

8 May 2013

Brett Everett
Program Manager
Pricing VET under Smart and Skilled
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Brett,

Thank you for the opportunity to provide feedback on the tribunal's issues paper on pricing models for vocational education and training under Smart and Skilled. The paper provides a comprehensive overview of the issues under consideration in developing advice on price and fee arrangements for the introduction of an entitlement funding model.

The 25 issues or questions on which the Tribunal is seeking comment have been canvassed by ACPET nationally, particularly in relation to the development and refinement of pricing models for skills reform in Victoria and South Australia. In response to question 1 of the issues paper, ACPET agrees with the proposed approach to developing pricing, fee and subsidy models for government-funded VET in NSW.

The views of ACPET members on the remaining questions are covered by submissions we have made during the past two years to both State and Commonwealth Governments, which are attached for your review. I would be pleased to arrange a meeting with ACPET's executive team, including staff who are directly involved in understanding the operation, strengths and weaknesses of the Victorian and South Australian models, to expand on these views should this be helpful. In addition, you may wish to speak to ACPET members on our NSW Committee in relation to any of the questions where more details are required. This could be arranged in conjunction with the upcoming committee meeting in Sydney on Thursday 23 May.

If you would like to meet with our senior executive team and/or ACPET's NSW committee members, or if you have questions in relation to any of the attached submissions, please contact Executive Officer Catherine Kearney on 02 8280 8103 or by email at catherine.kearney@acpet.edu.au.

Yours sincerely



Claire Field
Chief Executive Officer

Attach.

List of attachments

May 2013	<i>ACPET SA Response to the Skills for All, Funded Training List 6.0 Consultation Paper</i>
April 2013	<i>ACPET submission to the Education and Employment Committee Inquiry into TAFE</i>
February 2013	<i>ACPET 2013-14 Pre-Budget Submission</i>
January 2013	<i>ACPET SA Response to the proposed changes to the Skills for All Funded Training List</i>
November 2011	<i>ACPET submission to Smart and Skilled: making NSW number one</i>
September 2011	<i>Review of entitlement based funding model for the Western Australian VET system</i>
June 2011	<i>Review of Vocational Education and Training (VET) Fee and Funding Review (by Victorian Essential Services Commission)</i>

ACPET Response to the *Skills for All* Funded Training List 6.0 Consultation Paper

About ACPET's submission

As the peak industry body for private providers of education and training, ACPET itself does not deliver training, so this paper is based on consultations with our members that deliver training to many different industries. The paper necessarily responds to issues of principle rather than to specific industry concerns, although some industry examples are given.

Overall ACPET is pleased with the response to the January round of consultations and the balanced approach proposed in the current Consultation paper, however the following points are made in response to the paper:

Q1 *In considering the breadth of the Skills for All Funded Training List and the current concentration of training activity and your industry's needs, what are the critical courses and skills for your industry? What are the critical courses, and at what levels, to meet the needs of new entrants to your industry and those of existing workers?*

Response:

ACPET appreciates the consultation process, and that responses from RTOs are being considered in relation to these questions. However, the priorities of the *Skills for All* Funded Training List should reflect the following, approximately in this order:

- 1 Priorities in the State Strategic Plan;
- 2 The SA Training and Skills Commission (TaSC) Report on Workforce Priorities;
- 3 Accurate workforce data indicating current skills gaps;
- 4 Analysis of Industry Workforce demands, not only now but for developing the State for the future;
- 4 Industry scans conducted by Industry Skills Boards, based on their consultations with industry; and
- 5 RTOs, based on their relationships with industry.

Having said this, there is a strong view among RTOs that *Skills for All* priorities should make a distinction between:

- A Existing workers; and
- B Job seekers,

with greater priority being given to Job seekers across industries, but including Existing workers in priority industries. However, the level at which a qualification may be required, varies across industries for reasons of licensing, legislation, Awards and other factors, necessitating customised solutions that meet industry needs at any given time.

For example, in the hospitality sector legislation demands that jobseekers undergo training such as Responsible Service of Alcohol and Workplace Health, Safety and Hygiene. Employers also require staff to have a basic level of practical skills and knowledge in these areas. For these reasons, Certificates I and II in Hospitality are critical for enabling jobseekers to gain employment in the industry. Since the Hospitality Award is directly linked to level of training, the Certificate III in Hospitality (Operations) is generally not suitable for jobseekers. Similarly, Certificates I and II in Kitchen (Operations) are critical for assisting jobseekers in gaining employment, while the Certificate III in Commercial Cookery can also act as a pathway to employment, either through institution-based delivery or as an Apprenticeship.

For existing workers on the other hand, training at Certificate I and II, while important, is not critical to the industry. However, the Certificate III in both Hospitality and Commercial Cookery are essential for up skilling staff and as Traineeship or Apprenticeship pathways. In addition, given the lack of vocational qualifications among managers and supervisors in the hospitality industry, the Diploma of Hospitality is vital for delivering the necessary skill sets to existing workers at this level.

The change in Liquor Licensing Legislation is an example of high training demand for a specific period for both new and existing workers to obtain training in Responsible Service of Alcohol (RSA), either to gain a job or continue working in licensed venues. Of course, RSA training is important for jobseekers at any time.

In addition, this question presumes the primary driver for allocation of subsidy funding to be qualifications (courses) when in many industries, and most particularly for existing workers, a combination of skills derived from a variety of training activities is necessary. These training activities are not necessarily full qualifications but include Skill Sets (in the nationally recognised framework), workshops, seminars, self-directed learning and professional development activities (in the non-accredited arena). As such, the determination of which courses should be funded, or should be considered a priority, would be better made from the perspective of required skills, ahead of which specific qualifications might contain those skills.

Q2a *Are there any courses where there are no providers and no student enrolments that you believe are critical to your industry and should remain on the Skills for All Funded Training List?*

Q2b *Are there courses critical for your industry on this list? How are these skilling needs currently met?*

Response:

The absence of RTOs offering certain qualifications does not necessarily indicate an absence of need or interest. Some courses may be expensive or non-viable to deliver, or the demand may be small in niche areas so it can only be offered occasionally when the numbers warrant it. Notwithstanding the small numbers, subsidised training may be critical to those niche industries at certain times and should be retained. In a demand-driven system, the demands/needs of the few ought to be met as well as of the many, particularly in a small State such as SA where large numbers can be difficult to generate, especially in rural areas.

Q3 *How do we maintain and increase private training effort? Are there any factors that should be considered in a case for publicly funding courses where there is evidence of substitution?*

Response: The answer to this question is central to ACPET's submission.

An unintended consequence of the introduction of *Skills for All* has been a large drop in private training effort across the board, but especially for existing workers. Anecdotal evidence indicates that 'substitution' has occurred for about 60% to 80% of enrolments, where a healthy fee for service market previously existed in many areas. Given that this has occurred, to suddenly cease fee subsidies at this stage, in any area, would be devastating for many RTOs, since it takes time to rebuild the fee for service market. It is likely that some will not recover at all, while others will have no choice but to lay-off staff and indeed, some have already done so where caps have been introduced.

Where a quality RTO has experienced an evaporation of the fee-for-service market due to subsidy introductions, and subsequently faces an uncertain future as subsidies begin to be removed entirely or progressively, there exists very little if any confidence for the RTO to adjust its scope to remain in business. Equally, with low confidence as to the longevity or even basic stability of subsidy funding in an environment where recovery of a fee-for-service market is extremely difficult if likely at all, RTOs have become highly circumspect when responding to emerging needs in their industries. There is significant financial and resource investment (and risk) involved in expanding an RTO's scope, and the business case is significantly weaker for adding new qualifications either to meet industry needs or in an attempt to replace activity lost through subsidy reductions or removals. Measures to restore this confidence are essential if the RTO sector is to respond to industry in a timely manner, and if the public subsidy funding is to deliver on its purpose.

The earlier decision to reduce subsidies in some areas by 30% to 50% without requiring a participant or employer contribution has meant that it may no longer be viable for an RTO to offer some qualifications. *Skills for All* data might in time show this to be the case. The responsible and sensible approach to rebuilding private training effort is in stages, by gradually substituting subsidies with student and employer contributions over a period of time, even at the Certificate I and II levels. Full subsidies might be retained in priority areas where it might be difficult for industry to bear training costs, but not for industries that are

thriving (e.g. Mining). Full subsidies might also be retained for disadvantaged cohorts for reasons of equity, and for regional or rural areas where a shortage of supply exists. In cases where training was not previously funded privately, removal of the subsidy for these programs, whether gradual or sudden, would negatively impact on those Industries where essential training may be needed, since it is unlikely that private funding would be invested in future. The re-introduction of contributions would encourage private investment and help maintain the quality of training and current high satisfaction levels.

It is therefore recommended that:

- for Certificate I and II qualifications, compulsory contributions by students and employers be re-introduced **gradually** over time, except in priority industries where it may be difficult to attract private investment, or for disadvantaged cohorts, or for regional or rural areas; and that
- a minimum compulsory contribution be required for all Certificate III and above level qualifications. (Crown advice should be reviewed in light of practices in other States).

Subsidy reductions should never be retrospective and should never be applied to the outstanding balance of training for currently enrolled students since RTOs would find it difficult to recover from subsequent shortfalls as costings are calculated based on very slim margins.

Q4 *Are there areas or courses where there is further room for subsidy adjustments to reflect the adoption of effective delivery strategies that would lead to a lower cost? In which areas would subsidy reductions be preferable to measures like capping that reduce the quantity of training?
Could Recognition of Prior Learning (RPL) be adequately supported with a proportion of the full subsidy rate? Should there be a limit on the proportion of a course that can be attained through subsidised RPL?*

Response:

ACPET maintains that the previous 100% subsidy for RPL was inappropriate, contrary to quality and, in some cases, was abused. On the other hand, the opposite decision to cut funding completely for RPL is also considered inappropriate because it leads to funding for training delivery that may not be required. In both cases, it involves unnecessary expenditure. Setting a limit of about 50% for RPL at any level is a reasonable option. Although RPL can reduce RTO delivery costs, there remains a significant cost for an RPL process, particularly if it is conducted well. If fees are reduced significantly for this assessment methodology, RPL may become an unviable option. A 30% subsidy reduction for RPL in some instances might be absorbed, except where the subsidy has already been reduced previously. However, it might also lead to RTOs having to consider increasing fee levels or not continuing to offer certain qualifications at all. Given the subsidy differential between TAFE SA and private RTOs, the inability to charge for RPL and to charge a compulsory fee where subsidy reductions are imposed, making it impossible for RTOs to deliver in those areas, would then most definitely be considered anti-competitive.

If a policy of subsidising RPL were unpalatable, then RTOs should at the very least be able to charge the student/employer for RPL. This option would result in increased private investment and assist the *Skills for All* budget to be redirected to where most needed.

Other areas where savings might reasonably be made are as follows:

- extending subsidies for Skill Sets that are required for specific vocations, without having to subsidise the whole qualification, especially where the full qualification is not needed for entry or for the development of existing worker skills;
- placing restrictions on the number of study attempts to prevent excessive course hopping. It is acknowledged that school leavers may try a number of options before settling on the right pathway for them, but course hopping should not be a substitute for good career advice. Expansion of subsidies for Skill Sets could also assist school leavers to “sample” different training and industry pathways without incurring the obligation of a full qualification;
- restricting approval of RTOs proposing to deliver in over-represented qualifications. Since there is a direct link between the number of RTOs approved to deliver in certain areas and the high number of enrolments in those qualifications, new RTOs applying for *Skills for All* approval to deliver those qualifications should be required to make a strong business case for delivering in an 'over heating' vocation. Alternatively, approval could be 'held' until the market shifts in those areas.

Q5 *There are currently a number of priority courses without a provider and/or without enrolments. What could be done to ensure that related skilling priorities are met? Do you have any suggestions for attracting students or providers to these courses? Do we have the right mix of priority courses? Could the definition be expanded or more targeted to meet strategic objectives? What factors should be considered? What factors should be considered in the process for adding or removing priority status from a course?*

Response:

As mentioned earlier, when determining the priority courses list, the following must be taken into account:

- 1 Priorities in the State Strategic Plan;
- 2 The SA Training and Skills Commission (TaSC) Report on Workforce Priorities;
- 3 Accurate workforce data indicating current skills gaps;
- 4 Analysis of Industry Workforce demands, not only now but for developing the State for the future;
- 4 Industry scans conducted by Industry Skills Board, based on their consultations; and
- 5 RTOs, based on their relationships with industry.

Priority courses with few enrolments are the only ones that ought to be advertised widely as 'free', accompanied by information about jobs availability to attract interested students. Public-private RTO partnerships ought to be encouraged to deliver under-represented qualifications. In high priority areas that require significant investment in infrastructure and equipment, partnerships between RTOs and industry

could be fostered with appropriately targeted incentives. If the industry is thriving, industry incentives should not apply, since it would be reasonable to expect the industry to cover their workforce development costs either as an enterprise or through partnership with an RTO. DFEEST might simply act as a broker to encourage such partnerships.

Q6 *What value do you think the addition of these sustainability courses will offer to industry and students?*

Response:

It is essential that government lead the way in sustainability skills that are of benefit to the future State economy in the longer term, consistent with the State Strategic Plan, with COAG, and with national and international agreements for mitigating climate change. Our experience shows that many industries are as yet unaware or unconvinced of the importance and benefits of sustainability skills in the workplace. The case has not yet been made sufficiently strongly or effectively and the benefits are not seen to be immediate. For this reason, Government must take the lead in demonstrating the high priority that sustainability skills have for building a flexible, adaptive and innovative workforce, ready for the enormous change that will inevitably be required to secure our collective well-being in the future. The listed courses should therefore be supported with *Skills for All* subsidies until the take-up rate reaches a level where the intrinsic interest of students and employers over rides the need for subsidy incentives. The State must not risk being left behind due to short-sightedness now when the demand for sustainability skills peaks.

Q7 *From your perspective what courses provide these entry level pathways? Who should access them? Are foundation skills appropriately targeted? Under what circumstances should they be available?*

Response:

As previously mentioned, Certificate I, II and III programs that provide direct pathways to employment are essential for jobseekers and should therefore continue to be subsidised for jobseekers; fully in high priority areas and for disadvantaged cohorts, and partially where some contribution might be considered reasonable. Higher level qualifications might be considered entry level for existing workers in a range of other industries and therefore also important to support. This issue must be considered at an industry by industry level.

Q8 *Do you support the principles underpinning this proposal? Is this the most effective way to deal with these issues? What improvements could you suggest to this approach?*

Response:

The general principles outlined in the *Skills for All* paper are supported with the specifications already mentioned.

Q9 *Are there specific examples of red tape you would like to highlight related to Skills for All, Skills in the Workplace, Adult and Community Education (ACE) or Skills for All in the Regions? From your perspective*

what processes could be streamlined and why? What improvements could you suggest for reducing red tape in the system?

RTOs continue to report long delays in receipt of payments.

The system does not generate useful data for RTOs or they are unable to access useful information from it.

If the administrative process for accessing *Skills in the Workplace* funding were to be simplified for Employers, in exchange for Employers being required to contribute at least some of the cost of training for their staff, this might make their compulsory contribution more palatable.

General feedback: *Do you have any comments or suggestions you would like to share?*

Response:

Please note the following point is additional to the questions raised in the Consultation paper:

Interstate providers

There remains a high number of interstate providers delivering under *Skills for All* when Victoria has placed restrictions on RTOs from other states. It is recommended that SA consider the model proposed for NSW in which reciprocal arrangements are negotiated between States for delivery across State borders, with appropriate and mutual quality and market protection measures.

Summary of key recommendations:

In order to maintain the very pleasing levels of student satisfaction with the quality of training, as indicated in the latest *Skills for All* report, and to ensure consistency, stability and certainty in the training market, the following ought to be implemented:

- the gradual phasing-in of compulsory fee contributions by students/employers at Certificate I and II in order to enable an eventual recovery of the previously healthy fee-for-service market in low priority areas;
- enabling RTOs to charge participants a fee for training at any level (including Certificate I and II) where additional subsidy reductions are proposed;
- eventually that only priority courses be completely free and where disadvantaged individuals or stressed industries might not reasonably be expected to make a contribution (i.e. retaining full subsidies for priority qualifications and disadvantaged cohorts);
- enforcing a compulsory minimum fee charge for Certificate III and above;
- notifying RTOs of potential reductions in subsidy rates in advance, with no retrospective policy decisions that might affect already enrolled students for the remainder of their studies;
- introducing different eligibility criteria (and possibly subsidy rates) for jobseekers and existing workers according to individual industry requirements;

- introducing the capacity for RTOs to charge for RPL up to a maximum of 50% for qualifications at all levels, including for Certificate I and II;
- extending subsidies for skills sets that are required for specific vocations, without having to subsidise the whole qualification, especially where the full qualification is not needed for entry or upskilling;
- placing restrictions on the number of study attempts to prevent excessive course hopping;
- continuing close monitoring of interstate providers and exploring reciprocal arrangements with States in relation to RTOs delivering across State boundaries, beginning with NSW;
- improving system efficiency, in particular to reduce payment processing times and to enable RTOs to access useful information from the system.

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Education and Employment Committee Inquiry into TAFE

Response from the
Australian Council for Private Education and
Training (ACPET)

April 2013

Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has over 1000 members nationally, delivering a full range of higher and vocational education and training (VET) and English language courses across all states and territories.

As the peak body for private providers, ACPET is committed to quality in the tertiary education system and has taken a leadership role in the sector on this issue. ACPET members commit to a Code of Ethics which governs all aspects of their business operations, as well as the actions of their partners and contractors. Members are subject to oversight and scrutiny of their operations by other members and by the Board of ACPET and its Governance, Audit and Risk Committee. ACPET members renew their membership each year and must confirm their ongoing compliance with the Code of Ethics. ACPET also runs a strict risk assessment process for all members approved by the Commonwealth to offer FEE-HELP and VET FEE-HELP loans to their students.

ACPET also runs Australia's largest and most comprehensive national professional development program for the VET sector. The professional development offered by ACPET is explicitly mapped to the VET Quality Framework. In addition, it provides assistance and support for providers wishing to diversify their business operations and enter new markets. The program also provides recognition for individuals and providers with a demonstrated commitment to professional development.

Finally, ACPET has recently introduced a healthcheck service to provide its members with independent advice on their business systems and operations against the VET Quality Framework.

TAFE and Australia's VET sector

ACPET welcomes the opportunity to provide a submission to the Standing Committee on Education and Employment's Inquiry into the role of the Technical and Further Education system and its operation.

The Council of Australian Governments (COAG) has committed to training targets that support Australia's future productivity and social needs. This commitment is designed to foster employment opportunities for the Australian community and improve the productivity of Australia's workforce.

To support COAG's training and skills commitment, Australian governments have also agreed on structural change of the nation's training system. A significant contributor to skilling the nation, TAFE, is being impacted by this structural change.

This structural change was agreed to as part of the National Partnership Agreement on Skills Reform, and involves (amongst other elements) a shift from a TAFE-centric purchasing model for vocational education and training, to a demand-driven system with the introduction of an entitlement-based model. The key elements of this shift are:

- identifying the skills needed for the economy at both a national and jurisdictional level to grow the economy and meet labour market need
- funding to be made available to students enrolling with any approved provider for all eligible learners, and
- fostering a robust competitive market, which provides real consumer choice that efficiently delivers skills outcomes.

The National Partnership Agreement on Skills Reform is the apex of a changing paradigm in the Australian VET system over the last two decades. While over time different TAFE systems and institutes have changed their governance and operational models in different ways across the various states and territories, the common characteristic of the VET system to date has been a government managed, purchaser-provider training model. This model is not sufficiently flexible and dynamic to upskill those Australians without skills or to meet the skills needs of Australia's changing industry environment and productivity needs.

This new paradigm has seen the move away from a "command and control" organised training system and movement towards a system of individual choice and entitlement. If governments support greater student choice in VET then they must acknowledge the need for the training system to evolve and allow the opportunity for TAFE to evolve.

The TAFE system has an important role to play in Australia, especially in regional areas and in specialist industries which at present are less well suited to full contestability of the training market. However, there must be recognition that by placing students at the heart of the system, governments cannot create artificial barriers in the market that leave TAFE as the only choice for VET learners.

Victorian VET reforms

With four years of reform to VET in Victoria, following the introduction of the Victorian Training Guarantee, ACPET's submission focusses on the benefits of training reform and the need to continue to move nationally from a provider based model for VET to a student based model.ⁱ

Despite the myths to the contrary and the media coverage of the Victorian reforms, the statistical evidence confirms the success of the reforms in encouraging more people into training, in closely aligning the training effort with Victoria's skill needs, and in growing enrolments in TAFE and other providers.

One of the central pillars of VET reform in Victoria is the introduction of an individual entitlement model which puts purchasing power in the hands of students. Under this model, training places have been uncapped. The 2008 introduction of the Victorian Training Guarantee released built-up demand and stimulated training and skills development/acquisition in the community.

Importantly these reforms have seen large numbers of enrolments by people from a range of equity groups. When provided with choice, individuals rapidly moved to exercise their preferences for wider or at least alternative options of training courses, delivery modes, learning environments and support services.

It is in this broader context that the role of TAFE and its fitness for purpose need to be considered, in terms of ensuring that:

- the needs of the community are being met
- students and industry have real choice over what training is undertaken and where
- the cost of training provision and access to training are sustained as appropriate, and
- greatest public value is achieved.

Choice delivers positive outcomes

The recent release of the Victorian Training Market Quarterly Report reveals that between 2008 and 2012 students, when given the choice, increasingly sought to fulfil their training needs outside the TAFE system. That is, while enrolments have continued to grow in Victorian TAFE institutes in the last four years – the rate of growth has been slower than in the non-TAFE sector.

In 2012, TAFE in Victoria for the first time is no longer the primary provider of VET education. As a result of record numbers of people enrolling in VET though – overall enrolments in TAFE went up even as market share was lost to non-TAFE providers.

- Between 2008 and 2012, overall enrolments in TAFE increased by 11 percent, from 253,500 to 281,000
- In the same period, private provider enrolments increased by 472 percent, from 54,000 to 308,800
- In the same period, Adult Community Education (ACE) provider enrolments increased by nine percent, from 73,800 to 80,200.

Of the 670,400 government-funded enrolments in VET in Victoria in 2012, TAFE held a 42 percent share (281,400), the ACE sector a 12 percent share (80,200), and private provider a 46 percent share (308,800).ⁱⁱ

Changes in government funded enrolments across the three provider categories are detailed in Table 1.

