

Review of Price and Fee Arrangements for Vocational Education and Training under Smart and Skilled

NSW TAFE Commission Board submission to the Independent Pricing and Regulatory Tribunal

1. EXECUTIVE SUMMARY

The NSW TAFE Commission Board (the Board) welcomes the opportunity to contribute to the Independent Pricing and Regulatory Tribunal's (the Tribunal) review of the pricing of VET under *Smart and Skilled*.

The ten Institutes of TAFE NSW operate as a strategic, connected, state wide system delivering innovative, responsive and high quality training. The Institutes provide unparalleled access to training in metropolitan, regional and rural communities. The explicit purpose of TAFE NSW is to "meet government priorities by building social and economic capacity and develop the skills that industry and communities need for success".¹

This submission addresses questions set out in the Issues Paper and complements detailed TAFE NSW commercial-in-confidence data provided directly to the Tribunal.

The Board endorses price regulation generally. Specifically, the Board endorses the Tribunal determining student fees for all NSW government subsidised training delivered by approved Registered Training Organisations (RTOs). This approach will ensure competition in the training market is based on quality.

Investments in vocational education and training (VET) improve labour market participation and workforce productivity. In 2006, independent research commissioned by TAFE NSW estimated the value of TAFE NSW to the NSW economy was \$196.2 billion in net present value terms over twenty years. Put another way, every dollar invested in TAFE NSW generated benefits worth \$6.40.² Since then, as the population has aged, the imperative to increase skill levels is more urgent. Therefore, the value of this investment is likely to be higher. Significantly, this research also identified that the benefits tend to be highest for regional NSW.

The Board notes four essential characteristics that underpin VET and should be taken into account when setting base prices and fees.

1. The VET sector, particularly TAFE Institutes, provide economically, geographically and educationally disadvantaged students with opportunities to acquire skills and pathways into employment and further study.

¹ TAFE NSW, 2011, *TAFE NSW Strategic Plan 2011 – 2013*

² Allen Consulting Group, 2006, *The Complete Package*

2. The VET sector is specifically focused on supporting industry by providing the particular skills in demand and has an explicit role to enhance community economic capacity.
3. VET programs are heterogeneous with diverse patterns of study; high levels of part-time study; flexibility in the composition of qualifications; and expanding the use of online and workplace-based delivery.
4. TAFE NSW, as the public provider, operates across the State. In some communities and for some industries, it is the only provider of post-compulsory education and training.

These four essential characteristics need consideration when determining the relative contributions of individuals and governments. The Board also endorses the Tribunal's own recognition, in chapter 5 of the Issues Paper, of several failures in the market for education: including high externalities; information asymmetries; and mismatches in the profile of the short term demand for training by individuals compared with the medium-term demand by industry.

As outlined in the discussion paper, 49 per cent of NSW VET students are from the lowest two quintiles for low socio-economic disadvantage. TAFE NSW data and experience show these students typically do not enrol in full qualifications and often require significant additional support. These students are also very sensitive to increased fees. TAFE NSW has been able to cater very successfully to the needs of students who are geographically, educationally or economically disadvantaged. Equitable access to VET for the people of NSW is an essential component in ensuring that all people can contribute to a productive workforce.

In responding to the economic priorities of State and Commonwealth governments, TAFE NSW has successfully improved both enrolments and completions of higher level qualifications over the past five years. The Board is concerned to ensure that the structure of student fees neither discourages individuals from choosing pathways through to higher qualifications, which are increasingly demanded for employment, nor from commencing study at the level of the most appropriate qualification rather than the qualification they can afford.

Likewise, the level of student fees must not undermine efforts to expand enrolments at diploma level and above, as required by both *NSW 2021* and the Council of Australian Governments' National Agreement on Skills and Workforce Development. Equally, the method determined for payment of government subsidies to RTOs will need to encourage increased qualification completions.

In order to facilitate increased enrolments through *Smart and Skilled*, the approach used will need to put students at its centre, with a simple and easily understood fee structure. The approach should also encourage the highest quality training delivery and assessment and allow RTOs to choose the most appropriate mode of delivery to suit student needs.

