government policy initiatives to ensure consistency of information and practices. The VTA is concerned that these reforms have not been aligned with



Commonwealth VET reforms and other skills development programs. The Skill Up program for retrenched workers typically requires training at a lower qualification level to allow participants to enter a new occupational area and then to proceed along the Australian Qualifications Framework. Under the proposed eligibility criteria these people would be ineligible for government funding.

The discussion paper is silent on VET provision in regions where Victoria shares a border with other states. An outcome of any review of the eligibility criteria to access VET subsidised by the government of Victoria must include transparent policy and guidelines for residents along the Murray River and in the west of the State. If indeed the eligibility criteria are for all Australian citizens and residents, these criteria must be unequivocal and imbedded in policy implementation.

Information Management

Changing the eligibility criteria will require a re-engineering of student management systems to filter applications to ensure only eligible new students receive government funding. At the same time the student management systems need to ensure existing students can complete their study under current arrangements. Parallel systems need to be in place during the transition phase. There are cost implications to enable implementation. The current Victorian ICT project will need to be consulted at the earliest opportunity as a key stakeholder if changes to eligibility criteria are to be implemented.

There are inherent problems in relying on information provided through data collections on enrolment forms where student self-declaration is the only basis for making a decision that the student is eligible for government subsidised training.

It would be naïve to think that over time the public, realising the huge disincentive to self-declare existing qualifications (unless they are a pre-requisite for entry) will cease to declare existing qualifications. With government funding linked to eligibility based on existing qualifications, one could foresee instances where RTOs would advise their clients not to declare existing qualifications so that the RTO remains eligible for funding. While some RTOs can be relied upon to be honest in this regard, others will be less so. Any eligibility 'rule' needs to have the ability to be policed. Will providers be required to cite evidence of qualifications achieved by enrolees? If so, huge administrative burden and associated cost will be added to the enrolment process.

The timelines for implementing any changes to eligibility criteria must be cognisant of processes already in play in the education sector. For example, VTAC publications have already been edited in good faith for the 2009 VTAC Guide, containing information about eligibility for government subsidised places and providing examples of fee structures in 2008 to guide Year 12 students in



their selections for further study in 2009. This may be misleading if reforms suggested in the discussion paper are implemented in early 2009.

TAFE providers are already marketing 2009 offerings to schools, local communities and preparing for key events such as open days. Marketing materials may provide misinformation if eligibility criteria change.

Current eligibility criteria for government subsidised training in TAFE includes Australian citizens, permanent residents and holders of selected temporary humanitarian visas. Eligibility to access subsidised training cannot be restricted to age, employment status, socio-economic circumstances or ability levels. The discussion paper does not provide any evidence that convinces TAFE providers that the eligibility criteria needs to be changed for the Victorian government to achieve the objectives of higher workforce participation and increased workforce productivity by narrowing the eligibility criteria.

Any definition of 'eligibility' must not inadvertently work against valid skills formation pathways. The future Victorian workforce is most likely to *'have changed careers multiple times during their working lives. Generation X is expected to change careers approximately three times over their working lives, and Generation Y five times.'*¹ Reforms to eligibility criteria would act as a disincentive to Victorians choosing non-linear learning for employment pathways at a time when the *'skills needs of Australian businesses are expected to change rapidly, and it is likely that Australian workers will increasingly invest in non-linear education and training over the course of their careers to remain in demand'*² Increased participation by those not in education or employment requires more sophisticated interventions such as case management models. VTA understands the Government is planning to change the eligibility criteria to see entitlements go to students enrolling in Certificate IV, Diploma and Advanced Diploma qualifications from early 2009. VTA believes the examples above clearly describe why such a change is premature at this stage and not capable of implementation in that timeframe.

INVESTMENT IN TRAINING – PUBLIC AND PRIVATE BENEFITS

The analysis by Chapman, Rodrigues and Ryan³ concludes that full time workers with diploma qualifications earn higher incomes than school completers though for men this does not occur until around age 30 and for women at around age 26. During the prime working years school completers consistently earn higher incomes than graduates with Certificate III or Certificate IV. The paper also notes differences between income outcomes for males compared to females.