Table 1 Government funded enrolments by provider type 2008 -2012

Institution type	2008	2009	2010	2011	2012	2008 -12%	2011- 12
TAFE	253,500	251,100	263,300	263,500	281,400	11%	7 %
Private	54,000	57,400	99,800	220,700	308,800	472%	40 %
ACE	73,800	68,300	63,800	64,600	80,200	9%	24 %

Meeting the Public Need

Market Responsiveness and Productivity

The VET sector, and particularly the Government funded sector is a highly contested policy space. Often assertions are made that criticise private providers for delivering training that is not meeting the needs of the community or the economy. These same assertions often promote TAFE as the only training vehicle that can deliver these outputs. This is simply not correct.

The Victorian data shows the compelling correlation between the growth of private provision in training and the growth in training that meets the needs of the Victorian economy.

In 2012 in Victoria vocational training activity has been particularly strong in sectors of critical importance to the Victorian economy, addressing skills shortages and occupations with specialised skill requirements. Importantly enrolments in training are aligned with the changing occupational structure of the Victorian economy. In 2012 enrolments were 18 per cent higher in shortage qualifications and 11 per cent higher in specialised qualifications, compared with 2011 figures, equating to 152,300 and 80,200 enrolments respectively.

Trends in apprenticeships and traineeships align closely with the wider Victorian economy. There were over 134,000 apprentices and trainees training in 2012. Apprentices did however fall slightly by 3 per cent since 2011. This is attributed, by the Victorian government, to the subdued business conditions in the Manufacturing and Construction sectors.

Providing access to disadvantaged learners

TAFEs have provided, and will continue to provide, access to education and training for learners from disadvantaged backgrounds. As a sector TAFE has an explicit commitment to meet the needs of learners requiring second chance education.

However, the latest *Victorian Training Market Quarterly report* provides evidence that when given the opportunity, disadvantaged learners will exercise their choice to access different provider types. The opening of the training market with the introduction of the Victorian Training Guarantee (VTG) has seen the successful engagement of many more higher-needs learners in VET, with tremendous growth in training across groups such as indigenous students, students with a disability and the unemployed. A growing proportion of students are choosing to study with non-TAFE providers.

Tables 2, 3, and 4 below reveal the tremendous success of the VTG in stimulating training amongst learners from disadvantaged backgrounds.

Table 2. Indigenous students Victoria
Number of completions by qualification level in government subsidised and fee-for-service training by TAFE and private providers, 2008-2012

Qualification level	2008	2009	2010	2011	2012	2008 - 2012%
Cert I-II						
Private providers	32	62	112	207	303	847 %
TAFE	292	308	286	437	453	69 %
Cert III-IV						
Private providers	71	114	126	344	590	731 %
TAFE	367	320	343	372	442	20 %
Diploma & above						
Private providers	0	0	13	32	53	530 %
TAFE	84	56	66	101	136	62 %

Table 3. Unemployed students Victoria
Number of completions by qualification level in government subsidised and fee-for-service training by TAFE and private providers, 2008-2012

Qualification level	2008	2009	2010	2011	2012	2008 - 2012%
Cert I-II						
Private providers	1,250	1,352	2,865	5,832	9,551	664 %
TAFE	2,820	3,393	3,616	4,240	4,531	61 %
Cert III-IV						
Private providers	807	1,276	3,521	10,735	19,648	2,335 %
TAFE	4,440	7,189	6,827	7,228	7,597	71 %
Diploma & above						
Private providers	14	43	331	970	1,220	8,614 %
TAFE	2,138	3,348	3,673	3,704	4,359	103 %

Table 4. Students with a disability Victoria
Number of completions by qualification level in government subsidised and fee-for-service training by TAFE and private providers, 2008-2012

Qualification level	2008	2009	2010	2011	2012	2008- 2012%
Cert I-II						
Private providers	262	323	660	1,354	2,009	667 %
TAFE	1,231	1,268	1,169	1,477	1,637	33 %
Cert III-IV						
Private providers	303	417	860	2,102	4,061	1,250 %
TAFE	1,696	1,835	1,974	2,124	2,386	41 %
Diploma & above						
Private providers	16	30	100	215	437	2,631 %
TAFE	603	545	628	779	960	59 %

As other governments move to introduce greater contestability for government funded training and an entitlement to learning, TAFE's future success will require a shift from the mindset that it is the only credible option for disadvantaged learners. When choice is provided to learners the facts simply do not support this outdated view.

TAFE then, now and into the future

Some twenty years ago it was fair to say that TAFE was VET and VET was TAFE. Indeed, a surprising number of academics and commentators seem to hold the same view even after two decades of growth and change in VET. As ACPET has pointed out previously - for many years Australians believed governments needed to own and operate airlines, telephone services, and banks. This is no longer the case. In most areas of the economy, government policy now supports a market-based system (including in schools and higher education) with government having a strong regulatory role, rather than one focussed almost exclusively on the provision of services.

The VET sector, like other sectors, requires competition to drive the development of flexible and innovative training, supported by prudent investment in technology and infrastructure. The VET environment is a dynamic, evolving one.

It is not realistic for TAFE systems, as they currently exist, to endlessly reconfigure themselves in a reactionary manner to meet the changing education and training environment, industry, global forces, geographical and demographic realities. Rather Australia's training system needs to be unshackled to so it can be more nimble as industry needs change, to be proactive and client focussed. The Victorian Training Guarantee reforms show the benefits to the community and the economy when the training system allows flexibility.

The sometimes emotive discourse around the role of TAFE has done little to serve the system it seeks to protect. Instead, it has tended to obscure facts and ignore the real successes and challenges of VET in this period of reform, diverting attention away from the critical task at hand for the public provider to make a steady, properly supported transition to a robust presence in a demand driven VET sector.

While ACPET notes the specific advice sought by the Committee on key aspects of the TAFE system (for example governance, competitiveness, and responsiveness) ACPET believes it is for the TAFE sector to identify how it can best thrive in a demand driven system. ACPET's submission seeks to underline the substantial benefits for learners, communities and industry from a demand driven VET system and urges the Committee to support the continued move to a demand driven approach and to an entitlement-based model in other jurisdictions.

Concluding comments

The role of TAFE is to deliver skills that meet the needs of individuals, enterprises, and industry, as well as the broader Australian economy. TAFE also has a role in delivering clearly defined government priorities that at times require direct government action.

Governments should clearly articulate the role they want their public training arms, TAFE, to play. To determine TAFE's role, governments should use data and empirical research, including in the definition of thin markets. Once a role for TAFE has been clarified, TAFE institutes should be funded for that role and the remainder of government funding for VET should be available in a contestable, demand driven approach.

The evidence after four years of reform in Victoria is that these reforms work. VET must be driven by the needs of learners, business and the economy not by the needs of institutions. All providers, public and private, can flourish when they are empowered to put the needs of learners first.

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ⁱ ACPET acknowledges the VET reforms which the South Australian government has introduced and the concomitantly large increase in enrolments as a result. However given the South Australian reforms are still new, there is less data available on their successes, and as a result ACPET's submission outlines the benefits of VET reform through consideration of the Victorian reforms.

ⁱⁱ Department of Education and Early Childhood Development, *Victorian Training Report Full Year 2012*

2013–14 Pre-Budget Submission

Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has almost 1,000 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories, and internationally.

ACPET's mission is to enhance quality, choice and innovation in Australian education and training. It represents a range of independent providers, including commercial and not-for-profit entities, community groups, and industry and enterprise-based organisations. ACPET works with governments, other education and training providers, industries, and community organisations, to ensure vocational and higher education and training services are well targeted, accessible and well delivered.

As the peak body for private education and training providers, ACPET is committed to ensuring that its policies, products and services contribute to an inclusive tertiary education system.

ACPET welcomes the opportunity to respond to the Department of Treasury request for a submission on its ideas and identified priorities for the 2013-14 Budget. This submission provides recommendations on two facets of Australia's tertiary education market. Firstly this submission looks at how industry and individuals can be supported and efficiencies gained in the delivery of vocational and higher education; and secondly, the policy settings the nation needs for a strong international education market.

In addition, considering the policy change and innovation occurring in the tertiary education sector it is critical that Treasury focus on how tertiary education policy impacts private businesses. Tertiary education policy is increasingly reliant on private providers to deliver the programs that achieve government's tertiary education objectives. However there is a growing concern that government is willing to call on private business to play a critical role in delivering programs, but then walk away from these partners, with little or no warning when there is a policy change. The government must pay closer attention to how policy changes and lack of certainty in operating conditions affect the businesses they rely on to deliver their policy.

The business models of private providers have been put under considerable pressure by changes to government policy. Recently this has been most evident in changes to traineeship incentives. As an outcome of change to policy, providers are downsizing their businesses and some face closure. In the short term this results in job losses, over the medium to long term it may result in the deterioration of the skills and experience base of the sector and affect the long term ability of the private sector to deliver government policy in an effective and efficient manner.

Accordingly Treasury must assess and monitor how changes to tertiary education policy will affect business, and stipulate transition policies are introduced where market distortions will or are hampering business trading conditions as a result of government policy changes.

Vocational Education and Training

Investing in traineeships and apprenticeships

The ongoing reform Australia's training system should continue to focus on removing barriers to education, training and employment for those Australians most beset by them, not introducing new barriers that undermine access and equity for people to improve their own circumstances. Disappointingly recent changes to traineeship funding arrangements are mainly affecting hospitality, business and retail employers and their employees. Many employers have relied on modest funding from government to assist them in securing high quality training for their staff. In winding back these incentives, government has failed to recognise that these industries represent significant employment opportunities in regional areas and for women returning to the workforce. Regional engagement in training remains weak. When training does take place in regional areas there is an ongoing challenge to ensure that there is a nexus between training and employment rather than training just for the sake of training. Traineeships provide this nexus.

Cash flow for employers is often restrained. Therefore, up-front incentives encourage employers to put resources into skilling up their workers, and the lack of such incentives will hamper training effort. This means that hospitality, tourism and retail industries will train fewer employees this year, at the same time that job prospects worsen in these industries.

Policy decisions on traineeship incentives need to look beyond simply economic/financial cost benefit analysis and take into account the social impact of this training activity. Further there is a need to take a long term view about building productive and responsive industries. Funding support can provide a skills base for industries to meet future economic and structural challenges that can be difficult for governments to predict. Government should be providing incentives for trainees and apprentices in the broadest range of industries possible.

Transition support for providers required to provide data to government

In the past decade the private training sector has been beset by unending change. The latest suite of reforms, in the form of the National Agreement for Skills and Workforce Development reached by the Council of Australian Governments in April 2012, is supposed to deliver new opportunities for learners and greater efficiency for government.

While ACPET has been a strong supporter of the principles underpinning skills reforms; to date, too many private providers in Victoria and South Australia have been adversely impacted by implementation approaches focused solely on financial adjustment payments to meet TAFE's needs.

The current arrangement ignores the impact that introducing government funding into previously thriving fee-for-service, delivery markets can have on private providers' businesses. Ignoring Victoria's prior issues with regulating its private market, the reality is that skills reform implementation in both Victoria and South Australia has resulted in good private provider businesses going to the wall because governments do not fully understand the fee-for-service markets they are injecting government funding into. This is a serious issue which the Commonwealth cannot absolve itself of. The Commonwealth government needs to ensure it requires State and Territory governments to consider and account for the impact of skills reforms on both public and private providers as they approach implementation.

On top of a need to think of private providers as reforms are rolled out, it is unreasonable for the Commonwealth to expect States and Territories to deliver more training with less funds, which is the nature of the current intergovernmental agreement. The funding support provided through the intergovernmental agreement must be reconsidered so that students and providers (both public and private) have certainty each year that their training choices (aligned to the employment opportunities available at the State-level) will be met.

On top of the challenges providers are having in adapting to, and preparing for, skills reform implementation; they are also facing unprecedented data collection and reporting requirements. The 'accountability measures' agreed to by COAG in April 2012 and due for implementation from 1 January 2014, are still not known. Further, promises made by the Standing Council on Tertiary Education, Skills and Employment in November 2012 to provide financial support to providers to adapt to the additional data collection and reporting changes are yet to be seen or articulated.

To add insult to injury, the needs of providers which offer short courses have been entirely overlooked. Students studying a single unit of competency, which may take only a few hours to complete, (eg customer service training), will spend significant time filling in an extremely detailed enrolment form to collect a plethora of data merely to satisfy government record keeping requirements. Already ACPET is aware that many of these niche providers are actively considering moving out of the accredited training sector, to ensure they do not lose students who question the value of providing such extensive data to government. Urgent advice and financial assistance is required for providers to adapt to these data collection and reporting changes.

Infrastructure funding

ACPET calls for a functional separation between infrastructure and service provision, to promote equal access to infrastructure and infrastructure funding. TAFEs receive considerable government funding whilst private RTOs on the other hand only receive funding for infrastructure investment by rare exception; despite making significant investments to ensure their own facilities are of a high standard. Moreover, the private sector is largely locked out of access to public infrastructure and resources.

At the same time, TAFE infrastructure is large and well developed, funded by tax payers and with facilities that are often under-utilised. ACPET suggests that functional separation between infrastructure and service provision be accompanied by greater sharing of public resources and infrastructure with the private sector through public-private arrangements.

Access to public infrastructure through cost recovery and other innovative mechanisms would strengthen private-public collaboration in the education sector, enhance the education experience for practitioners and students, promote efficiency and reduce wastage.

If TAFEs continue to receive funding to develop and sustain the infrastructure and "wraparound" services to deliver to broader community needs, and private providers do not, then education and training with high infrastructure costs will remain largely in public institutions. As a result, there is a distorting of market activity, which impedes the objectives of a demand driven training system.

Additional costs incurred in training higher-need learners and servicing thin markets

Dealing with the problems of cumulative disadvantage is complex, lengthy and costly. Years of investment in individuals may be needed to re-engage marginalised people, such as Aboriginal and Torres Strait Islanders or the long-term unemployed, encourage their learning and provide (or assist with access to) the “wrap around” support that needs to be a part of education and training. Some of the costs associated with engaging higher need learners in VET involve significant investment in

- professional development of teachers
- expert support staff, such as language, literacy and numeracy and disability experts; as well as basic awareness raising in relevant areas for general staff
- designated facilities and resources
- designated pastoral care staff. Research shows that good relationships form the basis of high retention rates with disadvantaged learners; and
- learning and assessment strategy adjustments, such as more tutorials and more practical assessments that require more – and more intensive – training time.

In many instances, delivering education and training to people with greatest disadvantage requires almost double the staffing resources to support student retention and completion.

Niche, or thin, markets evolve where there is a small but dynamic market, serviced by a limited number of providers, such as mining and which needs to be supported by education and training provision. Niche markets exist because there is a real need and demand. Niche markets cater to extremely specialist industries which are often highly sought after and lucrative, with highly specialised skilling needs that need to be supported by full institutional capacity and workforce capability. However, they are often seen as not being significant enough to attract substantial and consistent funding and investment.

Higher needs learners and thin and niche markets are serviced by private providers, including ACPET members, especially those delivering in regional and remote areas. In particular, there are major challenges in extending and strengthening tertiary education in outer urban, regional and remote locations (as they are variously understood and apply to different jurisdictions around Australia).

The cost associated with delivery in thin and niche markets is greater than other markets, as

- it is difficult to access and retain experts with industry knowledge (because of the shortage, the remuneration demand is higher)
- the scarcity of students (often combined with factors of disadvantage) increases the cost of delivery, and
- smaller class size reduces break-even margins.

Government must therefore target federal funding to ensure consistent and high quality education and training delivery for higher needs learners and training in ‘thin’ markets. Funding should be based on the fundamental recognition of the unique characteristics of these cohorts as well as of Australia’s geographic and demographic realities.

Higher Education

Student choice should drive funding

There are approximately 130 non university higher education providers in Australia, ranging from niche providers of specialised courses to larger institutions that model themselves directly on university structures and have ambitions to become self-accrediting institutions. Private higher education institutions now enrol approximately 59,000 equivalent full time students each year.

The Bradley Review noted the lack of diversity of study programs and institutions in Australia. It pointed to a hindrance to the growth of the higher education sector in Australia due to the current model of government funding, recommending:

- the removal of caps on Commonwealth supported places to enable institutions to better respond to student demand by granting them the freedom to enrol as many eligible students as they wish
- provide students with the choice of where to study (at recognised institutions)
- allow government funding to follow the student

The strong correlation between funding policy and diversity of education institutions and student choice is clear. Student-centred funding provides genuine choice for students, and students receive substantial economic benefits from higher education. Students should be able to use federally-funded Student Learning Entitlements, including credits for special needs, and HECS-HELP access, with any registered higher education provider. Allocation of funding should reward educational quality and outcomes, without distinctions between public and private institutions.

Higher education funding policy must look beyond historic reputation, size and history. The combination of fully funding the cost of delivery with a genuine choice for students will set a more flexible and innovative framework that ensures Australia can continue to compete globally as a highly skilled, diverse and productive economy. This will be particularly important as Australia faces the challenges and opportunities that the Asian Century provides.

Funding to match the cost of delivery

The current funding arrangements for universities are opaque. While ACPET advocates opening up government funding to allow students to receive a HECS place in the private provider of their choice, ACPET advocates that funding for higher education should match the cost of delivery in order to promote efficiency and innovation for today's needs and for the long term. Greater transparency in funding arrangements is required, as well as their extension to the private sector.

Funding should be divided into teaching, research and community service components. This would mean that all higher education institutions would be paid for what they deliver, and any expansion of higher education access would be done in a more efficient and importantly more transparent manner. This would also drive excellence in achievement while staying true to equity principles around funding access.

Base funding of higher education must be sufficient to enable universities to fulfil their core roles of teaching, scholarship and research, as well as the requirements on other higher education providers as set out in the TEQSA Standards. Until such a time that this happens, the market will remain immature and will not truly be demand driven. Higher education providers that receive funding in the forms of research grants and infrastructure funding will always have an advantage over those that rely solely on base funding. Such a situation acts as barrier to entry for non university higher education providers entry into the market and thus diminished market efficiency.

Funding for Australia's higher education sector should be based on clearly identified principles, including community and industry engagement, research excellence, and access by learners from all backgrounds. It should include income-contingent loans and tuition subsidy systems which are applied equally across both the public and private higher education sectors and which are not distorted by outdated and historical principles.

International education and training

The latest data on international education services exports highlights the continued decline of the industry from \$16.1 billion in 2010-2011 to \$15.3 billion in 2011-2012 (from the high watermark of \$17.9 billion in 2009-2010)¹. In this context, ACPET acknowledges a number of recent positive changes for Australia's international education sector including the implementation of a number of the Knight Review of the Student Visa Program recommendations, recent changes to the Education Services for Overseas Students (ESOS) Act, and the establishment of the International Education Advisory Council (IEAC) charged with developing an international education strategy for Australia.

ACPET supports the implementation of the Knight Review recommendations that commenced in late 2011 and early 2012 including enhanced post study work rights for all degree graduates and the reduction of financial requirements for higher risk (Assessment Level 3 and 4) student visa applicants.

In various public documents, ACPET endorsed the concept of a national mechanism to protect international student tuition fees. The Tuition Protection Service (TPS) was introduced on 1 July 2012. All education providers have to pay an annual registration charge that comprises a base fee plus a per enrolment component based on the total number of enrolments of overseas students. Non-government funded providers pay an additional TPS levy effective from 1 January 2013. ACPET supports the national approach to international student fee protection as well as the risk-based approach that has been applied to determine the additional levy for private providers.

The International Education Advisory Council is due to release the much-anticipated international education strategy in the first quarter of 2013 which ACPET envisages will provide the sector with a clear and constructive blueprint for the next phase of internationalisation.

Against the background of these advancements in international education, there are several key policy areas that require further action by the government, however.

¹ Australian Bureau of Statistics' publication *International Trade in Services, by Country, by State and by Detailed Services Category, Financial Year, 2011-2012*, November 2012.

Streamlined student visa assessment levels for non-university providers

ACPET has received commitment from the government that the international student visa system is moving to a model of provider risk and that high-quality, trusted non-university providers will be accorded the same or similar streamlined visa arrangements for their students as those on offer to the universities. The Review of the Student Visa Assessment Level framework would outline the extension of the streamlined visa processing (SVP) rights beyond the university sector – these rights allow prospective students intending to study at an Australian university to be treated as lowest migration risk (Assessment Level 1) and to obtain visas more easily, regardless of their country of origin.

The review, with a list of low migration risk, high quality (probably larger) providers nominated to opt-in to the SVP arrangements, was due to be announced by mid-2012. As of late January 2013, the government still has not made an announcement. Any benefits for providers for early 2013 intakes have clearly been missed and if the government has not made an announcement by early February, any benefits for semester 2, 2013 will also be lost. This means that except for the universities that are noting strong growth in student visa applications and grants for both semesters, many quality providers in the non-university sectors will continue to struggle to survive in 2013.

ACPET strongly urges the government to make an immediate announcement to stem the drastic downturn in international students in the non-university sectors and the negative flow-on effects on the Australian economy. ACPET also urges the government to announce measures to support the smaller, high quality low-risk providers that will not be offered the option to opt-in to the SVP arrangements.

Advice from the Department of Immigration and Citizenship indicates that the costs of implementing a provider risk model are onerous when agencies are being asked to find additional savings in the form of efficiency dividends. It is vital for Australia's multi-billion dollar international education sector that funding is allocated to the government department tasked with the implementation of new policies and legislation to allow the efficient delivery of a provider-based risk model.

Post-Study Work Rights

Minister Bowen and Senator Evans jointly announced the extension of post-study work rights to all higher education providers, not just the university sector, in late 2011. ACPET's position is that any trusted VET providers that are eventually granted the streamlined visa arrangements should also be accorded post-study work rights. Australia's history of international education includes a proud record of offering high quality VET courses.

As the government looks to grow this sector, and address the nation's skills shortages in a sustainable fashion, linking the granting of post-study work rights to high quality VET providers is a very low risk means of doing so. In turn it will reinvigorate interest from international students in a quality VET experience and deliver substantial revenues to the economy.

Visa processing improvements – Genuine Temporary Entrant criterion

ACPET commends the government for its commitment to institute various student visa processing improvements as outlined in the Knight Review. However, recommendation 1 – the introduction of

the Genuine Temporary Entrant (GTE) criterion, has proven to be a contentious additional barrier to studying in Australia and out of step with the intentions of the Knight Review as a whole.

Since its introduction in November 2011, ACPET has collated 237 examples of questionable visa refusals on the basis of the GTE criterion, applied to applicants in many 'low migration risk' and well as the higher migration risk countries. This factor is preventing genuine students from being able to access study in Australia. In fact, a large number of visa refusal decision records encourage the unsuccessful applicant to study in their own country or specifically in the UK. This criterion appears to be applied mostly in the English language and VET sectors (important pathways to the university sector for international students) again impacting on the sector's ability to reach its, and contribute to the nation's, revenue potential.