The Board urges the Tribunal to carefully consider how best to provide sustainable training in rural, regional, remote and thin markets. Recent research commissioned by the National VET Equity Advisory Committee observed that:

*“... the risk that in market based systems, those with the most intensive and costly learning needs, and those in geographic areas where provision was not economic, would face reduced access as providers concentrated at the profitable end of the market”.*³

Similarly, pricing arrangements need to encourage training that aligns with the State’s economic and social priorities and helps industry to improve productivity. The Board is particularly concerned that the Tribunal’s development of efficient base prices and fees enables the delivery of training that supports the goals of *NSW 2021* and Industry Action Plans. As was recently noted by Australian Industry Group Chief Executive, Mr Innes Willox:

*“There needs to be a balance, a structural balance, between the individual demand-driven model and a model that recognises the needs of industry”.*⁴

Finally, in setting prices and fees, and to ensure a sustainable market, RTOs must be confident that they can cover costs and will have sufficient cash flow to operate effectively.

The Board would welcome the opportunity to meet with members of the Tribunal to discuss solutions to these concerns and further elaborate its submission.

³ Allen Consulting Group 2011, *Competitive tender and contestable funding in VET: approaches to supporting access and equity*

⁴ Campus Review, 23 July 2012, *Industry and TAFE harmed by VET reforms*

2. SUMMARY OF RECOMMENDATIONS

The Board makes the following recommendations for the Tribunal's consideration.

1. Extend the assessment criteria for the Review, as set out on page 27, to take account of the goals established in the six NSW Industry Action Plans, Regional Action Plans and *NSW 2021*.
2. Clarify the elements considered when establishing efficient prices for effective delivery, and how these align with regulatory requirements.
3. Examine the equity guidelines developed through national research by Allen Consulting Group, to ensure the real costs of delivery for equity groups are adequately assessed, so that costs are covered and outcomes are improved.
4. Consider the costs and requirements for the delivery of integrated Foundation skills across all levels of the Australian Qualifications Framework (AQF) within vocational qualifications.
5. Further develop Method Two to clearly and transparently determine efficient base prices for unique Units of Competence (Units) and based on national nominal hours, weighted for industry area, in order to:
 - not discourage the provision of higher cost training and longer programs
 - include loadings for delivery in thin markets, for high cost training and for disadvantaged students
 - discourage RTOs from selecting only cheaper Units (in order to improve their profit margins)
 - provide sustainable funding for all Units
 - enable easy and transparent costing of Units imported into qualifications
 - enable easy assessment of the cost of each qualification based on the Units selected for delivery.
6. Consider whether students from disadvantaged target groups (including unemployed students, Aboriginal students or students with disabilities) can be eligible for entitlements despite holding qualifications above Australian Qualifications Framework level III.
7. Consider whether there are other cohorts of people who should be eligible for entitlements, despite holding qualifications above AQF level III, such as individuals whose qualifications are not current, volunteers requiring training and recent migrants whose qualifications do not lead to employment.
8. Clarify the allocation of funding for the fixed and variable costs of delivering training in thin and high cost markets, and for disadvantaged students.
9. Not regulate course related fees other than to require their full disclosure to students in advance of enrolment.

10. Determine base funding rates and payment schedules that encourage RTOs to ensure students complete their training.
11. Determine student fees for qualifications at each level of the AQF as a fixed percentage of the averaged weighted costs of delivery for all qualifications at that level (to then be applied to set concession fees as a percentage of the qualification fee).
12. Determine student fees for publicly subsidised Skill Sets as a percentage of the actual costs of delivery of the Units in the Skill Set (without exceeding the full fee at each qualification level).
13. Consider whether student fees can be discounted, or at least maintained at the initial lower rate, for individuals who wish to enrol in a subsequent qualification at the same or lower levels where that subsequent enrolment/qualification is linked to identified skill shortages.
14. Develop arrangements for regular payments to RTOs, ideally monthly, based on the successful or unsuccessful completion of Units delivered.
15. Provide guidance regarding acceptable trade practices, including offering potential students inducements such as iPads, to avoid proxy competition on prices.
16. Provide guidance on acceptable student payment options.

3. THE ROLE AND EXPERIENCE OF TAFE NSW IN SETTING FEES AND PRICES

TAFE NSW is the backbone of the NSW vocational training system. TAFE NSW delivers in thin regional markets and niche areas; maintains capacity to train for strategically important industries; offers comprehensive learner support; provides pathways into higher education; and responds to State economic and social priorities including sudden or significant industry restructures.

In 2012, TAFE NSW had over 550,000 enrolments across all Fields of Education and in programs spanning levels one to eight of the AQF. TAFE NSW has considerable experience in setting prices, managing loadings for higher cost training and analysing the impact of increased student fees and fee policies.