1 Deloitte Touche Tohmatsu, "The 2020 Vision for Vocational Education and Training", Skills Victoria, May 2008, page 7.

2 Deloitte Touche Tohmatsu, "The 2020 Vision for Vocational Education and Training", Skills Victoria, May 2008. page 4.

³ HECS for TAFE: the case for extending income contingent loans to the vocational education and training sector, Commonwealth Treasury Working Paper, 2007-2 April, page 35



The inference is that the persons enrolling in higher qualifications (diploma and advanced diploma) should pay a higher proportion of the cost of their training because of the rewards in terms of the internal rate of return. The VTA cannot see how increasing the tuition contribution for students in diploma and advanced diploma courses is going to achieve the government's goal, articulated on page 15 of the discussion paper, of encouraging more Victorians into training. VET students are sensitive to price differentials and the experience of TAFE providers is that the market will respond to increases in tuition contributions for classes of courses (eg diplomas) by choosing lower level courses – assuming the people are indeed eligible for subsidised training.

The current model to calculate student tuition contributions is simple transparent and offers the Victorian Government confidence that all students accessing government subsidised training at TAFE providers will be treated equitably. While the VTA is not opposed to the idea of a FEE-HELP system for VET, it is concerned about the potential impact of higher fees. Higher VET fees could further alienate the very people governments across the country are most keen to re-engage in training – the 15-odd per cent of young people who are not engaged in full time study, work or both. TAFE providers know from their own profiling that some students find the fees very difficult to meet because of the socio-economic group they come from. Any reforms to the VET student fees must retain concessions for disadvantaged people. The differential between a full concession on tuition contribution fees and the maximum tuition fees is a matter the VTA would like to discuss with the Victorian Government.

The analysis underpinning any determination to review students' contributions to tuition fees must consider VET markets along the Victorian border with New South Wales and with South Australia. The level of fee increases cannot lead to any market advantage that may be provided to NSW TAFE or TAFESA.

The government policy around VET student tuition must complement the role of VET in strengthening pathways and access for students to make lifelong learning a reality. The VET Student Fees and Charges framework for the future must retain the strengths of the current system:

- scale of fees and charges reflecting individual students socio-economic circumstances, and
- providers maintain the ability to waiver fees based on hardship.

The paper states that '*it [new investment model] would involve some students making a greater contribution towards the cost of their training...*' (page 15). The paper does not suggest how this may play out. Hypothesising, consider the following scenarios:

Scenario 1: (current model)

Diploma Course of 600 hours. WTH value 1.0

Student tuition contribution @1.37 per student contact hour - \$822

Government contribution to tuition, say, \$9.40 per WTH - \$5640

Total income: (\$822 + \$5640) \$6462 for delivery



Scenario 2: (tiered model)
Diploma Course of 600 hours WTH value 1.0
Student contribution: \$1500
Government contribution to delivery costs, say \$8.27 per WTH - \$4952
Total funding for tuition (\$1500 + \$4952) \$6462

The provider receives the same funding for tuition but the proportion borne by the student increases from 12.72% to 23.2%. If the intention of increasing the students' contributions to the cost of delivery is to allow government funds to be distributed more widely across VET delivery, another option would be to remove maximum fee caps. Under such a model the student pays for each enrolled hour based on the nominal hours in the course. If ultimately the goal is have a more highly qualified workforce, increasing the fees is not an incentive. That goal may be more readily achieved by offering differential pricing and target government subsidised training to areas of skills shortage and community benefit.

Victorian TAFE providers are keen to understand how funding will flow to providers if a tiered fee structure for tuition contributions is introduced. Significant administrative burden is anticipated to implement processes to monitor and report on the outcomes of a demand driven VET model featuring increased tuition contributions by students studying diploma and advanced diploma qualifications. Implementation of new processes and associated software modifications such as student management systems and other management information systems, require detailed timeframes for implementation.

In 2007 VTA responded to the Commonwealth Treasury Working Paper, 2007-2 HECS for TAFE concluding that caution should be exercised in fitting the HECS model to the VET sector. VTA understands that legislative changes need to be enacted to enable Income Contingent Loans to be available to Victorian VET students. A tuition assurance scheme and enabling multilateral government agreements/bilateral government agreements will also need to be negotiated. Experience suggests this may take some time. No changes should be made to the existing Ministerial Directions of Student Fees and Charges until all enabling processes are in place. The merits of an Income Contingent Loan scheme for VET students cannot be considered in the absence of an implementation model. That model would include details of tuition fees, differential arrangements between upfront payments and ICL, repayment processes, income thresholds, indexation processes and providers' administrative responsibilities. VTA will be pleased to contribute to the debate once these details are available.