DIAC requires urgent financial support to improve the professionalism and productivity of its staff, and ensure the problems with implementation of measures like the GTE do not serve to further burden an already struggling sector.

VET encouraged to deliver offshore

Three of the recommendations outlined in the Knight Review indicate the future for VET training is in offshore delivery, and that the government provide support through Austrade, the Export Market Development Grant and other forms of assistance.

ACPET members have been delivering training offshore for many years. However, establishing offshore delivery in any of the various business models is risky and expensive. In order to assist its members to achieve the goal of expanding offshore delivery while ensuring that opportunities with the greatest return on investment are identified through on-the-ground support, ACPET established an offshore presence in China, one of ACPET's three key markets for skills development and training.

In 2012 there was little evidence of government support to the (private) VET sector to enhance offshore delivery. While Austrade is granting ACPET \$10,000 to conduct an ACPET member offshore capability study, it is not expected that this project will further propel the private VET sector into offshore delivery to a great degree. If offshore delivery of vocational education and training is to have a stronger focus there needs to be a concerted effort by VET providers and government to enable this.

While it does not explicitly encourage VET providers to deliver training offshore, the *Asian Century Business Engagement Plan*, announced by Minister Emerson in October 2012, is an initiative welcomed by ACPET to assist our members to further establish and strengthen education and training links to cater to the region's skills development needs, and to offset the declining international enrolments at institutions onshore.

ACPET also encourages Ministers Carr and Emerson to lead more delegations to Australia's key Asian markets like the China 2.0 mission lead by Minister Emerson in August 2011.

Equitable access to funding

ACPET's position is that international students, like domestic students, should have a choice of education or training provider regardless of the source of that provider's funding. International AusAID-funded students are not eligible to study at a private VET or higher education provider; they can only apply to study at universities or TAFEs.

Conversely, only Australian Commonwealth supported students have access to the OS-HELP funding to conduct part of their undergraduate study at an overseas institution; Australian students that are enrolled at private higher education institutions do not receive government funding support in their quest to become more globalised citizens.

ACPET urges the government to widen the scope for AusAID-funded international students to include private VET and higher education providers and to extend OS-HELP funding to Australian students undertaking their Bachelor degrees at private higher education institutions.

Promoting Australia's international education

ACPET recognises the efforts of individual state and territory governments, and of federal ministers and departments such as DFAT, DIAC and DIISRTE, in their commitment to enhancing Australia's international education sector. What is lacking, however, is a cross-ministerial representative (body) that recognises international education as an industry in its own right, the broader context in which we operate and the critical contributions the industry makes to Australia's economy and society.

ACPET calls for the IEAC strategy for international education to address more equitable support and direction for the vital non-university sectors, for funding to accompany key strategies and for a multi-sector and multi-agency approach that will ideally be coordinated by a cross-ministerial representative.

This representative would carry out various functions to promote Australia's international education including driving and monitoring the International Education Strategy, promoting Australia's enhanced place in the world/the Asian Century, working with Austrade to boost the promotion of Australia's international education overseas and collating and housing data around international student numbers and satisfaction rates, and provider data around quality, financial viability and risk ratings.

ACPET SA Response to the proposed changes to the *Skills for All* Funded Training List

January 2013

Background

ACPET is the national peak body and industry association for private providers of education and training.

ACPET has consulted widely with members in relation to the proposed changes to the *Skills for All* Funded Training List and has received many calls and emails in relation to this matter. The points raised in this response both reflect the concerns of our members and outline ACPET's views. ACPET has also encouraged members to lodge their own independent responses about their specific issues.

The points raised here build upon the general ACPET view that South Australia has appropriately taken a careful approach to implementing and monitoring the progress of skill reforms given the Victorian experience and is to be congratulated for the transparency in reporting. However, the following have led to market distortions with significant negative impacts requiring careful corrective action to resolve:

- an initial faulty assumption that there would not be enough takers of subsidised places;
- an over-riding concern for the impacts on TAFE SA without a matching concern for small business;
- an inappropriate pricing model;
- an over-reactive approach to managing enrolments by imposing negative disincentives (i.e. caps) rather than positive incentives to shape choices towards priority occupations; and
- a failure to heed ACPET's advice in a number of significant areas listed below.

Now that TAFE SA's enrolments have doubled when compared with last year, the future structure of *Skills for All* entitlements need not be constrained by concerns about TAFE successfully managing in a new climate of contestability.

Previous advice given

ACPET has repeatedly raised certain concerns during consultations over the past year, most of which were not heeded but are now proving to be correct. Among the previously expressed concerns were that:

- the underlying assumption that there may not be enough take-up of subsidised places was faulty;
- the introduction of a training entitlement was likely to distort the market in the first instance, with potential deleterious long-term effects on a previously healthy fee-for-service market;
- low enrolments in the first half of 2012 in anticipation of the subsidies leading to higher than expected enrolments in the second half of the year, meant that statistical comparisons (and subsequent decisions) needed to be made on a full year not on a Semester 2 basis;
- the original pricing model was flawed, meaning that subsidies were set too high for some qualifications and too low for others, not necessarily based upon priority qualifications;

- the SA market is too small to allow a free-for-all entry for providers from large states where subsidies had not yet been introduced (i.e. at least a third of all approved *Skills for All* RTOs are from non-SA registered providers, placing extreme pressure on long-standing quality SA providers in an already competitive small market);
- the low prices set for higher level qualifications without a requirement that students/employers be required to contribute, leading to undercutting prices, quality concerns and indiscriminate, uncommitted or exploratory course choices in some cases;
- that enrolment in all qualifications above Certificate I and II be required to attract a fee;
- that no more than a 60% subsidy be paid for RPL;
- the need for simple administrative processes and a reliable payment system to ensure regular cash flow, so essential for small business;
- that payments not be made by unit of competency completion due to the holistic nature of quality training and assessment; and that
- subsidy levels were set based upon an over-riding concern for protecting a newly independent TAFE SA without a matching concern for the impact on small business.

(The difference between TAFE SA and private RTO rates of subsidy is a separate issue previously raised with DFEEST not highlighted again here)

Key Issues and Impacts

The following feedback is based upon the first 6-month summary report on the operation of *Skills for All* and the subsequent proposed changes to the Funded Training List.

Consequences of proposed caps

There are likely to be the following significant negative impacts if the caps are implemented as proposed:

- for individuals unable to afford qualifications in their chosen vocation, a different and less suitable choice will be made for subsidised training rather than accessing the fee-for-service market. This will particularly impact on new job seekers and the unemployed trying to enter or re-enter the workforce;
- for industry needing to upskill staff to improve productivity and develop their business, less suitable staff training options will be accessed, without sufficient cash flow in difficult economic times to pay full fees for appropriate staff training;
- for RTOs there will be a significant loss on investment in marketing, infrastructure, course development and staff recruitment to accommodate *Skills for All*, at a time when the formerly robust fee-for-service market has dropped by 80-90% due to *Skills for All* (a figure consistently cited by RTOs), potentially leading to closure for many. These will be predominantly locally-based RTOs with costly infrastructure, since non-SA registered RTOs with fewer overheads and additional access to funds from their home state are able to undercut fees;
- for RTO staff jobs will be lost as a result of market distortion created by government policy at a time of increasing unemployment in the State;
- for specific vocations (including Hospitality, Retail, Sport and Recreation and Beauty), many of which are already facing staff shortages, there is likely to be a further decline in the volume and quality of applicants and the number of course completions; and
- for the State economy, the pressure on the budget will remain and most likely worsen, while continuing to destroy the fee-for-service market, as individuals and employers continue to shop around for 'free' courses.

Rationale for caps and data accuracy

ACPET has received an overwhelming and unanimous response questioning the accuracy and validity of the enrolment and job vacancy data provided in the *Skills for All* documentation including the

rationale for imposing caps, since there does not appear to be any logical basis for the selection of qualifications to be capped.

For a true picture of the impact of *Skills for All*, enrolment figures for the 2011 academic year ought to be compared with the 2012 academic year, allowing for the regular annual increase rate and the spike caused in Semester 2 due to a backlog of delayed training in anticipation of the subsidies. It would be essential for the data to clearly show the ratio of jobseekers enrolled in job-entry training to existing workers upskilling, in order to accurately match enrolment data with job vacancies. The data also does not take account of the number of participants who may soon have used their training entitlement, thereby reducing the take-up rate in the coming year after an initial flurry.

While some of the proposed caps are justified due to high enrolments and 'apparent' low job availability, others appear to be an over-reaction to a budget overshoot, not supported by job vacancy numbers, which are in most cases, inaccurate, over-simplified and not supported by reports from industry about actual vacancies.

For example, the data for the Certificate II in Cleaning Operations estimates 250-300 job openings and lists 95 *Skills for All* enrolments, but just two local employers have over 800 job openings for new workers each year between them in SA. The recent e-scan from the Construction and Property Services ISC indicates that job openings for cleaners will reach a minimum of 1200 per year in SA! Furthermore, the demographic enrolling in this qualification is generally vulnerable, consisting typically of parents returning to the workplace, or job seekers with low literacy and education levels. RTOs delivering in this area have rightly planned their operations accordingly, with the expectation that there would be ample demand for funded training, only to have the rug pulled out by proposed caps. How can they plan with confidence in future?

In addition, how is it possible for there to be the same number of job openings for make-up artists as sales assistants? How was the number of job openings determined and who was consulted to obtain relevant up-to-date data? Given that RTOs are not required to report on fee-for-service training, how was the 'estimated change in fee-for-service enrolments' derived? These figures must be an approximate '*guesstimate*' at best.

It is evident from the information provided that there are at least 12 vocations for which caps are proposed in which even the listed number of enrolments has not yet reached the number of job openings. However, job vacancies are not the only factor to consider, since some vocations represent significant entries to employment for unskilled, genuine **new jobseekers** (e.g. Certificate I in Hospitality). Even if the number of enrolments in entry level vocations were to double, and were to achieve 100% completion rates, and all were to gain employment, there would still be a large shortfall in work-ready job seekers relative to job openings in this area.

In other vocations, where there appear to be excessive enrolments (especially at Certificate III and above), many are predominantly attributable to upskilling **existing workers** and not training new jobseekers, therefore the 'job openings' data does not apply. Furthermore, not all existing workers undertake training to achieve a higher level of employment (i.e. fill a job vacancy), with many undertaking training either as a requirement to maintain their current roles due to: industry funding or industrial requirements; formalising their experience into a qualification; or simply to keep their skills up-to-date with the advancements and changes in their employers and industries (i.e. technology skills). Given these factors it is necessary to distinguish between entitlements for jobseekers and for existing workers.

As industries undergo reforms to their operating environments, upgrade technology or strive to become more energy-efficient, they drive changes in the skill mix of their workforces. For example, in the health and community services industry, the introduction of consumer-directed care and activity-based funding is forcing employers to radically change their service models and client engagement strategies, requiring a variety of roles in their businesses to acquire new skills in case management, financial analysis, forecasting and modelling, contract administration, negotiation and customer service. Very few of these skills are achievable through a single qualification, they are expected of a variety of roles and positions, and do not align with single occupational definitions or job vacancies, as the proposed changes to the Funded Training List would suggest.

The links made between a qualification and only one or a few job roles is totally fallacious, particularly in relation to Business Services where skills and qualifications are clearly applicable to a wide range of vocations, industries and job functions. Furthermore, the shortage of management skills has been well-documented. For example, Project Management skills (Certificate IV and Diploma) are required by a large number of managers across industries and functions and not only by designated 'project managers'.

Since the Certificate IV in Front Line Management is commonly co-delivered with the Certificate IV in Business, a cap will drive the market towards one-dimensional training pathways, mitigating against the flexibility in course design, delivery and packaging for which the VET system is both designed and renowned. A cap on the Diploma of Management would also impact on the articulation pathway to University and Higher Education degrees for which the Diploma is granted credit, with a deleterious flow-on effect for the SA higher education sector.

Some industry-specific examples of how risky it is to oversimplify the job vacancy data around Business Services qualifications is their importance for Community Services and Health roles such as care workers and nurses entering supervisory or middle-management roles. Job vacancies at these levels are not taken into account in the proposed caps list. This is also the case with many other qualifications proposed for capping such as the Certificate IV in Occupational Health and Safety, which is relevant to all occupations. Another example is the Certificate IV in Training and Assessment, for which 'VET Teachers' is the only occupation listed, but which is required also by workplace trainers and assessors and those who train staff as part of a larger management or HR job role.

In addition to the job vacancy data being incorrect, the *Skills for All* 'enrolment growth' data is used inaccurately to apply caps, based on the incorrect assumption that all of it represents entirely new training activity. Where the data includes 'substitution' (i.e. fee-for-service training replaced by subsidised training), it is too early to determine the impact on retention or completion rates, especially at higher qualification levels where course durations are typically longer. To cap Certificate IV or Diploma level qualifications because the enrolment data indicates excessive enrolments relative to (narrowly defined) job vacancy rates, is to fail to take account of substitution levels, enrolments in qualifications adjacent to the occupational definitions being used, and the impact on completion rates at these levels of training.

'Upskilling' has been continually touted as one of the main reasons for introducing the skill reforms, yet now the practice of reframing 'upskilling' with the term 'substitution' provides apparent reasons for backing away from subsidies. The real reasons are due to problems with balancing the State budget, which ought to be resolved in ways that do not further damage business and the State economy.

Shaping the pricing model strategically in response to State priorities

The proposed caps were announced just after the launching of the TaSC 5-year plan, which does not appear to be reflected in the qualifications listed for capping. There is little purpose in having a 5-year plan if it does not shape the directions of government expenditure on workforce development and *Skills for All* subsidy priorities. Subsidy levels should also be shaped by Industry consultation, which is pointless if government does not heed the advice that is given.

The high number of qualifications now proposed for capping (i.e. 55) clearly indicates that the initial pricing model was incorrect, which led to the decimation of the fee-for-service market in a number of areas. The pricing should not have been calculated based on an average of what RTOs charge but on skill gaps and State workforce development priorities. Pulling the rug out completely from these areas now, without allowing time to rebuild the fee-for-service market, will destroy a number of excellent RTOs. The subsequent lifting of caps would presumably cause a repeat of current circumstances unless fundamental changes are made to the structure and management of *Skills for All* entitlements. This situation can be corrected, not by sudden and total withdrawal based on inaccurate job figures, but by careful and selective shaping based on accurate, up-to-date job data provided by industry and guided by the TaSC 5-year plan.

Larger subsidies should clearly be offered for priority qualifications, reducing incrementally to lower subsidies where accurately assessed job demand is weaker. The ongoing imposition and withdrawal of caps is not recommended since it reduces student choice, contrary to the purpose of the skill reforms and may have the effect of reducing the diversity, flexibility, responsiveness and agility of the VET sector in responding to workforce development needs. Also, individuals and employers respond either by changing course choices to those that **are** subsidised, which does not benefit everyone, or delay training until caps are removed again. Consistency, certainty, predictability and continuity are sorely needed, allowing for ongoing adjustments and not knee-jerk reactions. It is imperative that no further fee-for-service markets be destroyed by ill-considered pricing policies.

In a weak State economy, workers are vulnerable to retrenchment and unemployment rates are rising rapidly while job availability is reducing. It therefore makes sense to take a longer term approach to investing strategically in training, both to reduce worker vulnerability and to improve business productivity and competitiveness. In this context, the practice of introducing total caps for a short term budget outcome is the worst possible approach to managing the training budget, because of its immediate and long term negative impacts on the State economy. It is a blunt, reactive and inflexible way of solving a complex problem using disincentives as the primary lever, rather than developing an innovative, tailored solution that employs positive incentives to shape the market in the longer term as needed. Such negative signals, with no corresponding positive message, are likely to reduce confidence in RTOs (including TAFE SA) and in the VET sector generally and discourage the workforce and the unemployed from engaging in training to support the State's most chronic areas of skill need.

It is therefore recommended that the policy of capping enrolments be abandoned in favour of a broader reduction in subsidy levels across vocational areas beyond Certificate levels I and II, except for priority qualifications. Close monitoring of enrolment numbers should continue and proposed changes to subsidy levels should be identified and notified early to avoid overshoot, but without completely capping. Total caps should only be imposed minimally where there is little or no discernible benefit to individuals, industry and the State, or where it is very clear that enrolments are outstripping accurately forecasted, medium to long-term demand by a significant margin.

In addition, capping ought to take specific account of equity issues and areas that provide entry to the job market for unskilled or new job seekers and the unemployed. Where certain skill sets are

required for licensing purposes, subsidies should only be paid for the skill set and not the whole qualification, particularly for existing workers. With respect to subsidising skill sets generally, there needs to be a consistent rationale for their selection or exclusion, taking into account workforce development priorities and that some industries can well afford to pay for the full cost of existing worker training while others would struggle.

Furthermore, it is recommended that funding for RPL be reduced to 50% for the purposes of facilitating access to further training. The practice of funding RPL to 100% does not meet the *Skills for All* objective of upskilling the workforce and is dubious in terms of quality.

Thought also needs to be given to how *Skills for All* will accommodate the transition to streamlined Training Packages when this occurs in 2014, since this will introduce additional complications requiring planning and forethought in the near future.

Restricting the entry of non-SA registered training providers

While ACPET advocates strongly for a nationally consistent training industry and does not in principle support protective practices, it is clearly damaging for a relatively small and struggling State economy to be flooded by disproportionate numbers of non-SA registered providers from large, populous states. RTOs from large states where skill reforms are not yet implemented (except Victoria) have entered the SA market to avail themselves of the generous *Skills for All* subsidies, severely affecting the operations of small SA RTOs. This is leading to staff lay-offs and precious SA funds leaving the State for investment elsewhere. Clearly this is not sustainable while being politically explosive.

However, restriction of trade in an open market is not a viable option, despite the existence of this practice in Victoria, which prevents South Australian RTOs from crossing state boundaries with **their** offerings. The solution to this dilemma is for there to be greater scrutiny of the operations of non-SA registered providers, notwithstanding the already careful assessment that is undertaken. Without a local presence, support services for students and relationships with industry, the training may not be of comparable quality. RTOs from other states should only be welcomed where there is a priority area not currently being met by local providers and where the level of infrastructure and services in situ match those expected of SA RTOs. In addition, non-SA registered providers with no previous history in SA, should only receive a small allocation of funded places in their first year of operation, as per the practice in other states.

Strategic preparation of RTOs for a changing training environment

In introducing skills reforms basic economic principles were ignored as the government failed to take account of the impact of the State's training policy on the market, which was stimulated by the prominent advertising of 'free' courses (contrary to ACPET advice). This created an artificial spike in demand followed by a sudden drawback after a short time in some areas. This has led inevitably to the collapse of a healthy fee-for-service market, necessitating the laying-off of staff and the potential closure of RTOs. In a fragile SA economy, it is vital to avoid such boom and bust cycles and to create greater certainty and continuity for individuals, employers and RTOs through the competent management of skill reforms, beyond focussing merely on internal administrative systems and processes.

RTOs had no choice but to respond to such training policy by advertising vigorously to survive in a tighter market, made more competitive by the high number of non-SA registered providers offering cheaper courses (due to lower infrastructure costs) and to counteract the unfair advantages afforded to TAFE SA. These advantages were not only due to the subsidy price differential and the 'TAFE only' list of subsidised qualifications, but also for the earlier start and a marketing campaign

that favoured TAFE. RTOs report that they have not derived any benefit from the very expensive Government-funded marketing campaign and that none of the 5,500 *Skills for All* hotline enquiries have led to a referral or enrolment. Feedback received indicates that RTO-generated marketing has for the most part led to enrolments.

The State Training Authority ought to work closely with the SA Small Business Commissioners, with policy input from the SA Minister for Small Business, in formulating training policy and implementing skill reforms that impact positively on small business to stimulate the State economy, while benefitting individual learners.

Support ought to be provided for RTOs in preparing strategically for a new or adjusted training subsidy environment, to avoid stop-start marketing, engagement and cessation of staff contracts in response to erratic government policy in an already severely stressed job market. This could include fostering strategic RTO business management in the context of *Skills for All* policy, through seminars/workshops that also inform RTOs of the number of places to be subsidised per year, per qualification, to enable appropriate business decisions to be made. Such decisions might involve, for example, RTOs engaging only temporary staff when delivering qualifications that are not on the priority list. ACPET is willing and able to collaborate with DFEEST in conducting such sessions.

Skills for All information needs to be provided prominently and well in advance to enable industry and RTOs to respond strategically and confidently, to manage their response to skill reforms in line with State priorities. This may involve maintaining planned enrolment levels for each RTO and for industry workforce development, based on their strategic planning.

Recommended subsidy categories

Since the stated purpose of skill reforms is to:

- raise skill levels;
- increase the number of post school qualifications; and
- increase labour force participation and productivity,

it is therefore recommended that the subsidy levels be divided into 3 categories, separating the needs of job seekers from existing workers as follows:

- 1 for new ***job seekers**, decrease the subsidy paid by 30% for all Certificate III qualifications and above (except those aligned with priority vocations);
- 2 for **existing workers**, decrease the subsidy paid across **all** courses by 30% (except those aligned with priority vocations), meaning that Certificate I and II qualifications would not be free for this category of applicants, however, greater consideration should be given to offering tailored skill sets for this group;
- 3 for all enrolments in **priority vocations** (for which there are well documented skill gaps), whether new or existing workers, provide 100% subsidies within a specific timeframe, after which the subsidy level could reduce incrementally as enrolment numbers move towards accurately determined job vacancy numbers.

Notes:

The definition of ***job seekers** requires clarification to determine whether, for example, to include the recently unemployed seeking training for a higher level job in the same or different industry or with another employer?

It may also be necessary to consider introducing an **equity category** for disadvantaged learners with a 100% entitlement for qualifications at say Certificate III to IV, the criteria for which would need to be clearly determined.

It is further recommended that RTOs be required to submit an annual plan projecting the number of places to be offered for each qualification, accompanied by a business case supporting these numbers, much as they did when they initially lodged their *Skills for All* application. The projected

numbers, in the case of jobseekers, should be linked directly to job openings in each respective industry area. The department could cross-reference RTO projections with accurate job vacancy data to allocate a ratio of job seeker to existing worker enrolments per RTO during the course of their contract. Allocations could be increased if enrolments across RTOs are not meeting demand or if job demand increases. In this way, anticipated enrolment numbers will have been established up-front, rather than reactively after the fact, as is currently proposed with caps.

However, allocations should not be decreased once set, since this would drive RTOs to offer places quickly thereby exceeding the job market capacity to keep pace with graduate numbers. RTOs should be able to spread out the allocated enrolments over the period of their contract, rather than having to cram in as many enrolments as possible before caps are introduced, causing further market distortion.