TAFE NSW has undertaken significant reforms since 2006 when the Independent Pricing and Regulatory Tribunal released *Up-skilling NSW: How vocational education and training can help overcome skill shortages, improve labour market outcomes and raise economic growth*.

Responding to the 2006 recommendations of IPART and to changes in the landscape, the key reforms TAFE NSW has undertaken to ensure it is an efficient, reliable and accessible provider of a broad range of qualifications aligned to industry include:

- funding Institutes through formal purchase agreements
- developing detailed targets for delivery aligned to independent industry forecasts for employment as well as targets within *NSW 2021*
- implementing transparent pricing to improve efficiency
- increasing Institute autonomy and expanding commercial activities
- extending flexible delivery.

These, and related reforms, have enabled TAFE NSW to expand enrolments, including in higher level qualifications, while reducing costs. Based on an independent analysis,⁵ between 2007 and 2010, with the introduction of TAFE NSW Institute Purchasing Agreements, TAFE NSW has increased:

- delivery of annual student hours by nearly ten per cent
- apprenticeship completions by approximately 16 per cent
- Aboriginal student enrolments by approximately 21 per cent
- course completions for programs at or above diploma level by 17 per cent
- commercial delivery by approximately 33 per cent.

⁵ TAFE NSW commissioned research, 2011 (unpublished), *Review of TAFE NSW Institute Purchasing Agreements*

4. ISSUES RAISED BY THE REVIEW

Methodology for determining prices, student fees and government subsidies (questions 1 and 2)

The methodology adopted by the Tribunal is consistent with the Terms of Reference for the Review. However, the Review's assessment criteria, set out on page 27, do not include criteria relating to the State's economic priorities, its goals for regional development or equity considerations. In the first instance, the methodology for determining price and fee arrangements should ensure the allocation of finite public resources is aligned with the State's economic development.

Accordingly, **the Board recommends the Tribunal consider extending the assessment criteria for the Review, as set out on page 27, to take account of the goals established in the six NSW Industry Action Plans, Regional Action Plans and NSW 2021.** This would explicitly link the Tribunal's Review with the development, by the Department of Education and Communities, of the NSW Skills List.

The Board supports the Tribunal establishing efficient prices, including by reviewing historical price information. However, the Board asks that the Tribunal ensures it distinguishes between low prices, where quality training may not be provided, and efficient prices for effective delivery by qualified and experienced teachers, to industry standards.

The Tribunal should note that concerns about inconsistent quality have led to a comprehensive review of regulatory standards by the National Skills Standards Council, and proposals to significantly lift the bar for providers to be registered to deliver nationally accredited training. These include, for instance, requirements for providers to have an Accountable Education Officer, written agreements with all learners, better management and more robust finances.⁶ **The Board recommends the Tribunal clarifies the elements considered when establishing efficient prices for effective delivery, and how these align with regulatory requirements.**

In addition, the Board notes recent national research that market based systems can reduce access to training for equity groups and can disrupt provision. The Allen Consulting Group developed a series of equity guidelines to be included as part of entitlement-based funding arrangements.⁷ Some of these are reflected in the *Smart and Skilled* entitlements, for example, informed choice and loadings.

The Board recommends the Tribunal examine these equity guidelines developed by Allen Consulting Group to ensure the real costs of delivery for equity groups are adequately assessed, so that costs are covered and outcomes improved.

⁶ National Skills Standards Council, 2012, *Improving Vocational Education & Training: The case for a new system*, pages 27 – 30

⁷ Op. cit. at note 3

The Tribunal should also consider, as recommended by the Allen Consulting Group, supplementing entitlements with the allocations of place-based funding in rural and remote areas where thin markets may mean viable classes are not always possible. For instance, implementation of the *Victorian Training Guarantee* was complemented by *Hard to Reach Learner Grants* to ensure that disadvantaged learners, who are either ineligible or cannot access entitlements, received publicly subsidised training.⁸

The Board refers the Tribunal to the National Foundation Skills Strategy for Adults, a joint initiative by all Australian governments, which aims to have two thirds of working age Australians with literacy and numeracy skills at Level 3 or above by 2022.⁹

As approximately 50 per cent of the population have levels of literacy and numeracy below functional levels, **the Board recommends the Tribunal specifically consider the costs and requirements for the delivery of integrated Foundation skills across all levels of the AQF within vocational qualifications.** This will require either the Tribunal or the NSW Department of Education and Communities to determine which Foundation Training Package Units will be funded and the cost for co-delivery with vocational Units.