The discussion paper also puts forward the idea of allowing providers to set their own student fees up to a government determined cap. In that context, a TAFE could offer the same course at a higher or lower fee than a neighbouring TAFE provider, private provider or community education providers. This could lead to private providers' cherry picking the most profitable course areas, with some providers undercutting TAFE providers because they are not full service providers and do not have the same accountabilities as public providers. TAFE



are full service providers offering a full range of courses and student and industry services. There are inherent costs in doing that. The infrastructure costs include facilities, diversity of equipment and communications systems – some at very high cost – and also the ancillary costs of very comprehensive library, counselling and career advice services. A niche market private RTO does not have these on-costs.

Maintaining a level of intervention that supports government objectives will be important in any reforms. This may include differential pricing and government subsidies to target areas of skills shortage and community benefit.

IMPLEMENTING A DEMAND DRIVEN VET MODEL

Providing evidence of industry demand

The discussion paper (page 16) states that *'under the proposed demand driven model, industry will have access to as many government supported places as they can generate demand for'*.

The underlying assumption is that Training Packages meet the needs of industry and that AQF accredited courses are the solution to business' training needs. Research reports⁴ highlight the importance of non-accredited training to employers and the extent of investment in in-house training effort. The discussion paper overlooks employers' substantial investment in training. Skills formation in Victoria occurs outside the public expenditure in the Australian Training Framework. Using Australian Bureau of Statistics Employer Training Expenditure (2001) as a guide, the investment by enterprises could be approximately equal to the investment by Governments. Before concluding there is unmet demand, the extensive skills formation already undertaken by enterprises, and contributing to productivity, must be factored into any analysis.

Earlier in this response VTA suggested one eligibility framework. This framework did not include employability status as a consideration. The discussion paper (page 16) does suggest that employment status, or potential for employability may be a consideration for eligibility to access government subsidised training.

The VTA is keen to understand how the employer 'generates a demand' for training. The discussion paper does not provide any definition of what constitutes 'demand'. Several options come to mind:

⁴ Employers and qualifications: At a glance (2005), Blythe, A. and Bowman, K., NCVER, Adelaide; The Vocational Education and Training System. Key Issues for Large Enterprises (2004) A report prepared by the Allen Consulting Group for the Business Council of Australia (BCA); PLUS TWO MORE



Example 1: That an employer has unfilled vacancies.

An employer could employ 5 staff with qualifications in meat processing but has no responses to advertisements for meat processors. If this is evidence of generating demand by employer, where there are labour shortages as distinct from skills shortages, what level of government subsidised training will be available to that community to address the unmet demand?

Example 2: Employers are advertising vacancies but applicants for vacancies do not have the pre-requisite entry skills for that occupation.

An employer in housing construction seeks 4 apprentices (Certificate III General Construction) and needs them to have already completed a pre-apprenticeship program (Certificate II). In this example the Certificate III training would be provided on and off the job depending on the employer's preference. The question here is whether the employer is generating a demand for the pre-apprenticeship qualification and whether applicants for this course at a local RTO would be beneficiaries of government subsidised training.

Example 3: That the employer wishes to provide skills training to existing staff.

An employer in the aged care industry may wish to up-skill existing staff from Certificate III in Aged Care to Certificate IV in Aged Care Work. Some of these employees may already hold higher level qualifications. The employer is demonstrating a need to raise the skills of the workforce but will the employer be eligible for government subsidised training.

Or indeed does 'demand' exist where the employer is prepared to make a financial contribution to the direct costs of the training? Any eligibility criteria for accessing government subsidised training must be transparent and enable equity of access. Employment status should not be an eligibility criterion.

Individual preferences vs skills shortages

Skills Victoria and each TAFE provider discuss and negotiate training plans and annual agreements. The training plans are directed to addressing skills shortages in key industry areas and locations across Victoria. Over the past decade extensive research (qualitative and quantitative) and data analysis have enabled the targeting of training to specific industry needs and within specific locales to address skills shortages across the State.

A demand driven model cannot ensure that skills shortages or regional needs will be addressed. In a demand driven model each and every eligible individual can access government subsidised training in the course of choice. Notionally if 200 people apply to a TAFE provider to undertake a Certificate IV in an area of skills surpluses and all meet the eligibility criteria, they will receive government subsidised training. One approach to ensuring that training is



targeted is to create boundaries around training availability to industry groups. However, once a concession is made such as this there is no longer a demand driven model. The more exclusions that are made to the model, the more cumbersome it will become to administer and more bound in bureaucratic processes. This is to be avoided. The VTA maintains the current approaches to matching demand and supply are contributing to addressing skills shortages and should be retained as the basis for further negotiation of training effort.