This would deliver improved certainty for RTOs and greater budget predictability for Government while still enabling student choice within a framework that enables efficient management. However, the allocation process would need to be fully transparent and equitable and not used as a way of shoring up TAFE SA enrolments in a contestable market-driven system.

The anticipated outcomes of this approach are that:

- there would still be fee-free training for jobseekers wishing to gain employment in any vocation;
- course choices would be made more carefully;
- training would be valued more and higher completion rates would be achieved when individuals and employers are contributing to the cost of training;
- the fee-for-service market would gradually be restored as RTOs would need to charge fees;
- RTOs would have greater certainty for investing in marketing and infrastructure and engaging staff;
- boom and bust cycles would be avoided delivering greater stability to the training industry, and also to employers when recruiting from a more stable graduate supply chain;
- the spreading out of enrolments over an RTO's contract period would also facilitate greater quality of delivery;
- the Government would have greater budget certainty and the capacity to fund more training without a budget overspend, thereby demonstrating 'increased productivity'.

Summary Recommendations

- Remove the emphasis on 'free' courses in the marketing campaign and refer to 'subsidised' training or 'support/assistance' with training;
- Training beyond Certificate I and II should not be completely free. RTOs should be required to charge a fee beyond the subsidy for Certificate III and above. Individuals and employers should be required to make a commitment with a contribution, except potentially where there may be equity issues for disadvantaged learners (see comment above) and in industries where individuals and employers are unlikely to be able to afford such contribution (e.g. Cleaning Operations);
- Further strengthen career advice so that course selections are based on genuine individual career aspirations rather than on offers of 'free' training;
- Subsidy levels should match the priorities outlined in the TaSC report based on sound data and up-to-date industry advice, tailored to meet State skill gaps;
- Abandon the policy of imposing qualification caps in favour of a broader reduction in subsidy levels across vocational areas, except for high priority qualifications. Subsidy levels would then be incrementally adjusted rather than capped as enrolment levels match job vacancies,

to enable a broader range of choice for individuals and employers and to support the fee-for-service market (see the subsidy categories proposed above);

- RTOs should be required to stay within their plan of projected enrolments, spread out over the period of their contract, with the certainty that a cap will not be imposed;
- Close monitoring of enrolment numbers should continue and changes to subsidy levels should be notified early to avoid overshoot, but without total capping;
- Where certain skill sets are required for licensing purposes, subsidies should only be paid for the skill set and not for the whole qualification, particularly for existing workers;
- Industry should be required to demonstrate their strategic plans for staff training and be able to access subsidies accordingly, but would need to put forward a case for accessing subsidies for staff training outside their strategic plan;
- Non-SA registered providers should be placed under greater scrutiny by being required to demonstrate local support services and industry relationships, with emphasis on delivery in priority qualifications. Enrolments ought to be restricted in the first year for unknown non-SA registered providers RTOs;
- Funding for RPL should be reduced to at most 50%;
- Enrolment data comparisons should be made on a full-year basis for a more accurate picture;
- The payment system needs to be improved to enable RTOs to predict cash flow enabling greater certainty for sustaining their business; and
- Support should be provided for RTOs to prepare strategically for a new or adjusted training subsidy environment, with input from ACPET and involvement by the State's small business portfolio.

For enquiries about any of the issues raised in this proposal please contact:

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Education &
Communities

Smart and Skilled: making NSW number one

Submission cover sheet and template
September to November 2011



SMART AND SKILLED: SUBMISSION COVER SHEET

Is this submission made on behalf of an organisation?

Yes ☒

If Yes, please fill out the following:

Name of organisation:	Australian Council for Private Education and Training (ACPET)
Organisation's main function eg training provider, job service provider, community organisation, government agency	Peak industry body representing private providers within the tertiary education sector, including private providers of vocational education and training.
Name of authorising person:	Catherine Kearney
Position:	NSW Executive Officer
Phone:	02 8280 8103
Email:	Catherine.kearney@acpet.edu.au

Submission should be treated as IN CONFIDENCE?

Yes ☐

No ☒

Do you consent to your submission being made available on the Department's website?

Yes ☒

No ☐

SMART AND SKILLED

Introduction

The Australian Council of Private Education and Training (ACPET) represents more than 280 members in New South Wales, 83 per cent of which deliver vocational education and training (VET). In addition, ACPET represents many interstate VET providers delivering courses in NSW. ACPET welcomes the opportunity to represent our members' views on implementing skills reform and a demand-driven VET system in NSW.

ACPET members operating in NSW are a diverse group and include Registered Training Organisations (RTOs) delivering niche courses and specialised providers offering training in partnership with industry. ACPET also represents the interests of many global companies delivering high quality education and training across the tertiary sector that make a significant economic contribution to NSW, including Navitas, Kaplan, Study Group and MEGT. ACPET members operate in urban, regional and remote areas of our state, and are key parts of their communities. ACPET members include not-for-profit providers as well as commercial entities and all share a commitment to meeting the skills needs of individuals, industry and the NSW economy through high-quality training.

As the peak industry body for private VET providers in NSW and nationally, ACPET is a strong advocate for the timely implementation of skills reforms agreed by the Council of Australian Governments (COAG) in 2009. The O'Farrell Government is honouring this commitment through priority actions to strengthen the NSW skill base, as outlined in *NSW 2021: A plan to make NSW number one*. The discussion paper *Smart and Skilled: making NSW number one* is the first important stage in an overhaul of our current vocational education and training system. The consultation and debate arising from the questions posed in the discussion paper will be crucial to ensuring that skills reform achieves the key goals of the 2021 plan – that NSW has the most highly skilled workforce in Australia and a greater number of young people participating in education, training or employment. Achieving both of these goals will result in a productive and growing state economy that is number one nationally.

In *New South Wales: productivity challenges and skills development* (April 2011), ACPET made the case for skills reform in our state. Five key areas or principles of reform outlined in the April 2011 paper underpin ACPET's responses to the Smart and Skilled discussion points. These key areas are:

- implementation of a student entitlement model for purchasing publicly-funded training up to diploma level qualifications, supported by greater contestability for public training funds at all qualification levels
- encouragement of enterprise investment in workforce development and partnerships between industry and training providers for skills training
- commitment to a cooperative approach to quality assurance of training providers operating in NSW by the NSW Government as the funding body and the Australian Skills Quality Agency (ASQA) as the national regulator
- support for the separation of the NSW Government's purchaser and provider (TAFE NSW) roles to ensure the open and transparent allocation of public funds for VET in NSW
- support for a co-investment model (government and public/private providers) for the professional development of the VET teacher/trainer workforce.

Implementation of a demand-driven system via a student entitlement model should be the cornerstone of a new VET system for NSW. Victoria has successfully implemented such a system, resulting in significant

increases in government-funded enrolments in industry areas with skills shortages as well as increases in levels of participation in training across the population. South Australia has also begun implementing its reform agenda in line with COAG's commitment, with strong support from industry and individuals keen to choose their own training path and provider.

ACPET is engaging with the *Smart and Skilled* consultation process in a number of ways. ACPET members throughout the state are: participating in face-to-face consultation sessions, lodging individual submissions, and speaking to their local members of parliament about the importance of skills reform to the economic future of NSW. In addition to their active engagement, our members are continuing to build prosperity across communities by providing high quality training to meet the needs of individuals and industry.

ACPET's submission comprises the following responses to the discussion paper questions. In essence our submission seeks the implementation of a reformed VET system in NSW characterised by an equitable funding model and recognition of the vital contribution made by all high quality providers to skills development.

1. INCREASE PARTICIPATION IN VOCATIONAL EDUCATION AND TRAINING

1.1 How can we engage more of the working age population in vocational education and training?

The strategy for increasing participation in VET by people aged 20–64 should be two-fold. As per the COAG reform agenda, one half of the strategy involves making more public funds available for training. The complementary half of the strategy is the implementation of contestability for public funds through a student entitlement model, where training funds follow the student to the public or private training provider of their choice. Making more funding open to competition means more training places for our state's working age population. As has been demonstrated through skills reforms in Victoria and Western Australia, empowering individuals to choose where their training subsidy is spent increases participation in training across age groups.

Both Victoria and Western Australia have increased government investment in vocational education and training with a goal of increased participation. Victoria began implementing skills reform in 2009, with the full implementation of a demand-driven system on 1 January 2011. In 2011–2012, the Victorian Government will invest approximately \$1.2 billion in training, a \$400 million increase on 2008 funding prior to the commencement of skills reform. Skills Victoria data (*Changes to VET Fee and Funding Arrangements for 2012*, October 2011) shows there is expected to be a 44 per cent increase in the number of students undertaking government subsidised training between 2008 (295,000 students) and 2011 (425,000 students).

In its 2009–2018 document *Training WA: Planning for the future 2009–2018*, the Western Australia Government detailed an additional (post-budget) allocation of \$47.4 million to fund training initiatives to assist Western Australians through the global financial crisis. Training WA also included 2012 participation targets for the working age population. In addition, the WA Government increased the share of public training funds available through competitive processes from 27 per cent in 2008 to 72 per cent in 2010, surpassing the 2012 target of 50 per cent (*Training WA Indicators of success 2009–10*, 3 October 2011). As a result of greater investment in VET and greater competition for training delivery funds, participation rates by Western Australia's working age population have increased by 12 per cent between 2008 (127,594) and 2010 (143,533) and are on track to surpass the 2012 target of 145,500 people in training.

It is notable that, as a result of these reforms, participation rates in Western Australia increased for all segments of the population, including for people from disadvantaged groups, trainees and apprentices and people in regional areas. The WA Government continues to invest in VET, announcing the allocation of a further \$33.4 million to fund 12,000 extra training places.

Skills reform in Victoria and greater contestability for funding in Western Australia has resulted in greater levels of participation in VET. The figures show that greater investment in VET and more competition for funding results in more training options and greater interest from prospective students. Greater competition for funds drives providers to be more efficient and effective in their provision of VET, and to work harder at making VET an attractive option for students of all ages. Figures from 2009 in the *Smart and Skilled* discussion paper show NSW making 19.6 per cent of training funds contestable, compared to 72 per cent of funds (for 2010) currently open to competition in Western Australia (*Training WA Indicators of success 2009–10*, 3 October 2011; which, contrary to the discussion paper, records 67 per cent of WA funds as contestable in 2009 and 27 per cent of funds in 2008). Victoria has committed to full contestability for all training funds within the next four years and envisages a commensurate increase in VET participation rates.

Skills reforms that will trigger increased participation across the population in NSW are well-overdue and ACPET strongly supports their speedy introduction. Two critical factors to ensuring that reform will result in increased participation are effective market regulation and information for consumers about how the market works. The Victorian Government has been accused of moving too quickly to a demand-driven VET system resulting in market distortions in some industries (e.g. the oft-cited spike in fitness qualification enrolments). ACPET argues that it is not the pace of reform that has been the problem, but rather the government's failure to explain what the reforms mean for individuals.

In implementing skills reform in NSW, ACPET urges the government to implement a concurrent education campaign about what reform will mean for prospective students and those already within the training system. To encourage people of all ages to consider accessing a funding entitlement, they will need a simple overview of how the market works, what they would be entitled to study and where (e.g. a list of approved providers). ACPET sees the government's role as explaining the market parameters, enabling students to make an informed choice of course and government-approved provider. Prospective students will also need to know how and where to access transparent and relevant information about jobs and career prospects and pathways to higher level qualifications, which should also be communicated through an education campaign.

In the medium to long term, government will need to ensure increased participation in VET translates into jobs and productivity gains. There will need to be ongoing support in a range of areas including:

- accurate and accessible labour market intelligence around skills shortage areas
- the implementation of policy levers (e.g. additional funding incentives) to increase participation by disadvantaged groups
- strong industry consultation
- investment in career advice services to assist prospective students to choose training that will result in employment as well as self-fulfilment.

To engage more existing workers in VET, ACPET proposes a hybrid funding model to encourage enterprises and individuals to engage in skills development directly linked to enterprise and job requirements. ACPET sees merit in government, enterprises and existing workers each making a financial contribution to the cost of a Certificate III or IV qualification. There should also be scope for the use of industry bodies as intermediaries in some areas to ensure that publicly-funded training meets the needs of industry and, in particular, local economies in rural and regional areas of the state.

To engage more of the working age population in vocational education and training, government policy needs to fully embrace the concept of lifelong learning and in doing so ensure that it does not lock people out of VET. Lifelong learning ensures that individuals both contribute to innovation and best practice at enterprise level and possess the skills currency that employers demand. Accordingly, in a dynamic economy where the skills required by individuals are constantly changing, it is important that skills policy has the flexibility to deepen and broaden the state's skills base through a combination of up skilling (for higher level roles), sideways skilling (for jobs evolving in response to industry needs) and step down skilling (for lower level roles in new industry areas).

1.2 How can we equip people with the skills they need to participate more fully in work?

As outlined in the response to question 1.1, ACPET sees benefits in a co-contribution model. To ensure that existing workers are equipped with the skills they need to participate more fully in the workforce and job market, ACPET believes that this entitlement should include existing workers who wish to complete a

higher-level qualification than they currently hold (e.g. a worker with a Certificate II should be able to access funding for a Certificate III). Consideration should also be given to funding for:

- multiple 'steps' in any direction for students under the age of 24 for qualifications at Certificate III or IV level
- one funded 'step down' by a student to enter a skill shortage area
- two funded 'steps across' into a skill shortage area.

Enterprises, both large and small-to-medium (SMEs), will have a pivotal role in encouraging their workers to undertake training for new skills and new job roles. In order to ensure that existing workers are equipped with the skills they need to participate more fully in the workforce and job market, ACPET believes that existing workers should be funded to complete a higher-level qualification than they currently hold via a co-contribution model, with government, enterprises and individuals each making a financial contribution to the cost of a Certificate IV or diploma qualification. The proportion of an employee's contribution could be highest at a diploma level, with the government paying a greater proportion of the cost of an employee undertaking a second Certificate III. Such an entitlement model recognises the benefits that can flow to individuals from completing higher-level VET qualifications.

Large enterprises (more than 200 employees as per National Workforce Development Fund *Interim Program Guidelines 2011-12*, August 2011) have a record of greater investment in skills training than SMEs, who may require additional support to commit to a co-contribution model. Such support could include a service by RTOs to work with employers on a broader suite of workforce development strategies. Many ACPET members already provide such a service.

Further, in response to changes in work practices and the advent of new technology, industry introduces new training packages every 5–7 years, reducing the value of qualifications that are more than seven years old. In formulating a student entitlement, government policy must consider the mismatch between current industry need and outdated qualifications and consider an entitlement model that would allow individuals to complete a second subsidised Certificate III to broaden their skills and meet the needs of industry.

ACPET strongly supports the implementation of a student entitlement model that provides all young people aged 15–24 with access to a government subsidised Certificate IV level qualification. To encourage individuals to have a stake in their own training (and see it through to completion), ACPET supports the notion of a reasonable contribution by the student to the cost of training, with the exception of disadvantaged learners. ACPET also proposes that unemployed people over the age of 24 and without a Certificate III qualification have the same entitlement.

1.3 How can we improve training and job outcomes for disadvantaged learners?

The implementation of a demand-driven VET system in Victoria has created more opportunities for disadvantaged learners and communities to enter training and the labour market. VET enrolments in Victoria by students with a disability have increased by 22 per cent, enrolments by Indigenous students have increased by 16 per cent and there has been a 26 per cent increase in enrolments by students from culturally and linguistically diverse backgrounds (*Victorian Training Market Quarterly Report, Q3 2011*, Skills Victoria).

As part of reforms imminent in South Australia, RTOs wishing to compete for public training funds as a *Skills for All* training provider must meet ten selection criteria. One criterion is that a provider must have 'services that support the diverse needs of learners'. The criteria are assessed using a number of indicators, and for this criterion include profile of current students, range of systems and resources in place to support learning

needs of diverse clients and a Code of Practice. The rationale for inclusion in the criteria is that *Skills for All* training providers must be able to support students with diverse learning needs. A similar contractual requirement that providers be able to demonstrate support for disadvantaged learners is one way of ensuring that providers focus on pathways for disadvantaged learners.

In addition, a student entitlement model should include additional funding for students with special needs and those from disadvantaged communities. Greater contestability for public funds – including additional money for disadvantaged learners – will mean greater effort across the VET sector to meet the needs of disadvantaged learners.

In many locations and industries, private VET providers are able to respond readily and flexibly to the needs of disadvantaged learners. ACPET and ACPET members have a strong commitment to social inclusion principles and have demonstrated this commitment through the development of resources to assist members in welcoming learners facing a range of challenges, including disability. ACPET's *Statement on Social Inclusion and Diversity* articulates this commitment which is embodied by the day-to-day practices of many ACPET members within their local communities.

1.4 How can we maximise vocational education and training opportunities for people in rural and remote communities?

Like their urban counterparts, people in rural and remote communities want access to local training for local jobs. Greater competition for public training funds, coupled with a student entitlement model that is adjusted to recognise the tyrannies of distance for rural and remote students, will result in more efficient delivery models for VET within their communities. Many ACPET members currently deliver high-quality VET to people in rural and remote communities in close consultation with local businesses and industry. Other ACPET members use distance and online learning modes to engage effectively with students throughout the state, with many offering students and industry the benefits of a blend of face-to-face and distance learning.

One example is the Indigenous Remote Service Delivery Traineeship Program being delivered by ACPET member BCA National Training Group, in partnership with the Commonwealth Department of Health and Ageing (DOHA). Contracted by DOHA, BCA National is working with Aboriginal aged care and health services providers from all states and the Northern Territory to deliver the program, which aims to deliver business courses (from Certificate I to Advanced Diploma) to more than 240 trainees in 35 remote and rural Aboriginal and Torres Strait Islander communities.

Trainees from nine Aboriginal communities throughout NSW are participating in the program. One of the program's goals is to establish a group of skilled Aboriginal administrators who can take on management roles in service areas and, in the future, in a wider range of community enterprises. Seventy-two Aboriginal and Torres Strait Islander trainees (the majority of this group from NSW) have completed their course to date (October 2011), representing a 100 per cent completion rate.

BCA National's success in delivering outcomes (relevant training and jobs) for remote communities, through this program and others like it, is due to the flexibility and speed with which it is able to respond to their specific training needs. In the case of the Remote Service Delivery Traineeship Program, BCA National consulted extensively with different communities to ensure that VET programs, resources and delivery methods were tailored to suit the needs of the Indigenous trainees. A key aspect of the program is the training of a network of supervisors and mentors to ensure continuing support for trainees in their workplaces. It is BCA National's view that bringing administrative staff together from remote communities will build long-term networks between service providers across Australia, which will offer advice and support to future groups of local young people looking for career opportunities in their own communities.

Another ACPET member, Western College, runs a number of programs and courses addressing the specific needs of its local regional community. One such program is an Australian Apprenticeship Access Program which provides training in employability skills, interview skills and work readiness for people entering or re-entering the world of work. The ten-week program includes two weeks' work experience at a local business (often leading to ongoing employment) and is making a real difference for people who have been out of the workforce for some time and are experiencing barriers to re-entering skilled employment.

Private providers like Western College and BCA National say the key to maximising VET opportunities for people in rural and remote communities is to ask them how training delivery can be tailored to meet their needs, and to move flexibly and quickly in response. Contestability for a greater share of public funds will mean that the private sector can expand its delivery of skills training in rural and remote areas as student demand increases. Such expansion will be supported by providers harnessing the immense possibilities offered by the National Broadband Network (NBN), allowing them to offer new teaching and learning models that take advantage of high-speed internet pathways.

ACPET recognises that TAFE NSW will continue to have an important role in delivering services in remote communities where highly-subsidised government guarantees can be necessary to ensure access to specific types of training. Government consideration should be given to offsetting the cost of such subsidies by facilitating greater third party access to and use of existing TAFE facilities, particularly in rural and remote communities.

1.5 How can we encourage more people to complete higher-level qualifications?

A number of strategies can be used to encourage more people to complete higher-level qualifications. One strategy is to improve access for individuals to information about the benefits of achieving a higher-level qualification, including details of job opportunities and higher salaries.

The WA Government has implemented a best practice careers advisory model that provides free local services to all Western Australians through a network of 29 Workforce Development Centres in metropolitan and regional areas. An additional four centres provide support for people from culturally and linguistically diverse backgrounds and a specialist centre provides careers advice for ex-offenders. WA ACPET member, Directions, manages one of the workforce development centres. It provides advice on training and local skills needs to anyone including people changing jobs or careers or those seeking training for new skills needed in their current job or industry. Workforce Development Centres also offer advice and placement services for employment, training, apprenticeship and traineeship opportunities. While ACPET supports the WA model, in a recent submission to the review of an entitlement based funding model for the Western Australian VET system, ACPET urged the WA government to ensure the centres provide guidance to clients on the full range of RTOs in Western Australia (i.e. not only opportunities through public providers).

While the WA advisory model provides an ideal channel for encouraging individuals to undertake higher-level qualifications, there is scope to also use the proposed education campaign (1.1) and existing career advisory structures and enterprise networks to ensure awareness of the link between the achievement of higher qualifications and higher salaries. Information on likely job prospects and improved benefits (including higher salaries and greater job satisfaction) should be widely accessible by people considering undertaking a qualification at any level.

Allowing students to access VET FEE-HELP loans for diploma qualifications and above will mean a greater number of people can afford to undertake a higher level qualification from a greater range of training providers. Student investment in a diploma or higher qualification via a loan is likely also to increase

completion rates. Australia's student loan scheme is recognised internationally as setting a reasonable income level at which loan repayments commence (ie more than \$47,000 per annum), ensuring that the choice to access a VET FEE-HELP loan does not place an onerous financial burden on new VET graduates.

Greater access to VET FEE-HELP does not preclude government from subsidising higher-level qualifications in specific industry areas, particularly those areas where higher-level qualifications do not necessarily result in a higher income, e.g. Diploma of Community Services. It may be appropriate for the government to subsidise diploma courses in industry areas where there is a skill shortage and a limited financial return for individuals.

1.6 How can we build better pathways to higher-level qualifications across our education sectors?

ACPET is heartened by the recent announcement by the NSW Minister for Education of a new Tertiary Pathways Committee to identify barriers to developing pathways between sectors. This is a significant step towards recognition of the importance of pathways within VET, and between VET and higher education and we look forward to supporting the important work of the committee.

ACPET has 31 members in NSW that are dual-sector providers, delivering both VET and higher education qualifications. ACPET members offer students 114 different undergraduate and postgraduate degree courses, mostly at Bachelor (65) and Masters levels (12), as well as Graduate Diplomas (14), Graduate Certificates (23) and one Vocational Graduate Certificate. While TAFE NSW has made an initial foray into the dual sector space with its offering of two degrees, private dual-sector providers are well-established and uniquely placed in understanding the need for better pathways within the tertiary sectors.