Determining base prices and efficient costs (questions 3 – 5)

The two approaches set out in the discussion paper appear unduly complex. However, **the Board** prefers Method Two and **recommends the Tribunal further develop Method Two to clearly and transparently determine efficient base prices for unique Units to:**

- not discourage the provision of higher cost training and longer programs
- include loadings for delivery in thin markets, for high cost training and for disadvantaged students
- discourage RTOs from selecting only cheaper Units (in order to improve their profit margins)
- provide sustainable funding for all Units
- enable easy and transparent costing of Units imported into qualifications
- enable easy assessment of the cost of each qualification based on the Units selected for delivery.

This could be achieved by developing prices for all Units. These prices would be informed by TAFE NSW data and data from the NSW Approved Provider List. The national reporting nominal hours developed by the National Centre for Vocational Education Research may be used to determine the hours per unit. TAFE NSW has provided its pricing data to the Tribunal. Additionally, the cost of specific outlier Units can be individually recognised and addressed.

The Board endorses the Tribunal reviewing costs from other jurisdictions including for online and flexible delivery. There are circumstances when online learning is cheaper than face to face, but this is not always the case. For instance, TAFE NSW

⁸ Adult, Community and Further Education (Victorian Government), 2010, *Hard to reach learners: What works in reaching and keeping them*

⁹ Standing Council on Tertiary Education, Skills and Employment, 2012

– Western Institute’s very successful *Western Connect* distance model is resource intensive, requiring IT equipment and support for online delivery, combined with teachers (and expensive equipment being transported) travelling to remote locations for face to face delivery.

Most qualifications are delivered using a variety of delivery modes. In addition, the delivery mode may change from time to time to take account of students’ work and family obligations. The costing model needs to take account of all these factors when determining the cost of delivery.

Additionally, the Board endorses the Tribunal examining the treatment and approaches to funding recognition of prior learning in other jurisdictions.

As noted above, the Board is concerned that the method for establishing base prices aligns with the State’s economic priorities, including for regional economic development. There is a risk, particularly identified by several Industry Skills Councils, that pricing arrangements do not support training that is strategically important. For instance, Manufacturing Skills Australia reports concerns that high cost technical and trade training in niche and thin markets may not be provided stating:

*“For example, there are now no courses in boatbuilding in Victoria, despite this being a strong niche industry in Australia and the industry association says it has already lost 20 apprentices as a result”.*¹⁰

Training is more expensive where it involves technology, industry-standard facilities and high level work health and safety requirements such as commercial cookery, aeronautical engineering and dental technology.

Other training is expensive because of the requirements of Training Packages which specify nominal delivery hours, for example:

- 1718 nominal delivery hours for the Diploma in Building and Construction
- 2351 nominal delivery hours for the Diploma in Hydraulic Services Design
- 1440 nominal delivery hours for the Diploma in Environmental Monitoring and Technology.

By contrast, the Diploma in Business has just 400 nominal delivery hours.

Estimating loadings and community service obligations (question 6, 7 12 and 18)

The Issues Paper seeks information on those student groups that are more costly to train. In general, these are groups of students who are geographically, economically or educationally disadvantaged – the very groups for which TAFE NSW has statutory responsibilities e.g. Aboriginal people, people from non-English speaking backgrounds, people with disabilities and people in regional and remote areas.

¹⁰ Manufacturing Skills Australia, 2013, *Environmental Scan: A new era for manufacturing*, pages 5, 14 and 15

Training is generally more expensive outside metropolitan areas and this is often due to low population density. However, TAFE NSW is committed to supporting the achievement of *NSW 2021* goals including driving economic growth in regional NSW. This means TAFE NSW has provided additional resource to support high cost areas such as commercial cookery, electro technology, mechanical technology and building construction.

TAFE NSW has a very high number and proportion of students from low socio-economic backgrounds in its total student population. In 2011, 48.8 per cent of TAFE NSW government subsidised students were from low socio-economic backgrounds compared with 39.5 per cent of all Australian VET students.¹¹

The following table shows the TAFE NSW share of students from equity groups, as a percentage of total student enrolments, compared with the share for the total NSW, Victoria and student enrolments nationally.