Ensuring quality skills outcomes

VTA is particularly concerned about quality assurance implications of opening up the Victorian VET market to a wider range of private RTOs. The key issues are:

- 'tick and flick' approaches
- 'shaving of hours'
- integrity of the Scope of Registration
- assessment practices including the use of recognition of prior learning.

It is legitimate to raise these concerns in the context of recent experience in the proliferation of funding for traineeships which led to abuses in some industry sectors. These abuses were most typically in the categories of 'tick and flick' and 'shaving of hours' practices in training delivery and led to the diluting of the quality of learning and assessment and brought the value of qualifications into question. The VET system cannot afford to have this occur again and particularly not at the Diploma and Advanced Diploma level where VET/higher education articulation arrangements may be seriously jeopardised if universities cannot be assured that teaching and assessment standards are being maintained.

These higher qualification levels present further challenges. While it can be argued that only a relatively small number of private RTOs currently gain access to government funding, there are already enough examples of 'rotting' to warrant caution in this area.

The following examples regarding the security industry generally and specific private RTOs are based on reports from a consultant working for the Security Industry, feedback gained from teacher networks and dealings with private RTOs on a regular basis.⁵

Below are the specific examples:

Security Providers

Nearly all of the providers of security training deliver training in anything from 40 to 80 hours, irrespective of the qualification. The qualifications (there are

⁵ Evidence substantiating these examples can be provided but is withheld for the purposes of this response.



essentially 4) can range between 200 and 400 hours. The learners in the main have no prior knowledge, so how can they possibly achieve competence according to the specification laid down by the competencies in such a short time frame? Learning takes time. The Licensing Services Division are aware of this and are working cooperatively with the VRQA to remedy the situation but this will be a long term exercise and in the mean time the community are being exposed to inadequately trained security personnel.

Horticulture Providers

Typically the Diploma of Horticulture ranges from 780 hours to 1800 hours depending on the packaging of units. Practical placement and work experience are not a mandatory requirement of the course. Several providers of the Diploma of Horticulture promote the course as involving institution based learning only one day a week with students spending the remainder of the week in a workplace. Proposed changes to eligibility criteria where higher qualification levels are the quickest path to securing government subsidised training could encourage more operators such as these into the VET market. Victoria's hugely successful education export market could be severely damaged by arrangements such as these.

RTO 1 Delivery of Financial Services (Financial Planning)

RTO1 is a private RTO claiming to be the leading national financial services training provider.

RTO1 offers the Diploma of Financial Services (Financial Planning) which is nominally about a one-year full time course (515 - 575 hours) in 9 days plus pre-reading. They offer the Advanced Diploma of Financial Services (Financial Planning) in 8 days which is also nominally about a one year full-time course (465 - 755 hours).

VTA's concern in this instance is that Financial Planners are dealing with people's livelihoods and it is impossible to train to the level specified by the competencies in the qualifications mentioned in this short time frame.

RTO 2 – Delivery from Business Services Training Package

This RTO offered a range of programs under the Australian Skills Vouchers program including the Certificate II in Business from the Business Services Training Package. They advertise that the course runs over a period of 8 weeks but actual class time is 3 hours per week plus a further 8 hours of home study each week. This amounts to 88 hours.

The nominal duration for this course is around 365 hours. TAFE institutes report that students going into a Cert III in Business Administration from one of these courses do not have anywhere near the skills required to adequately achieve in this course and are well below the standard of students doing the Certificate II in a TAFE institute.



These are just a few examples where 'shaving of hours' is prevalent.

RTO 3 – Delivery of Certificate IV in Business (Estate Agency Practice)

RTO 3 is the only private RTO offering the Certificate IV in Business (Estate Agency Practice). This is the course required for Estate Agent licensing and is a state-accredited course using competencies from the Property Development and Management Training Package. On their website they have a 'Recognition of Prior Learning' kit, yet it does not relate to the competencies in the course.

RTO 4 – Scope of Registration

RTO 4 is a relatively small private RTO which has been in existence for some years. While searching for a provider of a specific course, the course was found by chance in RTO 4's Scope of Registration. It was surprising to then find that they had some 63 courses on their Scope.