VET to Higher Education

The Australian Qualifications Framework (AQF) is the national policy framework for all education and training qualifications within the Australian qualification system. It provides for national recognition and a consistent understanding across all states and territories of what defines each qualification type. The AQF supports the development of pathways to assist people to move easily and readily between different education and training sectors.

When attempting to build pathways between education sectors, ACPET members continually face barriers in forming partnerships with public universities. Although the AQF Council has released guidelines on articulation and credit transfer arrangements for VET and higher education institutions, they are largely ignored by universities. The result is the formation of barriers due to the complexity of articulation arrangements between VET and higher education providers. This complexity means the development of arrangements is both time consuming and costly.

In this context, ACPET notes that the NSW Government has provided considerable support for TAFE in establishing partnerships with universities, and seeks the same level of support for high-performing private providers seeking partnerships. In addition, ACPET advocates greater intervention by regulators to ensure that all institutions offering AQF qualifications understand their regulatory obligations and the intent of the AQF. Without greater commitment by government, universities and regulators, the formation of pathways to higher level qualifications across education sectors will continue to remain a challenge for ACPET members and all private providers.

School to VET

ACPET advocates that there should be clearer pathways for students to transition from school to VET. There needs to be a blend of curriculum and VET in schools programs so that students can begin training at school

and transition in a logical manner – unhindered by institutional barriers – to complete their VET qualifications and secure employment.

Industry has indicated that they have concerns about the quality of some VET in schools programs, ranging from the vocational competence and qualifications of teachers to the standard of facilities and readiness of VET in schools graduates for the workplace.

ACPET supports a comparative review of VET in schools delivery practices against non-school VET delivery criteria. A starting point would be to ensure that VET in schools programs are driven by skills development needs and employment outcomes rather than by attainment (completion) goals. School students require more information about what it means to undertake a VET in schools course, as well as informed advice about the pathways available to them. ACPET advocates building greater awareness of student options (including a choice to undertake a VET course with a private provider) among school-based careers advisors and guidance officers. In Victoria, ACPET is working to establish closer links with the Careers Education Association of Victoria (CEAV) in order to ensure students have access to information about the myriad of VET choices and pathways open to them.

1.7 To what extent could a training entitlement increase training participation and meet the future skill needs of individuals, businesses, regions and our economy?

The implementation of a demand-driven system in NSW will result in training providers competing to meet the needs of individuals, communities and industry. Greater contestability for training funds will result in training providers becoming more flexible to meet the needs of students, which will result in greater participation in VET across the working age population.

Providers that focus on the specific needs of individual students achieve greater returns for each type of learner. Private providers depend closely on the quality of the education and associated support they provide to different types of students to help them achieve learning objectives and ensure repeat business. A provider's commitment to quality delivery, professional systems and staff development are key to lifting participation, reducing attrition, and achieving stronger outcomes for the economy and community as a whole.

Skills reform in Victoria has resulted in training that is more relevant for individuals and businesses, with funding under the Victorian Training Guarantee directed to training sought by individuals and businesses, and dependent on the demand for courses offered by training providers. Victorian businesses are encouraged to speak to providers about what they want from skills training, with funding to providers contingent on providers delivering on these requirements.

ACPET recommends that the government consider implementing the Victorian approach to weighting subsidies for particular qualifications in industries with skills shortages or where there is an oversupply of certain skills. Other levers should be used to ensure that a student entitlement model drives participation in skills training needed by specific regions within NSW, including the provision of community service payments to training providers delivering in thin markets (see also question 2.2).

1.8 What should an entitlement to training cover?

As per the answer to question 1.2, ACPET supports the implementation of a funded student entitlement model that entitles young people aged 15–24 to a government-subsidised Certificate IV level qualification in an industry and with a provider of their choice. The Smart and Skilled discussion paper says that young people aged 15–24 years already have an entitlement to a government-funded training place, as well as

access to funding for an apprenticeship or traineeship at a training provider of their choice. The entitlement that currently exists for young people is only an entitlement to a place at TAFE as the public provider. The missing element is choice.

ACPET believes that all people of working age without a higher-level qualification should have an entitlement to a subsidised place in any Certificate III or IV course at a provider of their choice. This will involve a redistribution of funds currently directed to public provider training places. To encourage individuals to have a stake in their own training (and encourage completion), ACPET supports the notion of a reasonable contribution by the student to the cost of training (with the exception of youth at risk, people with a disability and other disadvantaged groups). ACPET also proposes that long-term unemployed people over the age of 24 without a Certificate IV qualification have the same entitlement (i.e. to a fully-subsidised training place).

Higher skill needs can be addressed with the introduction of government-backed student loans (i.e. VET FEE-HELP) for diploma-level courses and above. This is a fair and equitable model given the private returns to individuals from higher level study, with graduates only starting to repay the loan when their income reaches \$47,000 per annum.

1.9 How do we match individual demand with industry needs under an entitlement model?

There needs to be accurate skills shortage data to develop funding levers that direct training and skills development to areas that have the highest demand. Similarly, scenario development planning should be used so that funding levers can be used to develop skills in areas that will be in high demand in the future.

For the entitlement model to be effective, consideration must be given to additional funding for students who require additional language, literacy and numeracy support. The model should include funding for students to undertake training in a skills shortage area even if they hold a qualification in another area. This takes into consideration the necessity in some industries for a 'sideways step' by students to meet changing industry needs.

The introduction of an entitlement model in Victoria shows that, in the main, individuals are getting it right. Enrolments have increased in most areas where there are skills shortages, and in the few areas where they haven't increased, policy levers (including weightings) will assist. An education campaign and access to information will support such policy levers and better inform student choices.

1.10 Under an entitlement, how should the level of investment in training made by government, individuals and employers be determined?

ACPET recommends that under an entitlement model, individuals should be highly subsidised to undertake a qualification up to and including Certificate IV and all foundations skills programs. Research undertaken by Skills Australia reveals that those in lower socio-economic quintiles are undertaking lower certificate programs. Furthermore, Skills Australia research reveals that these are the qualifications undertaken by individuals in regional, remote and very remote areas.

ACPET recommends an individual entitlement to a partially subsidised training place for Certificate IV, with VET FEE-HELP available to support students undertaking higher level qualifications. ACPET contends that the potential for higher salaries gained from higher levels of education should be a factor in developing an entitlement scheme. As a general principle, more of the benefits from completion of higher levels of education are likely to flow to the individual, along with substantial benefits to the economy, and direct cost savings to government as each individual becomes more self-sufficient and productive.

The entitlement model should be available to both individual students and individual enterprises to use the training provider of their choice. ACPET supports the principle of contribution by enterprises because it distributes the costs more fairly among stakeholders. This is an extension of the principle that those who benefit most should contribute. It is reasonable to require enterprises to make a commitment to workforce development, and to share the cost of this in partnership with government, where the workforce development activity delivers meaningful skills development opportunities for individual workers and is focussed on encouraging greater use of skills and knowledge through changes in work organisation. However the size of the enterprise must also be a determining factor when considering the contribution that is required in an entitlement model. Skills Australia has recommended a model in which contributions will vary from 10–50 per cent depending on the size of the enterprise.

Reform of VET funding in Victoria has led to an increase in the number of VET qualifications being undertaken. This in turn has led to an increase in funding by the Victorian Government. It is expected that the introduction of a demand driven system in NSW will also lead to an increase in funding required by the state government (see question 1.1). The expansion of the training system is a policy position that all governments agreed to under COAG, therefore an increase in the level of funding is entirely consistent with existing policy. The next intergovernmental agreement will provide NSW with the opportunity to seek an increase in funding from the Commonwealth to offset the increased funding required to fund a demand driven entitlement system.

1.11 Should student loans be available for government-funded vocational qualifications? If so, what should they look like?

ACPET does not support the extension of government-backed student loans for government-funded VET qualifications. As per responses to questions 1.5 and 1.8, ACPET does support the subsidised funding of lower-level qualifications by government, with the extension of subsidies to diploma and higher level qualifications where a need is identified, e.g. a current or future skills shortage in a specific industry area. ACPET's view is that the simplest way to avoid distortions in the market is to distinguish between qualifications that receive government-funding and those for which students can access VET FEE-HELP.

2. TARGET VOCATIONAL EDUCATION AND TRAINING TO BUSINESS, INDUSTRY AND REGIONAL NEEDS

2.1 What is the best way to ensure that the government's funds for vocational education and training flow to areas that maximise economic benefits for our businesses and the state?

ACPET believes the best way of ensuring VET government funds target areas that maximise economic benefits for NSW, is through a comprehensive education campaign informing consumers about the features and benefits of a demand-driven VET system, including a student entitlement (see question 1.1).

An initial education campaign needs to be supported by greater professional development of school careers advisors and career guidance officers (including job service providers) on VET pathways that are most likely to lead to local jobs (see WA workforce development centre model at question 1.5). Local enterprises and businesses must have input in providing advice on immediate and future skills needs and determining training requirements.

The Essential Services Commission (ESC) Victoria in its 2011 VET funding review identified a fee and funding structure that maximises benefits for business and the wider community. This structure is based on the concept that a fee and funding structure must ultimately aim to allocate finite government resources in a way that maximises the achievement of the training system's objectives. If lower fees encourage more students to enrol in lower level qualifications, providing greater public benefit, this may be a sound basis for continuing to differentiate fees based on qualification.

It is the ESC's view that fees should be set on the basis of a lower government subsidy for higher level courses.

This government subsidy principle is premised on the concept that VET produces both private benefits for the student (e.g. in terms of enhanced employment opportunities and earnings potential) and public benefits to society as a whole (e.g. a skilled labour force as conducive to economic growth and social cohesion).

2.2 How can we maximise vocational education and training opportunities to meet the needs of our regions?

The proposed education campaign (question 1.1) will be particularly important for ensuring individuals and businesses in regional areas are aware of how demand-driven funding will work, as well as ensuring access to well-informed career and skills advice based on local needs.

It is critical that the funding model does not discriminate against enterprises and individuals in regional areas. Employment opportunities for individuals in regional areas may be fewer and require more lower-level or specialised qualifications than those in urban areas. Implementation of a demand-driven model via a student entitlement in regions with such characteristics may be counterproductive, with a student who has chosen to exercise their entitlement to training in a certain technical area or occupation that is in general demand finding that they cannot get a local job. Rather than the model meeting the needs of a region, students may find they need to leave their local area to find employment with their qualification. To prevent or counteract such unintended consequences, it is essential that there be flexibility in the implementation of an entitlement funding model in order to ensure the specific needs of different regional areas are met.

The ESC also noted that the Victorian funding model was problematic in addressing skills shortages in regional areas where thin markets exist. In regional areas with thin markets for entry-level qualifications or where there are enterprises seeking to upskill their workforce, funding incentives will need to be put in place for providers. Such incentives should take the form of community service obligation payments to ensure the delivery of particular qualifications in regional areas where providers would otherwise operate at a loss.

The ESC recommended that demand-side interventions designed to promote participation in VET (e.g. attracting specific cohorts, or encouraging students to undertake specific types of training) should be addressed through a system of incentive payments that are independent of the VET fee and funding model.

2.3 How can our vocational education and training system adapt and be responsive to meet the changing needs of business and industry and changes in the economy?

A student-centred entitlement model will result in a shift in emphasis for providers and an expectation of improved support and outcomes for all learners. It will also require providers to become more responsive to the needs of industry and business.

Providers will be required to work with industry (both at a holistic level and an enterprise level) and learners to develop customised training plans. For providers to remain attractive to enterprises they will have to ensure they are offering training that is in sync with the needs of the economy.

There needs to be clear agreement on how a reformed VET system will seek to meet state government goals. These goals should be outlined in a strategic plan for VET supported by a transparent set of key performance indicators. Industry, government and providers will need to work together on the development and oversight of the plan. Current oversight mechanisms for setting VET priorities in NSW are unclear and arguably ineffective. Although the NSW Board of Vocational Education and Training (BVET) has a statutory role as the state training agency, the NSW TAFE Commission manages the distribution of more than 85 per cent of state training funds through TAFE NSW institutes. Given the relatively small percentage of public funds allocated by BVET to priority areas and projects within NSW, there is little scope for industry to have any influence on how funding is used to meet the changing needs of business, industry and the economy.

A clear strategic plan can change as the needs of business and government change in response to economic demand. A flexible plan supported by greater contestability of funding giving enterprises and students choices of what training they will access and who delivers it will ensure these needs are met.

3. ROLE AND FUNCTION OF TAFE NSW AS THE PUBLIC PROVIDER

3.1 What should the role of TAFE NSW be in the context of a broader entitlement to training in our vocational education and training system?

A demand-driven VET system is based on the principle that all public training funds should be open to competition by public and private training providers alike.

ACPET supports Recommendation 6.9 of Victoria's ESC in relation to closing the gap between TAFE as the public provider and private providers delivering to the same learner cohorts in Victoria. The ESC recommends that 'the gap in base rate funding rates between TAFE institutes and non-TAFE providers should be progressively closed over the next four-year funding agreement.' The commission contends that 'if the policy aim of the funding model is for full contestability between RTOs ... there should be no difference in the base funding which is allocated to each training provider type' (Essential Services Commission 2011, *VET Fee and Funding Review – Volume II: Technical Analysis*, September).

ACPET welcomes greater contestability for NSW funding and recognises that payments in NSW are currently made through tender arrangements under the Approved Provider List Contract, and not weighted for public providers. ACPET supports the continuation of this approach and cautions against the introduction of a funding model that differentiates the cost of an entitlement between TAFE and private providers.

While the ESC did not undertake a review of the cost of delivery of VET by public and private providers, its report makes observations about the role of TAFE. ACPET supports these observations in relation to the role of TAFE NSW within a demand-driven VET system, namely:

- the role of public providers has not been clearly articulated in terms of the specific outcomes that public providers are expected to deliver
- non-public providers appear to incur some of the same costs identified by TAFE institutes associated with student support

- the different base rates affect the ability of providers to compete with each other under a contestable model and could raise concerns related to competitive neutrality.

With these observations in mind ACPET recommends the government undertake a review of the role of TAFE NSW and implement reforms necessary for it to compete effectively and transparently in a market-based system underpinned by competitive neutrality principles.

There are many examples of high quality, sustainable VET delivery by private training providers (including not-for profit and regional organisations) in areas traditionally associated with TAFE, where increased investment in private provision may be a better use of government funding. Both TAFE NSW and private providers have areas of strength – where partnerships can add value to individuals, regional communities and enterprises these should be encouraged.

3.2 How should TAFE NSW be better utilised to meet the future skill needs of our workforce?

Strategies for ensuring that TAFE NSW is better utilised to meet future skills needs include:

- more public benchmarking of performance
- indicators of employer satisfaction by institute and industry area
- transparency of quality indicators and audit and compliance history.

TAFE institutes should be given greater autonomy to enable them to compete more effectively with the private sector. It is paramount that such autonomy is accompanied by clear parameters for competition. The importance of well-informed governance guidelines has been recently highlighted by the Victorian Auditor-General's Report on TAFE Governance, which focuses on a commercial transaction made by the Holmesglen Institute of TAFE, and finds that the institute acted outside its legal authority. The report also found that the transaction 'occurred in an environment lacking oversight and leadership from Skills Victoria', with 'no policies to guide commercial activity by TAFE institutes' (Victoria Auditor-General's Report, *TAFE Governance*, October 2011).

4. GREATER CHOICE FOR INDIVIDUALS AND EMPLOYERS

4.1 What type of information is needed by individuals and employers to inform their choice of vocational education and training?

As per the response to question 1.1, individuals and employers need clear and comprehensible information about how a demand-driven training system would work and what a student entitlement means for them. As well as a point-in-time education campaign, general information about a training entitlement and where and when it applies should be readily available on an ongoing basis.

This recommendation is consistent with recommendations 4.2 and 4.3 of Victoria's ESC report which state that the government should improve the availability of information to students about career paths, training outcomes, employment opportunities, and skill shortage areas (and that) in doing so, the government should consider the accessibility of information, how it could be improved and the appropriate roles of industry, training providers, employers and the government. Recommendation 4.3 further suggests the government should improve information to students about the entitlement model (the Victorian Training Guarantee) including the difference between subsidised and full fee places, and the consequences of training for future access to subsidised places

Individuals of all ages need current and tailored information and advice before they enrol in a VET course or qualification. For school-age students, careers advisors have a key role in providing information about learning pathways and local courses in areas of interest to the student. In order for a students to exercise choice of course and provider under an entitlement model, they must also have access to information about local skills needs, and which courses are most likely to lead to a job. Both formal and informal networks linking careers advisors, job services providers, small businesses and industry already exist in metropolitan and regional centres throughout NSW and should be leveraged to ensure school students and their parents have as much information as possible when making the choice to undertake a VET course.

Non-school age people seeking to or being encouraged to undertake a VET course should have access to the same level of information, including information about the likely skills needs of the future for local businesses. They may also need assistance in connecting with networks or organisations in industries that interest them, to find out about job prospects.

At its August 2011 meeting, COAG agreed that ‘greater transparency in the system is needed to support informed choices by employers and students, aligning training reform directions with similar improvements to transparency and accountability in the schools and health sectors. It was agreed that governments will work cooperatively on improved information sharing including through the implementation of the My Skills website to improve access to information and support informed choice.’ ACPET strongly supports the timely introduction of measures to inform student choice, while having concerns about the impost placed on providers through unnecessary and burdensome data collection and reporting requirements.

ACPET recommends the NSW Government work with the Commonwealth and peak bodies like ACPET during the development of the My Skills website to ensure its value for students, enterprises and providers. Possible Key Performance Indicators to be included on the website are:

- completions data
- student employment outcomes
- student satisfaction
- employer satisfaction (where relevant)
- audit information as per the current AUQA approach, noting that current RTO audit reports would need to change significantly to be as informative (as AUQA reports).

Employers investing in workforce development (e.g. through a co-investment model) require sound data on current and future labour market needs to make investment decisions and to encourage employees to participate. Small to medium enterprises – particularly those in regional and remote areas of NSW – may require additional support through local industry advisory bodies to ensure they are investing in skills training that meets both their current and future needs.

4.2 How can we continue to assure the quality of vocational education and training in the context of greater choice?

Students are discerning consumers and greater choice will raise the quality bar for providers across the sector. All Registered Training Organisations are responsible for maintaining their compliance with the legislative requirements of the VET Quality Framework, including the Standards for NVR RTOs (SNR).

ACPET is on the record regarding issues that members had with VETAB, the former NSW regulator. We welcome the establishment of ASQA and commend the NSW Government’s commitment to its inception.

As the peak industry body for private providers, ACPET requires a commitment to quality from all members. Prospective students, parents and employers can choose to enrol with an ACPET member with confidence

in this commitment. As a direct result of patchy regulatory oversight in the VET sector in recent years, ACPET has introduced more stringent membership requirements, including financial viability checks and has also tightened its code of ethics with which members must comply. Prospective or existing members who fail to meet ACPET's standards are excluded from membership, which in turn hinders their ability to operate in some markets. For example in late 2010 ACPET refused membership to a NSW-registered RTO on the basis of a range of concerns about its ethical conduct and business practices. The RTO challenged ACPET's refusal in the Federal Court, but the court upheld ACPET's right to refuse membership and set its own membership standards. Without access to ACPET's Tuition Assurance Scheme, the RTO in question has not yet found a way to enrol international students, despite having earlier been recommended by VETAB for inclusion on the CRICOS register. ACPET membership renewal occurs on an annual basis and this year ACPET has focused its efforts on a small number of existing members where concerns about their ethical conduct and business practices have been identified. To date, two individuals have voluntarily relinquished their membership and association with RTOs covered by ACPET. The renewal process is still underway for a small number of other members.

ACPET's due diligence processes for new and existing members mean that we are well-placed to work with government on mechanisms for quality assurance in a demand-driven system.

While ASQA has an important role in auditing RTO compliance with the framework, in particular against the SNR at initial registration, renewal of registration and as a result of changes to delivery arrangements, the NSW Government currently manages all public funding through a tender process and contracts with providers on an approved providers list. Training providers receiving public funding are currently subject to two sets of regulatory processes, one of which is now managed by ASQA. ACPET members do not see the need for duplication of regulatory processes, which increases the regulatory burden and cost for providers and diverts resources away from the delivery of high-quality education and training. On this basis, ACPET recommends that the government work with ASQA to integrate audits of compliance with NSW funding contracts with routine ASQA audits of SNR compliance. Integrated audits of RTO compliance with the SNR and the requirements of the ESOS Act and National Code already take place and it would appear to be fairly straightforward to incorporate any additional funding criteria into an AQSA audit against the SNR.

While the NSW Department of Education and Communities would continue to administer the contracts, it is envisaged that auditing of contractual compliance could be conducted by ASQA on behalf of the NSW government under a cost-sharing arrangement.

Greater contestability of funding will mean more providers seeking to secure funding and a commensurate increase in the number of contracts to manage and risk management required.

In NSW and nationally, members participate in a comprehensive professional development program on a range of compliance, training delivery and industry-related topics designed to enhance their delivery of high-quality training. ACPET could partner with government funding bodies to ensure that providers are aware of and committed to their obligations under public funding contracts, enhancing and supporting existing government mechanisms for quality assurance.

4.3 How could increased contestability of government-funded training support greater participation in vocational education and training and greater take-up of higher-level qualifications?

See responses to questions 1.1 and 1.6.

4.4 What factors should the Government consider in increasing contestability of training funds?

Key factors for the government to consider in increasing the contestability of training funds include:

- quality assurance safeguards (as per response to question 4.2)
- simplicity of funding applications (for individuals) and contracts (for providers)
- sustainability of the model
- clear purpose and measure of success.

From a user or consumer point of view, it is essential that an information/marketing campaign (see response to question 4.1) is developed so that individuals and enterprises understand what a demand-driven system will mean for them.

From a provider viewpoint, assistance may be required to aid both public and private training providers to transition to a demand driven, rather than centrally planned training system. This assistance should not be seen as an ongoing subsidy but rather as a short-term strategic investment that allows these providers to structure their organisations so they are able to effectively operate under a contestable funds policy regime.

4.5 How should community service obligations be managed in a contestable market?

Funding mechanisms in a contestable market should be underpinned by a rational and equitable platform across the VET sector, for both public and private providers. ACPET supports the separation of the NSW Government's purchaser and provider (TAFE NSW) roles to ensure the open and transparent allocation of public funds for VET in NSW, including the cost of its community service obligations. ACPET believes that funding should be based on the full cost of delivery, especially for delivery to high need learners and in thin markets.

ACPET supports continued funding to TAFE NSW to allow it to continue to meet its obligation to provide training for high need and disadvantaged learners, and in thin markets – particularly in regional and remote areas.