Table 1: TAFE NSW share of equity group students in government funded training in 2011

Equity group	TAFE NSW	NSW	Australia
Aboriginal students	7.0%	6.2%	5.4
Students with disabilities	10.9%	8.1%	7.2%
Unemployed students	26.6%	20.5%	18.8%
Language Background other than English students	22.6%	18.2%	14.7%

Sourced from VOCSTATS, National Centre for Vocational Education Research: Student and Courses 2011

These student groups are often more costly to train as many require additional assistance and support to undertake and complete training. Besides the provision of customised and contextualised courses for specific cohorts (e.g. courses for students with intellectual disability; culturally specific courses for Aboriginal students), these student groups also access learner support services at a significantly higher rate than the average. TAFE NSW provides extensive learner support services including extra tuition in vocational subjects, as well as underpinning and study skills.

For example, in 2011 approximately 27,000 TAFE NSW students with disabilities required additional support to complete their training (approximately half of the 56,000 students who identified as having a disability in that year). The estimated cost of supporting these students was \$45.2 million in that year and includes the salaries of Teacher Consultants and additional learner support, e.g. scribes and note takers, and/or specialist courses. Preliminary data for 2012 indicate enrolments of students with disabilities have increased, therefore these additional cost will likely increase.

¹¹ Low socio-economic background is defined as the two lowest quintiles (Quintile 1 and 2) from the SEIFA Index of Relative Socio-Economic Disadvantage within this index (derived from census variables relating disadvantage, such as low income, low educational attainment and unemployment).

As well as providing concession fees for unemployed people and those on Commonwealth benefits, the current TAFE NSW fee policy allows Aboriginal students an exemption from fees for every course enrolment and, for students with disabilities, an exemption for the first enrolment per year. This policy has facilitated increases in enrolments. For example, between 2007 and 2011, Aboriginal enrolments increased by 38 per cent to almost 35,000 and enrolments by students with disabilities increased by 21.9 per cent to 56,000. This approach also allows students to choose to enrol in qualifications at the same or lower levels to those they currently hold.

The NSW Board of Vocational Education and Training (BVET) recently commissioned TAFE NSW to undertake a longitudinal study of Aboriginal students' pathways.¹² This study tracked the pathways of just over 3,000 15 – 24 year old Aboriginal students over six years, who first enrolled in TAFE NSW in 2005. The report recommends that successful outcomes, all Aboriginal tertiary education programs should include:

- orientation and induction sessions, including for returning students
- initial career and educational skills assessment to identify potential support needs (for example, LLN, study skills, digital literacy)
- support including mentoring throughout the learning experience and monitoring student attendance and engagement
- links to employment and further study opportunities.

It is significant that many of the students tracked as part of the study, had multiple fee-exempt enrolments to meet their career goals. TAFE NSW can provide this report and details of the additional support required, to assist the Tribunal fully cost successful delivery for this cohort.

The Board also notes that, based on internal analysis of existing students in AQF Certificates II and III, approximately 17,000 existing students would be ineligible for a government subsidised entitlement place.

The Board recommends the Tribunal consider whether students from disadvantaged target groups (including unemployed students, Aboriginal students or students with disabilities) can be eligible for entitlements despite holding qualifications above Australian Qualifications Framework level III.

The Board advises that TAFE NSW currently offers a number of courses that are exempt from fees for all students. These programs include basic language, literacy and numeracy, employability, communication and study skills, as well as AQF Certificates I and II that prepare individuals for further vocational study and employment. These programs provide vocational pathways by integrating comprehensive learner support, contextualised language, literacy and numeracy with applied vocational learning. This improves options for employment and addresses the complex learning needs of students facing multiple disadvantage. Programs may target student cohorts with specific needs including Aboriginal people and refugees.

¹² NSW Board of Vocational Education and Training, 2013 (forthcoming), *Not just a dream: Aboriginal student pathways to higher level qualifications in TAFE NSW*

Admission to these programs is determined by Institutes through individual assessment and counselling of students. Based on preliminary 2012 data, there were approximately 70,000 enrolments in these programs.

The Board recommends the Tribunal consider whether there are other cohorts of people who should be eligible for entitlements despite holding qualifications above AQF level III. This could include people whose qualifications are not current, volunteers requiring training and recent migrants whose qualifications do not lead to employment.