Since RTOs are expected to have all of the resources available to deliver the courses on their Scope, it stretched credibility that RTO 4 could have this given that they are such a small provider. Whilst it is not suggested that RTO 4 is engaging in any improper practices, there is something wrong with a system that allows this to happen.

Increasing the funding for delivery by private RTOs will be enticing to new providers to enter the market. Industries' confidence in the Victorian VET provision is underpinned by consistently providing high quality outcomes. Any package of reform to the VET sector cannot compromise existing high standards and must ensure the VRQA is equipped to manage and regulate in a demand driven model.

The VTA proposes that each provider must meet benchmark standards for registration as a preferred supplier of government supported training. Eligibility criteria may include:

- financial viability based on annual reports/audited records and forecast business plans.
- Demonstrated experience delivering Training Package qualifications for which government funding is sought.
- Demonstrated capacity to deliver quality outcomes as evidenced by AQTF audit results, internal quality improvement practices, student outcomes surveys, employer surveys etc.

COMPETITION AND CONTESTABILITY

VTA concurs with the Discussion Paper (page 16) that the Victorian VET system should give training providers flexibility and incentives to get more businesses and individuals into the training system. The TAFE sector then expects Government policy reforms that will enable Victorian TAFE providers



to compete on a level playing field with other providers and be able to respond to the changing demands for training under a model as proposed in the discussion paper.

Minister Allan, is reported in the Campus Review June 3, 2008 (page 12), as saying *'that Skills Victoria is working to ensure that any new funding arrangements are competitively neutral' and 'TAFE institutes will still receive additional government funding to assist with their costs as full-service providers'*. VTA has not been privy to the detailed modelling undertaken regarding 'full-service' provision but TAFE institutes expect as a minimum that government recognises and pays for all core activities which differentiate public from private providers. A number of governance and policy decisions are required to enable publicly funded TAFE institutes to compete in a contestable environment including:

- Capital injection to bring all publicly owned facilities and equipment up to contemporary standards.
- Ongoing full funding of depreciation to enable the future maintenance and replacement of publicly owned assets.
- Disposal of unsuitable assets and elimination of maintenance backlogs on facilities which are required into the future.
- Identification and ongoing differential funding to ensure the core 'full service' capacity of TAFE providers is able to deliver on government economic and social policy objectives.
- One off funding of accumulated full long service leave liabilities.

TAFE providers under the Education and Training Reform Act 2006 have scope and Powers that are not reflected in practice and in the context of open contestability. To enable the reform proposals TAFE providers will need much more flexibility than currently applies.

- Currently public TAFE providers have limited ability to also be New Apprenticeship Centres whereas other VET providers are.
- Public TAFE providers are not able to establish and operate Group Training Companies.
- Public TAFE providers are not supported in establishing subsidiary RTOs.
- Public TAFEs have bureaucratic processes to seek approval to purchase properties.

The above examples are areas where public TAFE providers currently are unable to operate services or need prior Ministerial approval to operate.

In respect to purchasing properties, although TAFE providers recognise as Public Authorities the need to comply with purchasing requirements and obtain Valuer General authority to proceed, the current process is costly and cumbersome and often the valuations provided are not consistent with market rates and therefore TAFE providers are inhibited in their ability to act. Private RTOs have a competitive advantage as these requirements do not apply to them.



With many, particularly metropolitan TAFE providers having significant delivery levels at Cert 4 and above (many over 40% and some over 50%) the objective of increasing delivery above the Cert 4 level will place pressure on facilities and equipment. Building programs, library growth and bandwidth demands as examples will need capital investment to prepare for and meet anticipated policy objectives of substantially increased student population at higher qualification levels.

Is it the Government's intention to enable competitors to access government funded infrastructure - buildings and resources - under contestability arrangements? If so, what policy levers is the Government considering to ensure that the infrastructure is used for the purpose of funded places and not other activities that would lead to private benefit of non Government owned RTOs?

It is quite likely that public TAFE providers will also need to seek to borrow funds to grow to meet anticipated demands. VTA has been advised by members that the approval process to borrow funds can be problematic related to timelines in particular. A streamlined and accelerated approval process is sought.

In the context of employment of staff, public TAFE providers have accountability requirements that do not apply to private providers. In a contestable environment public TAFE providers will need relaxation of issues related to employment of staff related to Government Sector Executive Remuneration Panel Guidelines and the Public Sector Executive Officer Handbook requirements or variation of these to suit a truly competitive operating environment.