However, as per ACPET's response to question 3.1, there are many examples of high quality, sustainable VET delivery by private training providers (including community colleges and not-for profit organisations) in thin markets traditionally associated with TAFE, where increased investment in private provision may be a better use of government funding. ACPET suggests the government consider the Victorian ESC's recommendation that community service obligation payments be separated from the student entitlement funding pool. This would mean that all providers who can demonstrate a commitment to delivering high quality training in thin markets could access a community service obligation payment to support their delivery model.

There may also be an opportunity to balance the ongoing cost of funding the community service obligations of TAFE NSW by making better use of public training infrastructure by the wider community, particularly in remote areas of the state.

4.6 What criteria and what accountabilities should training organisations meet to be eligible for government-funding?

As well as continuing compliance with the requirements of the VET Quality Framework (in particular the SNR), training organisations currently in receipt of public funds are bound by the requirements of the NSW Government's funding contract. Requirements should include reporting on use of public funds (which in a demand-drive model will follow a student) and other data in a transparent way.

RTOs should be able to apply to be included on a list of government approved providers if they meet certain criteria additional to the requirements of the SNR. ACPET suggests that South Australia's criteria for

prospective RTOs seeking to receive *Skills for All* funding is a good starting point. The South Australian Government views the selection criteria for Skills for All training providers as building on the SNR (or AQTF in SA) requirements. The criteria focus on each applicant's performance as an RTO in delivering quality training and assessment services and assess an applicant's capability to meet the greater objectives of Skills for All (e.g. including an increase in participation in training by all sections of the working age population). Successful applicants are also required to demonstrate a satisfactory track record for the qualifications they apply to deliver under the SA funding model.

South Australia has a number of key criteria and assessment indicators that provide a barrier to entry for RTOs who cannot demonstrate a commitment to, and record of, high-quality delivery and assessment. Many of the criteria and indicators reflect ACPET's requirements of prospective and existing members.

Key criteria include:

- a management team with skills and background sufficient to lead an educational organisation
- sound financial health
- appropriate levels of engagement with industry commensurate with qualifications to be offered
- services that support the diverse needs of learners
- sufficient numbers of graduates from each Training Package
- learner and employer satisfaction and satisfactory graduate outcomes.

In terms of accountabilities, ACPET would expect that all RTOs in receipt of public funding will comply with state and Commonwealth reporting requirements to ensure consistency and transparency in measuring RTO performance against state or national benchmarks.

5. IMPROVE VOCATIONAL EDUCATION AND TRAINING COMPLETION RATES

5.1 How can we improve vocational education and training completions?

We first need confidence in the accuracy of completions data and the reliability of data collection and interpretation. While data collected through government contracts with providers may be accurate, there have been inconsistencies in the collection of competency completion data as a quality indicator by providers and in its interpretation by regulators. Uncertainty persists among private providers as to how enrolments and completions are recorded, with inconsistencies in regulatory advice increasing this uncertainty. For example, a student enrolling in a two-year course may be recorded by some providers (not in receipt of government funding) as a separate enrolment in each year of the course, with only one completion recorded (in the second year). A prevalence of confusion about recording of enrolments and completions distorts data crucial to decision-making about the use of public funds.

The introduction of a unique student identifier (as per SNR 23.5) should result in more accurate data about VET completions.

In October 2011, NCVER released the results of a survey on student intentions. The survey showed a strong correlation between a student's own motivation to enrol in a VET course and an intention to complete. Students surveyed who intended to complete their course also saw VET as a stepping stone to other types of study or training. In line with the findings of the NCVER survey, ACPET believes that providing students with a choice of course and provider through an entitlement model will result in higher rate of completions across the population.

ACPET has almost completed work on a new industry benchmarking tool for private providers designed to help them boost business performance and tackle low completion rates. ACPET's online VET Business Benchmarking tool will be available to members in early 2012, and will enable them to compare their performance with industry peers by analysing academic criteria, business integrity and responsiveness to student and industry needs. By identifying areas of weakness and addressing them using the tool and ACPET's extensive PD framework, providers will be better able to meet the needs of students, which is critical to improving completion rates over time.

ACPET recommends the government consider support for similar tools and industry-specific resources for use by enterprises and throughout the VET system for benchmarking indicators of success, including completion rates.

The education campaign suggested by ACPET (questions 1.1, 4.1) will be important in ensuring that those with access to an entitlement choose a suitable qualification which they will have a greater chance of completing. Ongoing support for all prospective learners – such as that provided through the WA workforce development model – would also ensure learners can make better-informed choices about VET leading to improved completion rates across age groups. Peak bodies like ACPET also have an ongoing role in providing professional development for members that focus on quality delivery and assessment and more specifically on student retention strategies.

5.2 In what critical areas should they be improved?

In responding to the government's release of the Smart and Skilled discussion paper, the NSW Business Chamber identified youth unemployment as a major concern for the business community (media release *Business backs competition in vocational education & training funding*, NSW Business Chamber, 29 September 2011).

According to the business chamber, introducing contestability for funding is one measure needed to address high levels of youth unemployment throughout the state. ACPET is in agreement with the NSW Business Chamber, and believes the flexibility and increased options that will come from greater contestability will attract more young people under 20 years of age to commence and complete VET qualifications.

Evidence from ACPET members suggests completion rates are considerably higher than 34 per cent (as cited in the Smart and Skilled discussion paper) for fee-for-service courses delivered by private providers. As there has been no public reporting of trends in quality indicator data on competency completions since their inception in 2009, completion rates for unfunded private providers do not contribute to the overall completion average. Students and industry clients of private providers demand quality training and assessment, which drives the private sector to be responsive and flexible in meeting this demand. This includes a commitment from providers to supporting students in completing their qualification, which, as well as satisfying the needs of individuals, enhances the provider's reputation and attracts more students.

Notwithstanding reservations about the accuracy of completion data, the low completion rate cited in the discussion paper and its poor comparison with undergraduate degree completion rates (70–80 per cent) suggest that VET completions need to be improved across age groups and qualifications. One key area for government attention is the encouragement of commencements and completion of first qualifications at Certificate III and IV levels by people of all age groups. The entitlement model supported by ACPET and addressed in previous responses will assist in achieving this outcome.

ACPET suggests that the implementation of greater contestability for public funds through a student entitlement model will result in an increase in the state-wide completion rate due to the greater number of high-quality private providers accessing the market.

5.3 How can we improve completions for apprentices and trainees?

ACPET suggests that initiatives to improve completions across age groups will have a positive impact on apprentice and trainee completions.

ACPET understands that the Department of Education and Communities has commissioned research that identifies the critical role that employers play in the success of apprentices and trainees, reflected in completion rates. ACPET recommends that the NSW Government work with employers and training providers to assist them in understanding the unique support required by today's apprentices and trainees, which will be beneficial in improving completion rates for these groups.

With regard to students, anecdotal evidence from industry suggests that many people are starting apprenticeships and traineeships without basic literacy and numeracy skills. Others are failing to complete due to a mismatch between their expectations of an apprenticeship or traineeship pathway and the reality of training and job requirements.

Private providers already have an important role in working with enterprises to provide gap training in basic skills areas for people wishing to undertake apprenticeships or traineeships. A student entitlement that provides additional funding assistance for those with basic skills needs would provide aspiring apprentices and trainees with a better chance of completing once they begin training.

6. ADDITIONAL COMMENTS

Please also see the introduction to ACPET's responses to discussion questions.

In addition, below is an extract from ACPET's *Skilled for Success* booklet, which showcases the work of ACPET members in delivering high-quality education and training in NSW and throughout Australia. The excerpt profiles NSW ACPET member SAE Australia.

Lights, camera, action

'One of the distinctive benefits offered by SAE is our strong links with industry. This enables our students to participate in unique and relevant work experience,' says Antonia Mocatta, deputy chief executive officer for SAE Australia. 'Our film and audio students get to work in studios, production companies, and at major industry events such as Bluesfest, Splendour in the Grass, Laneway Festival and Flickerfest. These opportunities develop students' skills in a professional capacity, and are important for building networks within the industry, which could lead to further employment.'

Creative media is one of the fastest growing sectors in Australia. Its emergence has brought with it a number of jobs in entertainment, information, media and arts. For the past 25 years, SAE Institute has been producing graduates with immediate industry-applicable skills to fill professional roles within the sector.

Marlene Berkow who recently worked as part of the film crew at the internationally-renowned Byron Bay Bluesfest said, 'We got to film so many bands, gaining so much practical experience with the cameras. It was definitely hard work and all volunteer-based, but it was an amazing way to get into and understand more about the industry.'

Originally founded as an audio school to meet a growing demand for skilled audio engineers, SAE Institute evolved and now includes specialised vocational and higher education training in:

- audio production
- film production
- live sound production
- electronic music production.

The accredited courses at SAE Institute have been structured to align with current industry requirements and include training on high-end facilities, which are also available to students outside class hours. As part of their course, students engage in many collaborative real-life projects, learning skills and knowledge and developing their artistic and creative independence.

‘I’ve learnt so much that I don’t think I would have achieved at any other university because of the amount of hands-on and practical time that we’re given. It’s a great environment and everyone you have classes with is there for the same reason,’ says Breanna Schultz, a film student.

Some students finish one degree and go straight on to another. Stefan José, a graduate of the Bachelor of Audio Production is now studying a Bachelor of Film Production. ‘With the creative media industry expanding so quickly I think both of these courses complement each other in so many ways. As far as job opportunities are concerned, having experience and being educated in both film and audio will open so many more doors.’

Graduates from SAE Institute have gained employment in integral roles within the creative media industries working as audio engineers, filmmakers, directors, editors, producers, studio managers, lecturers and more.

Review of entitlement based funding model for the Western Australian VET system

Consultation

September 2011

Part A. Introduction

Part B. Key Consultation Question responses

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PART A. Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,100 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories.

ACPET's mission is to enhance quality, choice, innovation and diversity in Australian education and training for individual, national and global development. It represents a range of private providers, including commercial and not-of-profit entities, community groups, and industry and enterprise-based organisations. ACPET works with governments, education and training institutions, industries, and community organisations, to ensure vocational and higher education and training services are well-targeted, accessible, and well-delivered with courses of high quality, and providing for choice and diversity.

As the peak body for private providers, ACPET is committed to ensuring that its policies, products and services contribute to an inclusive tertiary education system.

Throughout this submission there are five underlying principles. ACPET asserts that these underpin a road map to deliver greater efficiency, effectiveness and equity for Australia's VET system. These principles are:

- Increased student choice will promote greater responsiveness in the education market, enabling learning to be tailored to the diverse needs of individuals.
- Supporting enterprise to invest in knowledge and skill development of their existing and future workforce will increase national capability and productivity.
- Fair and equitable regulation will better preserve the desired standards for quality in learning outcomes and viability of the institution.
- Structural separation will promote the efficient use of public funds, through better transparency, increased competition and clearer incentive.
- Improved quality and performance of all professional staff underpins greater quality and accountability of service provision to students.

Private providers include commercial and not-of-profit entities, community groups, and industry and enterprise-based organisations. Research conducted for ACPET in 2010 indicates private providers deliver training to 1.44 million equivalent full time (EFT) students around Australia each year.

This submission has been developed in consultation with representatives of the ACPET Western Australian State Committee and with numerous ACPET member VET providers. ACPET wishes to recognise their valuable and important contribution.

PART B of this submission responds to the key consultation questions asked by the Nous Group in the Discussion paper on an entitlement based funding model for the Western Australian VET system.

ACPET acknowledges the efforts of the Department of Training and Workforce Development and the Nous Group in its efforts to conduct consultation discussions on an entitlement based funding model for the Western Australian VET system, and welcomes the opportunity to respond to the issues raised by the group in its *Review Paper*.

PART B: Responses to Key Consultation Questions

1. Are the main components of an entitlement model Clear?

- Yes they are except for:
 - Will WA Government funding be available to Registered Training Organisations (RTOs) operating in WA but registered in another state?

2. What are the key elements of an entitlement model that should be considered and built into design?

- Funding based upon a realistic cost of delivery to prevent quality be driven down by the pricing mechanism
- Adequately funded regulators to ensure quality of provision is paramount to the system
- Aligning public investment with public benefit
- The cost of publicly funded infrastructure is transparent within service delivery costs, ie structural separation of infrastructure and service delivery funding
- Fairness and consistency in funding across Public and Private Providers including when percentages of payments are made per unit commencement/completion
- Ability to deliver and report on “clustered unit delivery” in addition to single unit delivery.
- A consistent auditing approach and regulatory approach is applied to public and private providers, which is not onerous on the RTO.
- Design and implement a “true outcomes” measurement tool which reports upon unit completion, course completion and accepts employment in the field of study as a valued outcome, even prior to the completion of the enrolled course.
- A definite committed timeframe to roll out the new model E.g. three years to provide all providers a definite period to forecast and budget upon.
- There should be no caps on the student fees and charges that a provider can charge. A diverse market will see providers offering fees and charges at different rates, either at or above the entitlement rate. Consumers/clients choosing the providers that are best able to meet their needs.

3. What information do students, enterprises and providers need to make sound choices?

- To make sound choices students and enterprises need to understand the full choice and diversity of providers available in WA. A well developed information campaign that tailors messages to students, enterprises and providers is required.
- Consideration should also be given to providing advice to a Career Counsellors. This stakeholder group plays a vital role in helping students understand the choices that are on offer and therefore any information campaign should include them.
- Providers also need to be the fully aware of how the entitlement works. The greater the engagement by providers in an entitlement system the more likely the system is to be successful.
- The “TAFE yearly handbook/course selections book” which is distributed to all schools should now be a “Training WA handbook” and have all providers listed and mixed together with no segregation, as a true reflection of all providers to potential candidates.
- Work with the Commonwealth during the development of the www.myskills.edu.au website.

Students, enterprises and providers will benefit if the myskills website is a central point that potential students and enterprises can search for an RTO that can meet their unique needs.

- Possible KPI’s for the myskills website are:
 - Results of last audit report
 - % Student employment in the field of study during/following course
 - % Student unit / course completion
 - Industry engagement / support/ involvement in courses
 - Standardised Student satisfaction survey results
 - Standardised employer satisfaction survey results
 - Delivery and assessment models (flexible, face to face, workplace, mixture of)
 - Staff student ratios

4. What are the best and most appropriate ways to influence or guide choices? What role do State skill priorities play?

- Accurate skills shortage data that can be used to develop funding levers that help direct training and skills development in areas that have the highest demand through the entitlement levels. Furthermore scenario development planning should be used so that funding levers can be used to develop skills in areas that will be in high demand in the future.
- For the entitlement model to be effective consideration must be given to:

- Where student require additional numeracy and literacy support, this assistance should be funded in addition to the student entitlement.
- Allow multiple 'steps' in any direction for students under the age of 20 for qualifications at Certificate III or IV level.
- Allow one funded "step down" by a student to enter a differing skill shortage area
- Allow two funded "steps across" into a differing skill shortage area

5. Do you agree with the policy principles to support private investment in training provision?

-

6. What are the funding design issues that should to be taken into account for high need students and providers operating in particular locations or areas of training?

- The design of the entitlement system should take into account the 'tyranny of distance'. Flexibility should be in place that allows for higher funding in remote areas compared to metropolitan areas.
- Geographic location and socio economic factors should be considered when equating weightings
- Thin market areas should see that the Public and Private providers work in collaboration to offer a diverse scope and range of qualifications.

7. How could the roles and functions of State Training Providers change under an entitlement based funding model?

- A key benefit of the entitlement model, as demonstrated in other jurisdictions, is that State Training Providers will be compelled to become more responsive and flexible, thereby offering better value for money for Government and tax payers.
- Thin market areas should see that the Public and Private providers work in collaboration to offer a diverse scope and range of qualifications, which may see the public provider not necessarily provide training, but act as the district "agent" to provide the public service, overseeing all training requirements in the region between the already existing private providers.

8. What funding arrangements are required to cater for possible changes to the role of State Training Providers?

- Assistance may be required to aid the State Training Providers to transition to a demand driven rather than centrally planned training system. This assistance should not be seen as an ongoing subsidy but rather as a short term strategic investment that allows

said providers re-structure so that are able to effectively compete in a contestable market.

9. Is a dedicated fund likely to strengthen the commitment of enterprises to invest in VET?

- See response to Question 5.

10. How can government reduce barriers between VET and higher education pathways?

Barriers exist because of the complexity of developing articulation arrangements between VET and Higher Education providers. This complexity means the development of arrangements is both time consuming and costly.

Furthermore ACPET members continually face barriers in forming partnerships with public universities. The Australian Qualifications Framework Council has released guidelines on articulation and credit transfer arrangements for VET and Higher Education institutions. These guidelines are routinely ignore by Universities.

11. What institutional arrangements are required to support an entitlement based funding model?

- RTOs must be supported by:
 - a user friendly reporting and payment system
 - a Government communication campaign that promotes the total training market, inclusive of Public and Private providers;
 - regular communication from the Dept, especially during the transition period and an open communication approach between providers and Dept staff;
 - well trained Dept staff, that are skilled in contract and relationship management;
 - the development of a risk rating approach of funded RTOs, which will inform the level of individual RTO auditing

12. Are there any other comments that you would like to make in regard to the implementation of an entitlement model?

- Consultation with students to get their points of view as a front end user
- Consultation with employers to get their points of view as a back end user
- Consultation / alignment with commonwealth initiatives (apprenticeship and traineeship funding)

- Consultation with Centrelink and JSA's to ensure that the new entitlement model and their existing systems of job seeker pathways and funding/payments are consistent in their intent.
- A sustained well planned information/marketing campaign will need to be deployed to make students, industry/employers and parents aware of the changes outlining that both Public and Private providers provide equal qualification scope and recognition, and outlines that Government funding is provided to candidates regardless the selection of Public or Private provision.
- Transform workforce development centres so that they are able to provide guidance to clients on the full diversity of RTOs in WA.

Review of Vocational Education and Training (VET) Fee and Funding Review

Consultation

June 2011

Part A. Introduction

Part B. Overview of the Australian and the Australian and Victorian Private Vocational
and Training Sectors

Part C. Key Consultation Questions

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PART A. Introduction

Established in 1992, the Australian Council for Private Education and Training (ACPET) is the national industry association for private providers of post-compulsory education and training. ACPET has over 1,100 members nationally delivering a full range of higher and vocational education and training (VET) and English language courses across all States and Territories.

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As the peak body for private providers, ACPET is committed to ensuring that its policies, products and service contribute to an inclusive tertiary education system.

Throughout this submission there are five underlying principles. ACPET asserts that these underpin a road map to deliver greater efficiency, effectiveness and equity for Australia's VET system. These principles are:

- Increased student choice will promote greater responsiveness in the education market, enabling learning to be tailored to the diverse needs of individuals.
- Supporting enterprise to invest in knowledge and skill development of their existing and future workforce will increase national capability and productivity.
- Fair and equitable regulation will better preserve the desired standards for quality in learning outcomes and viability of the institution.
- Structural separation will promote the efficient use of public funds, through better transparency, increased competition and clearer incentive.
- Improved quality and performance of all professional staff underpins greater quality and accountability of service provision to students.

Private providers include commercial and not-of-profit entities, community groups, and industry and enterprise-based organisations. Research conducted for ACPET in 2010 indicates

private providers deliver training to 1.44 million equivalent full time (EFT) students around Australia each year.

This submission has been developed in consultation with representatives of the ACPET Victorian State Committee and with numerous ACPET member VET providers. ACPET wishes to recognise their valuable and important contribution.

PART B provides a brief overview of the private Australian and Victorian VET sector, focusing on the following aspects:

PART C of this submission responds to the key consultation questions asked by the Essential Services Commission in the *Vocational Education and Training Fee and Funding Review Issues Paper*.

ACPET acknowledges the efforts of the Essential Services Commission (ESC) established to review the Fee and Funding arrangements in the Vocational and Training (VET) sector in Victoria, and welcomes the opportunity to respond to the issues raised by the ESC in its *Issues Paper*.

PART B: Overview of the Australian and Victorian Vocational Education and Training sector

This last decade has seen substantial changes in the Australian economy, workplaces, workers and their expectations of work, and in the demographics of the current and future workforce. The Coalition of Australian Governments (COAG), plus State Governments in their jurisdictions, as well as industry groups, are investing in change programs to substantially lift workforce participation, worker productivity and capacity to meet future needs.

A recent Report¹ commissioned by the Victorian government provides an outlook for the Victorian labour market in 2011, including analysis of occupations in demand and experiencing critical skill shortages. The report identified the following key issues that are expected to influence industry performance and the demand for skills in 2011:

- Regulatory changes and other government policies. These relate directly to the supply of training and skills – such as the specific programs and policies funding the Victorian VET sector – along with wider economic and social policies.
- Technological changes, including the use of new materials and the introduction of enhanced business processes. This can lead to the need for redeployment or retraining into other emerging areas.
- Environmental and sustainability issues. Sustainability is becoming increasingly embedded within standard business practices, underpinning demand for workers to have a broad understanding of sustainable processes.
- The ageing of Australia’s population, in particular, concerns regarding the increased number of retirements over the coming years are centred on the loss of skills and experience in key occupations, and the resultant ‘skills gap’ which is expected to occur.

As noted in the ESC’s *Issues Paper*, education “*reforms at both the State and Commonwealth level have been driven by a shortage of skilled labour and an increasing recognition of the importance of skills and qualifications in enhancing Australia’s future productivity and social outcomes*” (p1).

The structure of the Australian economy is changing, moving away from a manufacturing base to be more services and innovation-oriented. Education for work is vital to Australia's productivity and competitiveness agenda, and performance of the VET system is key to advances. The need to modernise VET to ensure responsive, effective and efficient delivery of training has been recognised at Federal and State levels. Regulation will soon be streamlined through the National VET Regulator and National Standards Council, and the future may see a

¹ Deloitte Access Economics, “Victorian skill needs in 2011: *A summary of industry intelligence*”, Report commissioned by Skills Victoria, April 2011

merger with the Tertiary Education Quality and Standards Agency (TEQSA) as a single integrated tertiary system takes shape to meet future Australian needs.

A number of States are closely examining their VET performance and delivery models. Victoria, in particular, has implemented its *Securing Jobs for Your Future – Skills for Victoria* policy direction and change program announced in 2008, including growth in accessible training places, with a wider range of providers now providing responsive choice for individuals and businesses. ACPET has worked closely with Victorian agencies in implementing changes.

Introducing their new policy direction and reform package for the vocational education system, the Australian Prime Minister and State Premiers emphasise the need to transform our country into a highly-skilled community. Global competition means that the traditional industrial platform in Australia must transform. Economic and career opportunities are widening.