The Board is concerned that the provision of loadings alone, for the additional costs of delivery relating to rural and isolated learners, additional language, literacy and numeracy training and in-class support, will not be sufficient to maintain capacity when demand is inconsistent. Instead, fixed funding for community service obligations is essential to recognise and meet the fixed costs, such as for infrastructure and staff, not driven by a particular level of enrolments.

For example TAFE NSW employs Regional Aboriginal Coordinators who are specialist Aboriginal staff that work with the local community to encourage student enrolments. Similarly, TAFE NSW employs Disability Teacher/Consultants who are specialist staff designing individual learning programs and supporting students with disabilities to enable them to complete their study.

Other fixed costs include:

- adaptive technology and support for students including assisting students with online enrolment
- maintenance of partnerships with peak bodies e.g. TAFE NSW has a formal partnership with *ASPECT*, the peak body for Autism Spectrum Disorders in Australia
- language, literacy and numeracy staff in independent learning centres
- establishment and maintenance of facilities and equipment in adult study centres.

The Board endorses the NSW Government's decision to limit access to community service obligation funding to TAFE NSW and Adult and Community Education (ACE) colleges. The Board also notes that, in South Australia, public subsidies for some qualifications are currently available only for delivery by TAFE SA. This approach ensures a threshold level of demand is met, enabling TAFE SA to sustainably deliver training at the efficient price. It also recognises the need to maintain existing investment in infrastructure and necessary staff in thin markets.

For a number of years, NSW State Training Services has managed access for providers to public subsidies through its User Choice arrangements. These arrangements apply clear and simple criteria to determine whether or not a market is robust enough to sustain competition. Critically, the User Choice policy includes consultation with local communities, employer and industry before a decision is made. The Board notes that a similar approach was proposed by the Victorian

Essential Services Commission in 2011.¹³ The Essential Services Commission recommended that markets be declared competitive either by location or for types of course and specifically acknowledged:

“There will inevitably be significant areas of the VET system where there will never be sufficient competition to support competitive market prices”¹⁴.

The Board endorses approaches that ensure thin markets can be serviced sustainably.

The Board recommends the Tribunal clarifies the allocation of funding for the fixed and variable costs of delivering training in thin and high cost markets, and for disadvantaged students.

Setting student fees to encourage participation and completion (question 8)

The Board generally supports the Tribunal’s proposal to seek a balance between public and private benefits when determining student fees. It is imperative that student fees encourage students into programs linked to future employment demand and do not unduly discourage individuals from studying longer or higher level programs. Experience interstate indicates that a key consideration for the effective operation of a training market is that fees or prices are clear and “easily discoverable”.¹⁵ For this reason, the Board endorses arrangements that are relatively simple and provide clarity for students.

There is evidence that low and stable fees charged by VET providers encourage training participation and that increases would likely deter students.¹⁶ There is also evidence that high fees deter low socio-economic students even when they have access to income-contingent loans.¹⁷ For example, despite the significant increase in higher education participation since the Higher Education Loans Program (HELP) was introduced, the participation of students from low socio-economic backgrounds has not increased significantly.

In its submission to the 2009 Bradley Review, Universities Australia reported that the participation rate of low socio-economic students:

“has remained virtually unchanged for 15 years despite the overall expansion of access to higher education during that period found that it had been stagnant for approximately 15 years”¹⁸.

¹³ Victorian Essential Services Commission, 2011, *VET Fee and Funding Review Volume I*

¹⁴ *Ibid*, page 14

¹⁵ *Ibid*, page 8

¹⁶ See particularly the Department of Education, Science and Training, 2002, *Socioeconomic Background and Higher Education Participation: An analysis of school students’ aspirations and expectations* and Melbourne City Mission, 2009, *Skilling All Victorians? A response to the reform of Victoria’s Vocational Education and Training Sector: Securing Jobs for Your Future: Skills for Victoria*

¹⁷ Department of Education, Employment and Workplace Relations, 2009, *Review of Australian Higher Education*

¹⁸ Universities Australia, 2008, *Participation and Equity: A review of the participation in higher education of people from low socioeconomic backgrounds and Indigenous people*, page 2

The Board advises the Tribunal that in addition to course fees, TAFE NSW Institutes charge students course related fees for some materials, equipment or services used during the course of their studies. These could include specialist licence fees and materials, and protective equipment and clothing. These charges reflect the actual costs of the products and services to TAFE and are required as part of the training. Costs will vary within a course depending on the units of competency delivered, the stage of the course and whether the student is attending full time or part time. **The Board recommends that the Tribunal not regulate course related fees other than to require their full disclosure to students in advance of enrolment as is currently required of TAFE NSW Institutes.**

The Board wishes to emphasise the importance of increasing qualification completions in the VET sector. Nationally there has been considerable concern about the low level of completions in VET and the poor quality of graduates in the employment market. Since 2009, TAFE NSW has led the national policy agenda on increasing completions and has the highest number of completions relative to enrolments for students in AQF Certificate III level and above qualifications.