Further, TAFE cannot compete, under existing industrial relations arrangements with the superior flexibility of conditions of employment of private RTOs. With the proposal that market forces will drive demand for training there are implications in the management of a workforce to deliver VET in a highly unpredictable environment. TAFE providers will not be able to ensure with any certainty the talent pool needed to meet demand.

In a contestable market, prudent business management would see unviable activities closed down. TAFE providers' current planning and management processes contribute to providing access to VET in thin markets by using the surpluses from more cost effective programs to offset higher costs in thin markets. It is unlikely this will be possible in a contestable market. A number of regional TAFE Institutes operate "learning centres" (or points of delivery) that are economically unviable, however these centres are in place to serve a broader community benefit and to provide invaluable information which more broadly communicates the intent and extent of TAFE programs. In the event that economic sustainability is the primary determinant many of these services would go because their viability would be compromised.

TAFE Boards should be empowered, unconstrained by current policy settings. The government should divest itself of the ownership role.



CONCLUSION

VET plays a pivotal role in supporting growth in productivity and workforce participation. TAFE providers accept their responsibilities to support and nurture skills development for individuals and enterprises. TAFE providers work closely with governments to maximise the outcomes of VET and the best 'spend' of the government purse.

Bearing in mind VTA has not being privy to all the research and modelling underpinning the proposed reforms in the Discussion Paper, VTA members do not believe that the proposed reforms will achieve the objectives described in the Executive Summary of the Discussion Paper, namely:

- *Boosting numbers of individuals and businesses accessing training, which will increase the skills of Victoria's workforce.*
- *Developing a VET system that engages more effectively with individuals and businesses and is easier to navigate.*
- *Ensuring the system is more responsive and flexible to the changing skills needs of businesses and individuals.*
- *Creating a stronger culture of lifelong learning.*

Limiting the eligibility criteria to include employment status and/or qualification achievements will have the effect of disenfranchising individuals that should be the principle beneficiaries of VET. Making exceptions for certain groups is not the solution as this would create cumbersome bureaucratic processes and compromise the transparency and robustness of the Victorian VET system. Similarly, making VET more expensive for individuals will not encourage Victorians to undertake VET qualifications. The mooted changes to the student fee structure including the potential for providers to set their own fees will only make the VET system more difficult to navigate.

There is a risk to government that restricted eligibility criteria combined with increased fees will drive down demand for some individuals targeted for training particularly in a tight employment market. Government needs to take this into consideration in determining eligibility criteria and fee structures by assessing the likely impact of these initiatives on its goal of increased participation in training, particular at the higher skill levels.

Creating a stronger culture of life long learning will be achieved by enabling linear and non-linear learning pathways accessible with government funding support. Numerous examples above highlight that in a demand driven system there is no guarantee that the skills shortages experienced by Victorian businesses will be addressed. Quality criteria to be entitled to deliver government supported places will need to be substantially strengthened if a purely demand driven model based on contestability is introduced in Victoria.



Any reforms must be accompanied by support for new systems development and additional reporting costs. Given the scope of the changes required it would be extremely difficult to effect the necessary systems changes for 2009. It is worth noting that the Commonwealth allowed universities a full twelve months to become system ready in response to the introduction of the Higher Education Support Act 2003.

Equity and access to government supported training are key underpinning principles and must be balanced with the incentives for greater participation and productivity. The view of the VTA is that government should proceed with caution regarding the extent and timing of change to ensure all risks are identified and addressed up front.

RECOMMENDATIONS

The Victorian TAFE Association makes five recommendations.

1. A package of reforms must be aligned to Commonwealth Government and other State policy initiatives to ensure consistency and clarity in accessing governments' supported funding for vocational education and training.
2. Reforms to increase fees payable by students accessing Victorian government supported VET programs cannot proceed until all processes are in place to enable Income Contingent Loans.
3. Implementation of any package of reforms must be accompanied by at least twelve months of intensive communications with prospective students, industry, communities and RTOs.
4. Implementation of an investment model based on competition and contestability must include rigorous, transparent quality criteria for RTOs to be entitled to deliver government supported VET places.
5. A staged approach be used to implement any demand driven model of VET provision in Victoria commencing with a pilot program in the first year and full implementation over at least a three year period following evaluation of the pilot program,

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