In response to demands from users (employers, and individuals as intending students) the number and diversity of non-public providers has grown greatly in two decades. Contestability of rising proportions of State Government funding for VET has both recognised the importance of this expansion, and facilitated service innovation.

A large proportion of VET is now delivered to meet employer, employee and future worker needs through arrangements with private Registered Training Organisations (RTOs), as noted in June 2010 by Heather Ridout, CEO of the Australian Industry Group: “... so many of our members go to private providers because they have more of the flexibility to actually come and deliver the way companies want it (training) delivered.”²

Research commissioned by ACPET in 2010 has confirmed the importance of the private sector in Australia in delivering skills for individuals and employers. The survey of more than 4,000 private training providers across Australia (ACPET members and non-ACPET providers) had a response rate of more than 10%, with almost 500 responses being received.³ Based on this response rate, data calculations show private providers delivered training to 1.4 million equivalent full-time students in both the vocational and training and higher education sectors across Australia over the previous 12 month period.

² Committee for Economic Development Australia (CEDA) *State of the Nation Forum*, Transcript from panel session: Driving education, skills and workforce to ensure future growth, 22 June 2010, www.ceda.com.au

³ WHK Horwath, for ACPET, *Education Industry Survey 2010*. Private providers in Australia are delivering courses at all levels – Certificate I, II (8% of private provider provision), Certificate III, IV (34%), Diploma and Advanced Diploma (20%), higher education (2%), other AQF (21%), non-accredited (13%), across over 20 industries or fields.

Table 1. Private Training Provision by AQF Level

Senior Secondary	1%
Certificate I & II	8%
Certificate III & IV	34%
Diploma and Advanced Diploma	20%
Bachelor Degrees	2%
Other AQF	21%
Non-accredited	13%

As identified by NCVER, in 2003 private providers were servicing more students than public providers, and that⁴:

- private RTOs were a diverse group, covering adult/community providers, enterprise-based providers, industry organisations, commercial and not-for-profit organisations and others;
- private RTOs were offering a wide range of accredited and non-accredited VET courses across the full range of the Australian Qualifications Framework;
- as well as their course offerings, many private RTOs also provided a wide range of student services;
- training in 2003 was largely delivered face to face;
- 63% of the surveyed private RTOs were receiving some government funding;
- private RTOs were making a substantial contribution to the overall VET effort in Australia; and
- with caveats, NCVER estimated that private RTOs in 2003 had 2.2 million students. This compared with the 1.7 million students in the public sector.

The progressive opening of the VET marketplace, including by contestability of funding, has spurred innovation and efficiency in both public and private providers – as seen in the following extract from a study commissioned in 2006 by the Australian Industry Group (AIG):

"A number of employers say that there are examples of excellence in services provided by specific institutions in both the TAFE and private provider sectors, but that this is not consistently the case. Overall, around 65% say that they are satisfied with TAFE services, and a similar proportion is satisfied with private provider apprentice training. A higher proportion is satisfied with private providers for non-apprentice training."

⁴ NCVER, Harris, Simons and McCarthy, 2006, *Private training providers in Australia: Their characteristics and training activities*.

Private providers are rated higher by employers than TAFE on all more detailed criteria except cost ... although the gap between employers' views of private providers and TAFE has narrowed over time, with TAFE now more responsive and private providers more affordable than in 1998. Low proportions of employers regard training by TAFE and private providers as world class, with a high proportion (around half) neutral on this issue. Substantially more do not regard TAFE apprentice training as world class (33%) than do regard it as world class (20%).

Furthermore, several employers remarked that opening up TAFE to competition had helped to improve their service markedly in some cases. Where problems still exist, this was thought to be due, in part, to a lack of competition.

Private training institutions are now arguably the 'engine room' of the Australian training sector. The contribution of the many private providers is under-acknowledged and invisible because much of their training delivery (including workforce development with enterprises) is fee-for-service rather than publicly funded. Statistical collections generally focus on training funded by Governments.⁵

In 2010, there were approximately 5,000 VET providers in Australia (public, private, group enterprise, and others)⁶. The private training sector employs over 95,000 EFT staff nationally, including trainers and assessors, administrators, and support staff.

The recently commissioned *Education Industry Survey 2010* indicates that private providers are delivering 74% of all VET, with 80% of this provided to domestic students, most on a fee for service basis⁷. ACPET members deliver some 85% of private provider training. Nationally, the ACPET survey estimates that private RTOs deliver over 4,000 accredited and non-accredited courses to 1.4 million equivalent full time (EFT) VET students annually. Of these, over 800,000 students are undertaking AQF qualifications at Certificate III level and above. In addition, some 21% of private provider delivery is to meet direct employer needs for skills set training to upskill workers as part of workforce development plans and practices.

For Victoria, as at 22 June 2011, the National Training Information Service (NTIS) lists 1,080 RTOs, of which only 9 are publicly funded Institutions, such as TAFEs and the College of Adult Education (CAE) and Adult Multicultural Education Services (AMES). The ACPET membership in Victoria consists of 303 Members⁸, of which 254 offer VET courses; 42 offer Higher Education courses (there is an overlap as some offer both types of courses), ranging from Certificates to

⁵ See for instance, NCVER, 2009, *Student Outcomes (VET statistics)*, statement of scope p4.

⁶ ABS, *Year Book Australia 2009-2010*.

⁷ WHK Horwath, for ACPET, *Education Industry Survey 2010*

⁸ This total number comprises 278 RTOs plus 25 Affiliate/Life members.

PhD by Research and the remainder offer school based programs (once again, with some overlap).

The top five industry areas of private training delivery by ACPET members in Victoria are:

- Business and Clerical Studies;
- Community Services, Health and Education;
- Automotive;
- English Language/ELICOS; and
- Tourism and Hospitality.

ACPET members in Victoria:

- teach/train over 340,000 students (including both VET and HE levels), approximately 88% being domestic students, and 12% international students;
- employ over 34,000 staff; and
- have a staff - student ratio of 10:1.

Some recent facts related to Victorian State Government funded vocational education and training (VET) courses⁹:

Provider Performance:

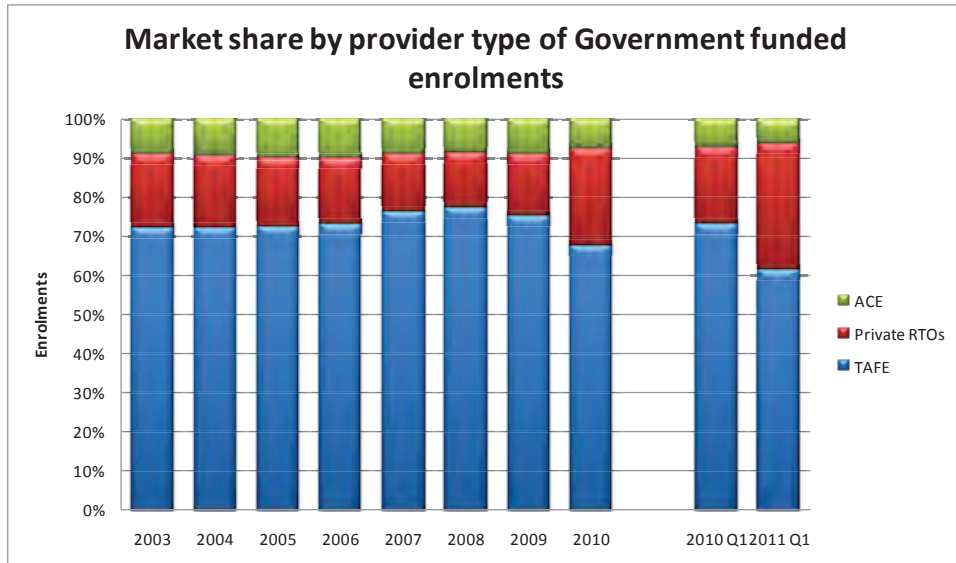
For the first quarter of 2011 compared with the first quarter of 2010, enrolments by:

- TAFE providers were up 10% and represented 51% of the full year 2008 number;
- Private providers were up 112% and exceeded the full year 2008 number by 46%; and
- ACE providers were up 14% and represented 46% of the full year 2008 number.

Private RTOs' share of Government funded enrolments rose from 14% in 2008 to 25% in 2010. Continued strong enrolment growth by Private RTOs in the first quarter of 2011 lifted their share of the Government funded market to 32%.

⁹ Skills Victoria, The Victorian Training Guarantee: Vocational Training Market Delivery and Demand, Quarterly Progress Report, Q1, March 2011.

Figure 1: Enrolment Market Share by Provider, 2003-2010 and Q1 2010-2011



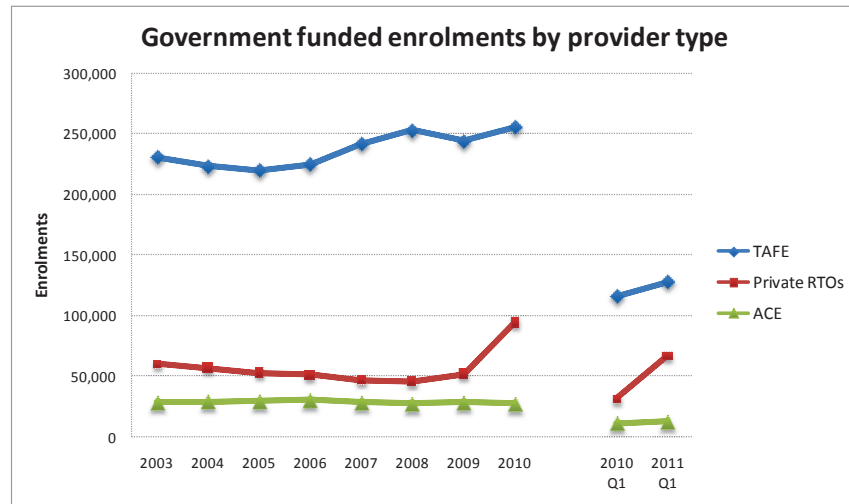
Provider Type:

One aim of the Victorian Training Guarantee (VTG) is to provide Victorians more opportunities and greater choice in where they undertake training. The number of private registered training organisations (RTOs) contracted to deliver government funded training almost doubled between 2008 and 2010, rising from 225 to 528.

Student numbers have grown across all provider types, with students at private RTOs almost doubling between 2008 and 2010. By the end of March 2011 this trend looks to have continued. Student numbers at private RTOs were almost one and a half times the full year 2008 number. For TAFEs and ACE providers the March 2011 numbers were equivalent to around half of the 2008 full year totals.

As a result, enrolments at private RTOs increased rapidly in 2010, to more than double the 2008 number. In contrast, government funded enrolments at TAFE providers were only slightly higher in 2010 compared with 2008, following a modest decline in 2009 (figure 2). Enrolments at ACE providers dropped in 2010 to slightly below the 2008 number.

Figure 2: Government funded enrolments by provider type, 2003-2010 and Q1 2010-2011



In brief, in Victoria, Government funded training:

- enrolments jumped 31% to 208,300 in the first quarter of 2011, compared with a year ago.
- the jump in similar enrolments at private providers rose by 112%. Growth at publicly owned TAFEs grew by 10%.
- total enrolments, 2010 vs 2008, was +27% (+46,000), made up of:
 - Private RTOs +159%
 - ACE + 18%
 - TAFEs + 3%
- Diploma & above enrolments in 2010 vs 2008, was +24% (+14,000), where:
 - Private RTOs +998%
 - ACE + 79%
 - TAFEs - 10%
- enrolments by qualification level 2010 vs 2008 were made up of:
 - Diploma and above + 24%
 - Certificate III & IV + 19%
 - Certificate I & II + 7%
 - Non award & module only - 22%

- Diploma & above enrolments in 2010 vs 2008 for:
 - Indigenous people + 16%
 - CALD + 26%
 - Disability + 17%

- enrolments in the Youth Compact, in 2010 vs 2008, totaled +28% (32,000) where:
 - Private RTOs + 91%
 - ACE + 13%
 - TAFEs + 12%

The evolving training delivery pattern in Victoria reflects, as in other States, demands of employers and individuals, as well as the quality of training and services delivered by private providers often without public funding for students. Strong service delivery has been fundamental to the growth of private training provision in such competitive 'word-of-mouth' marketplaces.

ACPET believes there is potential for the Victoria to achieve even stronger returns by harnessing the vigour of private providers to lift overall VET training provision and participation.

In the next section (Part C), ACPET considers the issues related to fees and funding for VET delivery raised by the Review conducted by the Essential Services Commission (ESC).

PART C: Responses to Key Consultation Questions

1. The VET Sector

Objectives of Victorian Training System

How well do the current funding mechanisms and fee structures contribute to achieving the objectives of the Victorian Training System? In making this assessment how are you defining the achievement of the stated objectives?

Should, and can, the funding mechanism and fee structure for government subsidised VET training places aim to meet all the objectives of the Victorian Training System? Are there some objectives that should be given higher priority than others?

Do the current fee and funding arrangements achieve the right balance between individual, employer and government contributions; and for individual student cohorts?

ACPET believes that the current Victorian Training System (VTS) funding mechanisms and fee structures are significantly contributing to Government achieving its desired objectives. Specifically, since 2008, the Victorian Government can demonstrate the positive economic and social benefits and impact of its training reforms and related funding mechanisms and fee structures.

One aim of the VTS is to provide Victorians more opportunities and greater choice in where they undertake training. The evidence clearly shows an increase in both participation and provider preference (Refer Section B. for data). In turn, the Government has actively encouraged individuals to up-skill through its funding policies and once again, the evidence shows evidence of success against this criterion. Lastly, the VTG supports the Government's social inclusion strategy, through enabling more people from disadvantaged backgrounds to enrol in training. From the data, it is clearly evident that there is:

- more choice of providers;
- more Victorians in training and re-training; the population is up-skilling; more training in areas of need; and
- of particular significance, the private VET sector has made a marked and substantial contribution to the overall increase in VET delivery between 2008-2010.

Private education providers are strongly customer focussed and adept at designing services to meet a mix of needs including capacity development within workplaces. In shaping new policy to support employers, it is vital that employers be able to choose from services offered by all types of providers. ACPET believes that the VTS should, and can, meet all its objectives as long as there is a rational and equitable platform of Government funding, that supports industry and enterprises to train and up-skill their workforce, balanced by a platform that provides foundation and job readiness training for the more disadvantaged community members. This position must however maintain user choice and preference as its key enabler, where private and public providers are treated equally as suppliers of training services.

The current funding mechanisms and fee structures require adjusting to support this proposition. For example, one of the Government's election commitments was to re-introduce concession fees to enrolments in Diploma-level and above courses at TAFEs, to students aged 15 to 24 years, who hold a Health Care card at a TAFE Institute. As at 31 March 2011, more than 4,200 concession enrolments have been reported. Students at private RTOs do not qualify for this concession. This is in direct opposition to a user choice environment and is causing confusion in the sector.

As well, public institutions receive weighted training hours, which equates to a higher funded rate than private providers. Although it is acknowledged that the public training system is an essential service with a high infrastructure, it should be noted that the average ACPET private training provider's class size is significantly smaller¹⁰ than those within a public institution. This is a conscious strategy that supports high retention and satisfaction rates, especially for disadvantaged students, however the funded rate does not cover the level of related servicing that is in place, for example, pastoral care and additional ESL tuition. There is therefore scope to adjust the hourly rates to better accommodate the services provided by the private sector to provide a more equitable platform of funding.

In addition, public institutions receive infrastructure investment funding. It should be noted that private providers significantly invest in infrastructure, such as commercial kitchens, automotive and construction facilities. This highlights the further disparity between the hourly rate offered to TAFEs versus private providers.

ACPET supports the promotion of the efficient use of public funds through better transparency, increased competition and clearer incentives:

- all funding should be contestable equally by public and private institutions;
- funding should be based on full cost of delivery; and

¹⁰ WHK Horwath, for ACPET, *Education Industry Survey 2010*

- there should be functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding.

There is also scope for enterprises to contribute to the training and re-training of their employees, where apprenticeships and traineeships are not a suitable arrangement. Further comments are made below (refer next point).

Should each of the elements of the fee and funding model seek to achieve all of the objectives? Or should the aim be for the objectives to be achieved by the fees and funding system as a whole?

Are there other ways or mechanisms for achieving the objectives outside of fee and funding arrangements?

ACPET believes that the objectives of the VTS should be achieved by the overall fees and funding system as a whole. It appreciates Government's philosophy of an individual's commitment to training, through their fees and charges.

ACPET supports partnership approaches across Government, industries, enterprises, training providers and individuals to enhance skill development for the Victorian workforce. A formula which capitalises on all stakeholders' interests could be considered. For example, where the training is as a result of an identified workforce need by a particular enterprise, the enterprise may also be required to contribute. Key elements could be that:

- enterprises are encouraged to co-invest with individuals and Governments where the enterprise accrues some of the benefits; and
- investment by the enterprise in workforce capability development is commensurate with the size of the enterprise.

It is important that a 'one size fits all' approach is not implemented, where ACPET members have advised that many small businesses who are accessing training services, are not able to provide a contribution, where a larger employer may have the capacity and economies of scale to make a contribution cost effective.

As well, the changing nature of the workforce is seeing increasing levels of employee mobility, with some ACPET members reporting that employers are reluctant to pay a contribution towards the achievement of portable qualifications. As such, a funding mechanism that incorporates enterprise contributions requires further investigation into its applicability and suitability for the Victorian market.

2. The National VET Reform Agenda

What are the implications of Victoria's commitments at a national level for the design of Victoria's funding mechanism and fee structures?

ACPET supports COAG's *National Agreement for Skills and Workforce Development*. It reinforces that there should be increased student choice to promote greater responsiveness in the VET market, enabling learning to be tailored to the diverse needs of individuals to make informed choices:

- every citizen has an opportunity to acquire knowledge and skills through tertiary education, to better enable them to gain meaningful employment;
- Government has a responsibility to ensure public funding to support the national interest; and
- individual choice is enhanced by a diversity of supply.

3. Principles for the Review

Are the principles for the Review sufficient?

Are there additional principles that should be used to examine the efficiency and effectiveness of the current arrangements and assess alternatives?

Are some of these principles more important than others?

Might different principles apply in different ways in different parts of the VET system?

ACPET supports the principles identified by the ESC. All principles are important, however it is essential that the system is easy for the students, providers and employers to understand and apply, ie. Principle 2: '*Clarity*'. ACPET is therefore not of the view that different principles might apply in different ways in different parts of the VET system and believes that the Government must strive to achieve clarity for all stakeholders and users.

As well, Principle 3: '*Certainty*' is critical in supporting private providers, the largest segment of the Victorian training market, to plan and resource adequately. This cannot occur when windows for funding are uncertain.

ACPET believes that the principle of '*Fairness*' needs to be also considered by the ESC as part of this Review. ACPET believes that all Victorians have a basic entitlement to Government support for their education and that their individual right to choose a provider that best suits their training needs should not undermine this entitlement.

This would ensure that:

- students are treated the same way, whether they enrol in public TAFE institutions or private RTOs;
- more choice for all students is created in the future by reducing course costs and helping more diverse institutions to compete in the market; and
- diversity and quality of VET institutions is encouraged.

In addition, ACPET believes that the principle of ‘*Transparency*’ is important. The public institutions enjoy additional weightings on training hours together with infrastructure funding. ACPET believes that in the interest of a fair and equitable platform, these allocations should be made public.

Eligibility for a Government Subsidised Training Place

The Victorian Training Guarantee

What evidence is there of the impact that the eligibility criteria for access to a government subsidised training place have on a student’s decision to enrol in, and complete, training?

Is the current exemptions arrangement the best way of helping people who fall within these categories to access VET?

How well does the eligibility criteria align with the principles outlined in Section 2.3?

ACPET is aware that individuals, as potential students at stages of their life, as well as employers, should have access to clear information on education choices and delivery options.

Potential students have a range of important information sources to help them assess work and education interests. These include jobs on offer, pay levels, conditions and whether types of work promise futures that they seek if they invest time and money in post-school education. The eligibility criteria play a role in how and why the students select particular courses.

ACPET members have identified issues related to the eligibility criteria for access to Government subsidised training places that affect students’ decisions to enrol in and/or complete training. These include:

a) Time Restrictions imposed on eligibility to Train

Students who undertook qualifications years ago (e.g. Advanced Certificate of Secretarial Studies which equates to Certificate IV) are now ineligible for Government funding other than

Diplomas and above. As many courses have a prerequisite of Certificate III or Certificate IV before undertaking a Diploma, students are priced out of this course due to a qualification they may have attained many years previously.

b) Restrictions affecting Transferability across Industry Sectors

People with a desire to retrain are precluded from doing so if they have a higher Certificate level, therefore are unable to move into new industries and other employment opportunities.

c) The Government has identified Skills Shortages in particular areas, yet it precludes People wishing to Retrain and move into these areas

For example, people wishing to train or retrain as aged and child care workers (recognised areas of skills shortage), who hold a previous Certificate III or above level of qualification, cannot access Government funding at present, as the entry qualification for employment is a Certificate III.

d) Restrictions for the Unemployed and other Disadvantaged Cohorts

Once again, the eligibility criteria restrict the unemployed and disadvantaged to access training, if they hold a similar or higher qualification level. It is noted that providers were granted a capped number of exemptions from the eligibility criteria, however it is believed that most private providers received only one exemption in 2011. The policy for distribution of exemptions should therefore be reviewed, especially for providers based in identified areas of high unemployment.

Is it appropriate that training providers be placed in a position of assessing whether an exemption should be provided?

ACPET considers it reasonable for a training provider to assess whether an exemption from the eligibility criteria is provided. As well, providers may grant a fee concession in cases of '*extreme hardship*', which is also considered an appropriate mechanism. However the term '*extreme hardship*' is not defined and is causing inconsistency of application across ACPET members. In the interest of *Principle 5: 'Consistency' (Section 2.3)*, it is recommended that clear guidelines are developed to support providers and the compliance of this business rule.

It should be noted that providers can only use the information provided by a student at enrolment. While the provider asks pertinent questions, they can only make an assessment

based on the information disclosed by the student. Providers should not therefore be penalised at a later date should the information provided by the student be identified as false.

Should a cap on the number of subsidised places be reintroduced for some courses? If so, how should these courses be determined?

ACPET favours a full user choice demand led system without allocated caps on subsidised places. However Government could gain better value for money by providing incentives for individuals to study in areas of skill shortage and disincentives for individuals to study in areas where there is a saturated employment market

What role do, or should, industry and employers play in funding employees who do not fit within the eligibility criteria?

Refer to ACPET's response to the Question: *"Are there other ways or mechanisms for achieving the objectives outside of fee and funding arrangements?"* (p.15).

It is important to note that for the most disenfranchised cohort of the community, the long term unemployed, by the nature of their own predicament they:

- a) do not have an employer to fund their further education; and
- b) are not part of an industry (some industries do not have peak bodies nor associations).

Do the eligibility criteria need to be revised to better achieve the objectives of the training system? What implications would any such revisions have on the affordability of the system for government?

As previously highlighted, ACPET believes that the eligibility criteria should be revised to support in particular:

- those wishing to retrain for a new industry, especially in declining industries and those retrenched due to industry closures;
- those who have qualified > 10 years ago now wishing to undertake a career change but due to their prior qualifications they are precluded from up-skilling eligibility ;
- those wishing to train for skill shortage industries; and
- the unemployed and most disadvantaged community members.

Does the Victorian Training Guarantee provide effective access to students who need to develop literacy, numeracy and language skills to participate in the workforce? Is the specified list of courses within the Foundation category appropriate?

ACPET endorses Government's position which allows an individual to study a Foundation Skills course at any time, using a Government funded training place and believes that the current suite of Foundation Skills courses is appropriate.

However, throughout ACPET members, a significant number of students are identified with language, literacy and numeracy difficulties on a regular basis. This is an essential learning need that requires additional services to be administered by the provider (notwithstanding that this is an AQTF and VRQA requirement). It is understood that these services are funded within the public training sector through the additional weighting/infrastructure formula. ACPET strongly believes that the current Skills Creation and Skills Deepening funding levels for the private sector do not adequately support these services and requests a more rational and equitable funding model to better support the students that chose to study at a private institution.

4. Tuition Fees

Does the variation of fees reflect increased private benefit from higher level courses? Is this the best way of achieving the objectives of the Victorian Training System? How reflective are the current tuition fees of public and private benefit?

Anecdotally, students paying higher fees associated with higher level courses, do not directly correlate their fee with private benefit. ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

In some industries, for example, children's services, new regulation, which comes into play in 2012, will demand compulsory Diploma level trained workers within child care centres, with the current employment entry requisite of the Certificate III converted to a pre-requisite training course only. As such, the Diploma qualification will be the 'base' requisite for entry into this industry and therefore the public benefit is arguably higher.

As well, the current capping of tuition fees disadvantages providers that enrol towards the end of a year, where students have reached their maximum cap. For some students, for example, the longer term unemployed, undertaking more than one or two courses is beneficial in supporting their job readiness program.

Should the tuition fee structure provide incentives to undertake training in priority areas, such as areas of skill shortages? If so, what should the tuition fee structure look like?

ACPET is of the view that tuition fee structure incentives that support priority areas may influence better take up of places for these industries. However some industries experiencing skill shortages are burdened with other contributing factors, such as low market perceptions eg the various occupations linked to manufacturing industries continue to suffer an image problem with youth; and poorer employment conditions and remuneration arrangements. The introduction of fee structure incentives is therefore only one strategy that may alleviate skill shortages.

As previously indicated, ACPET is concerned about the unemployed people's access to subsidized training. Government could consider providing full fee waiver for unemployed people who opt to train and re-train in skill shortage areas.

Even where Government planning delivers people into specific training priority areas, the reality remains that most people do not continue in the career they initially trained for. By recognising the reality of this 'churn' and providing better information to individuals to support them in their skill development choices, Government is likely in the longer term to produce more people with the skills needed for the economy. Accordingly, ACPET believes that Government tuition fee policy could better influence the range of training that is selected by students in saturated employment markets, to provide better value for money. This could be achieved through a scaled fee structure, where lower priority industries attract a higher student contribution.

How well does the tuition fee structure align with the principles outlined in section 2.3?

The current tuition fee structure does not align with Principle 1: '*Simplicity*'; Principle 2: '*Clarity*'; nor Principle 3: '*Consistency*'. ACPET agrees there is a need to adjust and simplify training tuition fee arrangements. It is important those developing the model consider complications that arise as new schemes are tacked on to underlying rules. Layers of rules increase administration costs and also create difficulties in advising students. ACPET considers the vital first stage is to develop underlying principles of a coherent model, and then to develop new policies to ensure the principles of the system are met and maintained. These policies, for the sake of *Simplicity*, *Clarity* and *Consistency*, must apply across the VET sector.

To what extent should the arrangements for VET tuition fees be consistent with schools and the higher education sector?

As indicated, ACPET appreciates that Government could obtain better value for money through shaping VET tuition fees to balance:

- training delivered for skills in demand with that delivered for saturated markets; and
- qualification delivery proportional to cost.

Currently, Commonwealth funding arrangements for higher education at bachelor level see different funding and subsidy levels for different fields of study¹¹. The policy rationale is built on the premise that the cost of delivering qualifications differs depending on infrastructure requirements, and some fields of study require higher subsidies to attract students. A similar rationale could be applicable within the VET market and could also be considered to reduce financial barriers for students looking to obtain qualifications in high skill areas they are passionate about but cannot afford. ACPET reinforces that any tuition fee arrangement that is implemented must be transparent and equally applied across the VET market.

Does the current tuition fee structure influence students' decisions about course enrolment or completion? If so, how and to what extent?

ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

What other factors influence students' decision to participate in VET?

ACPET is working with the ESC to organise a student focus group in early July, where this question may be better answered.

Does the current tuition fee structure influence providers' decisions about the training courses to offer? If so, how and to what extent? How does this impact on the skills needed by industry?

The top five industry areas of private training delivery by ACPET members in Victoria are:

- Business and Clerical Studies;
- Community Services, Health and Education;
- Automotive;
- English Language/ELICOS; and

¹¹ Australian Government, *The Higher Education Base Funding Review*, Dec 2010

- Tourism and Hospitality.

This is as a direct result of industry and community demand with a strong alignment to local industry.

Is using an hourly rate for calculating tuition fees the best way of achieving the objectives of the Victorian Training System?

ACPET recommends that any tuition fee structure be influenced by the ESC Review's Principle 1: '*Simplicity*' and Principle 2: '*Clarity*'. ACPET prefers a flat rate that is administered equitably by all providers, including public.

Minimum and maximum tuition fees

For what percentage of enrolments does either the specified minimum or maximum come into play? What impact do they have on students and providers?

What incentives (for students, employers and providers) are created by specifying minimum and maximum fee levels? How might students and providers respond if these upper and lower limits were removed?

Is there sufficient flexibility in the tuition fee structure for providers to compete on price? Is there evidence that this is occurring?

Imposing a maximum fee cost distorts student choice and risks pushing providers to offering courses that are lower cost to run with less infrastructure requirements etc.

While the Government is entitled to cap its maximum contribution for an individual student from there it should allow:

- students to choose a course and have their entitlement applied to that course; and
- providers to realistically set the price of their course at a level that is an incentive for quality delivery.

The current model has barriers to entry for a number of providers delivering in areas requiring higher levels of infrastructure and/or intensive face to face delivery. Both the funding levels and the cap prevent them from participating in the VTS.

ACPET members have indicated that students select a training provider on a range of factors including tuition fees. These include location; courses on offer; availability of a training place

that accommodates the student's other commitments, such as family; client satisfaction (ie. word of mouth referrals); etc.

Private providers also have advised that:

- Health Card holders cannot afford the maximum fee;
- students may be locked out of a course as it costs more in tuition fees than at TAFE (eg. currently students wishing to study a Diploma may be granted a fee exemption (if eligible) however this does not apply for private providers); and
- the minimum tuition fee has increased in 2010 – minimum fees need to be kept under control, and need to be realistic for the clientele.

Should minimums, maximums and the annual cap apply only to certain student cohorts or to particular courses?

ACPET believes that minimum, maximum and the annual cap should not apply, or if they are required, should only be to specific cohorts or courses, for example, to influence a student to enrol in a qualification related to an identified skill shortage. Government should be able to exert some influence on enrolments for particular industries, to provide better balancing of labour market supply with skills in demand. ACPET believes that this is a more responsible and sustainable position. There is little gain when a student uses their training entitlement to undertake a qualification that does not support their career goals.

As well, students should be able to choose a provider, who is not restricted by a maximum fee because they offer a higher quality course offering:- this is arguably a truer implementation of user choice.

Once again, it is also important that tuition fee policy is applied equitably across the VET market in VIC.

Fee concessions, waivers and loans

What are the advantages and disadvantages of the current concession categories? What evidence is there to suggest that concessions should be available to other categories of students who do not hold Commonwealth Health Care, Veterans or Pensioner Cards?

ACPET believes that through its social inclusion agenda, Government should ensure accessibility to subsidized training places for disadvantaged community members. It therefore strongly advocates for a widening of concession categories of students. This should, at the very least,

include the unemployed (recently unemployed do not receive a Health Care card for a period of time); and those wishing to re-enter the workforce, such as parents and carers.

How frequently do training providers grant discretionary concessions on the grounds of extreme hardship? Is there a need for more formal or prescribed arrangements for situations of extreme hardship?

As previously stated, the term '*extreme hardship*' is not defined and is causing inconsistency of application across ACPET members. In the interest of *Principle 5: 'Consistency' (Section 2.3)*, it is recommended that clear guidelines are developed to support providers and the compliance of this business rule.

Are the current arrangements for concession fee reimbursement effective in ensuring concessions are made available to all eligible students?

The current arrangement is not transparent. Regardless of the number of concessions which are provided in any given year, there is no assurance that the provider will be fully reimbursed. The current reimbursement arrangement is budget driven and depends on the number of concessions granted across the Victorian provider system against the allocated budget. This results in providers receiving a proportion of reimbursements. This can act as a disincentive in providing concessions.

How well do the tuition fee concession arrangements align with the principles outlined in section 2.3?

ACPET believes that the tuition fee concession arrangement aligns with the Review's principles.

5. Funding VET Delivery

The Student Contact Hour funding model

How well does using the Student Contact Hour as the basis for funding achieve the objectives of the training system?

Would use of an outcomes based measure better achieve the objectives? If so, what outcomes are important and what measures would be appropriate? What would be the implications of adopting an outcome based approach?

As previously indicated, ACPET is concerned with the lack of consistency in the student contact hour funding between the public and private sectors. It is possible that TAFEs need to maintain

a wider scope of qualifications. In response ACPET however would suggest that this goes against the grain of demand driven funding (ie. if there is limited to no demand then why compensate TAFEs at a greater hourly rate across the board for all courses?).

ACPET is also concerned by the decreasing hourly student contact (SCH) funding rate over the last 30 years. In 1981, the funding rate per hour was \$9.62. In 2011, the funding rate is \$9.24, indicating a drop of 28.3%. In comparison, TAFEs have maintained a higher rate over this period, experiencing a drop of only 12%. A provider reported a significant reduction in funding rates over the 2010 and 2011 calendar year period, where the suite of training delivered to the meat and food processing industries experienced a drop in funding from \$9.31 to \$7.70 per SCH, without any justification or alert. This practice is not conducive to achieving quality and sustainable training and has placed the provider at financial risk.

Over the years, due to higher compliance measures imposed on the training sector, private providers need to meet many additional expenses, which are not supported financially by Government. This includes the recent introduction of the new Teaching Award for staff and the VRQA's additional requirements.

ACPET understands there is a history of Victorian TAFE investment, delivery and public roles, and its recognition in the community for quality education and training to consider. However Victoria has seen positive change and strong user outcomes with the opening of market-places to competition. Private providers deliver responsive, effective, quality training, as verified through regulatory audits, market feedback, and rising custom by individuals and employers. Fair competition and competitive neutrality are key.

Higher subsidy rates need close scrutiny. TAFE governance changes should increase autonomy and accountability equally. Clear public returns should be expected from differential costs associated with public ownership. The future could well depend on different models, and the flow of public funds should facilitate emergence of these models. ACPET advocates full contestability where competitive neutrality principles operate, and keeping an open-mind on mix of public and private provision.

ACPET supports a funding model which is transparent across the sector and which enables quality service delivery, whilst meeting the Victorian Government's objectives. It may be argued that the current model is outcome based, as providers may only claim once a student has completed and has been deemed competent against a Unit's requirements. This model allows a student to study a given skill sets in preparation for employment, rather than

necessitating the completion of a full qualification, in line with Skills Australia's preference¹². As well, this model supports a provider's cash flow and lowers their financial pressures and associated risks.

ACPET does not support a model where payment occurs at the completion of a full qualification. This will potentially add financial strain across the system.

Historically, the KPI related to education and training has been Unit/course completion. Should this outcome be re-classified, for example, to include employment, and in order to encourage providers, both public and private, to meet this KPI, an incentivised funding model could be introduced. This could include an employment placement bonus.

What factors may influence student completion rates and other outcome based measures?

The VET system should provide students and learners who are seeking to obtain a full qualification with an environment that is conducive to reaching their goal. The VET system and associated regulatory and funding framework should ensure that RTOs are focussed on delivering training to students which is supported by:

- access to high quality training and learning materials;
- appropriate learning infrastructure; and
- highly skilled trainers and assessors that have industry currency and are committed to professional development.

These factors combined with an improvement in student selection processes will mean that the students will have the opportunity to undertake qualifications of interest and benefit to them in a high quality RTO. It should be noted that a key component of Higher Education academic governance is student selection. However student selection processes within many RTOs are given a lower priority and the AQTF is virtually silent on this matter. It is critical that effective selection processes are used to ensure that students entering qualifications have the capacity and skills to complete the qualification. If the student is considered unable to complete the selected qualification, they should be directed towards a more suitable alternative qualification. For instance, a student that may struggle with the requirements of a Certificate IV may be better placed to undertake a Certificate II qualification, spend time in the workforce and then return, with the relevant knowledge and skills, to successfully complete the Certificate IV.

¹² Skills for Prosperity, Skills Australia, 2011

ACPET is aware of a range of reasons for non-completion which have also been identified in the recent study undertaken by Service Skills Australia¹³. These include:

- resignation from job;
- change of employment;
- promotion in place of employment;
- termination of job;
- inability to balance work and study;
- change of course;
- financial difficulties;
- too far to travel; and
- study was too difficult.

The issue of completions (and non-completions) in the VET sector has recently been much discussed by the NCVER, Service Skills Australia, other researchers, and by the media, with a number of assumptions about the reasons for the presumed high rate of non-completions in Australia. However, as Grant (2002)¹⁴ noted, *“there is no systemic national or state measurement of course completion rates, and it has been noted that the AVETMISS method for recording non-completions is flawed”*¹⁵.

ACPET contends that although qualification completions should be an issue of concern, this is not always a fair measure of the quality of the RTO’s performance, as qualification completion is not always the sole objective. Funding linked to whole qualifications may lead to perverse outcomes as some students who enrol into full qualification programs in reality only wish to study a few individual units or skills set, thus achieving their desired, and in some instances, an employer’s goal.

Measuring performance based on completions may also drive RTOs to be more selective in their enrolments and not offer places to students who traditionally are at highest risk of non-completion, eg. those with LLN needs or from Indigenous backgrounds.

¹³ Mitchell J & Associates, *The Benefits of accurately measuring Non-completions*. Services Skills Australia, 2011

¹⁴ Grant, P. 2002, *Staying on Course – Factors which impact on students’ completing their courses*. NCVER, Adelaide.

¹⁵ Mitchell J & Associates, *The Benefits of accurately measuring Non-Completions*. Service Skills Australia, 2011

The Weighted Training Hour Model

To what extent do the current sector and cohort weightings help achieve the objectives of the Victorian Training System?

What process and information should be used to determine the weightings?

ACPET believes that the current system used for calculating weightings is hereditary and distorts the level playing field. In real terms, delivery costs have increased together with compliance costs, through the introduction of the VRQA's VET requirements in July 2010. Consequently, ACPET requests that the weighted training hour model be reviewed.

ACPET suggests that the following criteria be considered in determining weightings:

- there are greater costs for face-to-face and workplace delivery than for online delivery (for example, courses such as commercial cookery, hairdressing are almost completely delivered by face-to-face and workplace delivery, other practical activities such as sheep shearing involve staff visits); and
- recognition that some students have special needs eg high student-teacher/trainer ratios, need for mentor and extra support (eg disadvantaged/disabled students).

Currently private VET institutions receive no funding for infrastructure investment, despite providing significant investment to ensure high quality facilities, such as commercial kitchens; automotive and construction facilities. TAFE receives large Government funding for its infrastructure, which the private sector cannot access. ACPET calls for a functional separation between infrastructure and service provision to promote equal access to infrastructure and/or infrastructure funding. The TAFE infrastructure is large and well-developed, funded by public tax payers eg. the TAFE Development Centre (TDC) has up to date facilities that remain closed or under-utilised on week-ends. The private sector would like to share these facilities.

ACPET believes that structural separation between purchasers, owners and regulators within the industry may be achieved through the adoption of the following policy actions:

- the cost of publicly funded infrastructure to be made transparent within service delivery costs; and
- publicly funded infrastructure such as libraries and classrooms to be made available to public and private enterprises at cost recovery.

Should the funding model take into account the different costs incurred by different providers in delivering the same course (for example, regional providers) or through different delivery modes (for example, off campus)? What impact might such differentiation have on provider incentives?

Weighted training is particularly important:

- in skills deficit areas;
- in areas where delivery is more expensive (face-to-face or off-campus eg. involving visits in agriculture where trainers need to travel big distances and where there are high material costs, for example, hairdressing); and
- for disadvantaged students, such as people with disabilities and people with lower levels of language, literacy and numeracy.

Higher-Need Learners

How well do the current funding and fee arrangements cater for higher-need learners? If not, how could the funding mechanism be improved? In answering this question, please identify who we should regard as a 'higher-need learner'?

As previously highlighted, any training entitlement should open access to VET for a wider range of Victorians, but particular investment will be needed to support public and private providers in maintaining quality teaching and care systems to assure successful outcomes for certain groups. The Dusseldorp Foundation has studied unemployed youth, and notes for instance, that while the Australian economy offers incentive to work, training systems have raised barriers: it is more of a mixed picture ... when considering the detail of how well our education and training pathways are organised, and the quality of work-based learning opportunities, safety nets (for those at risk), information and guidance, and transition processes¹⁶. The higher costs of special attention for some to achieve skills outcomes need to be recognised in student and provider funding arrangements.

ACPET providers have a record of delivering programs to diverse groups with different learning needs. As previously stated, ACPET is concerned with the current funding and fee arrangements in supporting higher need learners. Higher need learners include:

- the unemployed;
- people with disabilities;
- youth at risk;
- prisoners;
- people with low levels of language, literacy and numeracy;

¹⁶ Dusseldorp Foundation, *It's Crunch Time, Raising Youth Engagement and Attainment*, 2007

- Indigenous;
- parents returning to study.

The higher costs of additional and expert attention to achieve skills outcomes need to be recognised in student and provider funding arrangements. Funding models need to take into consideration the cost of the provision of “soft skills” and “support” to students who experience difficulties in the learning process or who come from disadvantaged backgrounds. Whilst this may be a funding challenge, it would provide real benefits in ensuring that students receive the highest quality learning environment.

It is important that public funding levels recognise the need for quality in training (including effectiveness and usefulness). This is vital for less-advantaged individuals venturing into training pathways. The challenge is to achieve quality meaningful outcomes for all students, whether they are enrolled at public or at private institutions.

Are there additional costs that training providers incur in delivering training to higher-need learners? If so, what types of costs are incurred and how material are these additional costs?

Dealing with problems of cumulative disadvantage can be lengthy and costly. Years of investment may be needed to re-engage marginalised groups, such as Indigenous youth, and encourage their learning. Some of the costs associated to engaging higher need learners in VET involve significant investment in:

- professional development of teachers;
- expert support staff, for example, catering for people with disabilities and lower levels of language;
- designated pastoral care staff. Research shows that good relationships form the basis for high retention rates with these cohorts; and
- learning and assessment strategy adjustments, eg more tutorials, more practical assessments requiring more intensive trainer time; etc.

In many instances, when delivering training to the most disadvantaged community members, it requires almost double the staffing resources, to support student retention and completion (refer to Case Study below).

CASE STUDY: Victorian 2011 Small Training Provider of the Year, ACPET's *Delivering on Access and Equity across Australia*, June 2011

The story of Spectrum Education and Training (SET) is a story of how a small client-focussed business, which is genuinely an integral part of its community, can prosper. SET was established in 2007 to help people from migrant and refugee backgrounds get skills to settle into Australian business and community life. In this short time, SET has provided training to over 1,000 students from 20 different cultural backgrounds. It has consistently achieved a retention rate of between 90% and 95% employment outcomes.

Spectrum's Manager says: *"SET has become known for its local labour market links as well as its strengths-based approach. We value diversity and appreciate what each individual brings to their training. We see our students' bilingual skills as an important asset. SET has embraced the social inclusion agenda and is setting the standards that others aspire to. SET has won a host of awards including 2010 Victorian Small Training Provider of the Year. Its approach includes employing bilingual staff, offering small classes, individualised training plans, mentors and a designated pastoral care and support Coordinator."*

This approach is working for the students. Former student, Kidst, fled Ethiopia after walking days through the desert. She says: *"When I arrived in Australia, I had nothing. I was offered a course at Spectrum and have just finished the Certificate III in Aged Care... I want to work helping people, to give something back."*

Rehan, a 63-year old refugee from Iraq, puts it simply:

"With Spectrum, I got my dignity back".

Thin Markets

What evidence exists that thin markets are a problem?

Is it important to ensure that thin markets are catered for? If so, who should be responsible — government, providers or industry?

What is the best way of addressing any thin market problems and what implications might this have for other parts of the VET system and funding framework?

Thin and niche markets occur in various scenarios including where there is:

- a significant number of training providers, a wide range of courses and a limited number of students; and
- a niche market, serviced by a limited number of providers, for example, mining and racing.

Both these scenarios are naturally appearing in areas/industries serviced by some ACPET members, especially those delivering in regional and remote areas. Since 1999, regional Victoria has changed fundamentally, through a fast changing economy, from one based on agriculture and resources to a more diverse, modern industrialised regional economy with closer links and interdependence between the regions and Melbourne. However, as stated in the *Report advising on the Development of the Victorian Tertiary Education Plan*¹⁷ there are major challenges in extending and strengthening tertiary education in regional and outer urban settings.

The cost associated with delivery in thin markets is greater than other markets, as:

- it is difficult to access and retain experts with industry knowledge (because of the shortage, the remuneration demanded is higher);
- the scarcity of students increases the cost of delivery; and
- the smaller class size reduces break even margins.

Consistent with its view about funding mechanisms, ACPET believes that thin markets must be catered for, supported by a partnership between Government, industry and the individual. It is important that the unique characteristics of thin markets are recognised and that funding is appropriately provided to ensure quality delivery. One option is to allocate weightings to thin and niche markets.

¹⁷ Skills Victoria, 2009, *Report advising on the development of the Victorian Tertiary Education Plan*¹⁷