In 2010, based on the most recent national data on completions, TAFE NSW had the highest number of completions relative to students in qualifications at or above Certificate III level at 35.7 per cent compared with 31.8 per cent nationally. Also in 2010, TAFE NSW completions relative to students enrolled in qualifications at or above diploma level were 2.5 percentage points above the national average, 31.0 per cent compared with 28.5 per cent.¹⁹

TAFE NSW data show that, between 2008 and 2012, total completions by Aboriginal students enrolled in AQF Certificate III and above increased by 83 per cent from 1,436 to 2,628 (for all students in these programs, the increase was 40.5 per cent, or from 61,588 to 86,539).²⁰

These achievements follow a comprehensive program of state wide action research and the introduction of new corporate performance measures. Although there are many reasons why students don't complete – personal, financial, work related and family – TAFE NSW Institutes have implemented strategies to improve pre-enrolment information, teaching and support strategies, employer partnerships and systems to identify and support students at risk of attrition. **The Board recommends that the Tribunal determines base funding rates and payment schedules that encourage RTOs to ensure students complete their training.**

TAFE NSW data on fee increases (questions 8 and 9)

Data relating to TAFE NSW fees and core enrolments for the period 2003 to 2012 indicate that:

- fee increases in 2004 led to a decline in government subsidised enrolments by 13.0 per cent

¹⁹ TAFE NSW analysis based on NCVET national data collection (VOCSTATS)

²⁰ TAFE NSW Data Warehouse (unpublished)

- enrolments are sensitive to changes in the employment market with some increases during periods of increased unemployment, for example between 2008 and 2009 (during the global financial crisis) when unemployment increased from 4.6 per cent to 6.4 per cent, enrolments increased by 5.7 per cent
- in the initial years after fee increases, there was an increase in enrolments in less expensive and shorter courses
- increases in concession fees in 2013 (from \$53 to \$100) has led to a decline in concessional enrolments while enrolments in Special Access courses (which do not attract the TAFE NSW fee) increased.

TAFE NSW has also made a conscious shift in the profile of enrolments from lower level, and shorter qualifications, to higher level and longer qualifications. This is driven by the need to support more people to gain higher level skills, through undertaking qualifications at and above Certificate III level, to meet Commonwealth and State Government priorities and targets. There is a risk that the adoption of entitlement-based funding will reduce total government subsidies for this higher level training which may reduce enrolments.

Method for setting fees (question 10 – 14 and 20)

The Board endorses charging increased student fees for students studying at higher levels as this the current TAFE NSW policy. It is also consistent with relatively increased personal returns.

The IPART Issues Paper asks whether student fees should be based on the specific base prices of particular qualifications or the same percentage of the base price of all qualifications at a particular level (question 14). **The Board recommends determining student fees for qualifications at each level of the AQF as a fixed percentage of the averaged weighted costs of delivery for all qualifications at that level.**

If the fee is a percentage of the average qualification cost, it is likely to send a strong signal to students to enrol in the most appropriate training to their needs and vocational aspirations. If, however, the fee is based on the cost of an individual qualification, this will send a strong signal to students to enrol in relatively inexpensive training – and potentially flow on to RTOs' provision, regardless of whether this is linked to occupations in demand. For example, if a specific student fee was calculated for the Diploma in Electrical Engineering (1,440 nominal hours), it would be significantly more expensive to the student than the Diploma in Management (400 nominal hours).

The Board also prefers simplicity and certainty. Average costs and fees can be calculated by modelling the actual costs of delivery for all qualifications at a specific AQF level and then setting the fee at an agreed percentage for first qualifications and at a higher percentage for subsequent qualifications.

This approach could then be applied to concession fees, for instance these could be set at a percentage of the average cost of training for the qualification level.

By contrast with the approach recommended by the Board for setting student fees for full qualifications (average weighted costs of qualifications at each level of the AQF), student fees for publicly subsidised Skill Sets should be more closely related to the particular Units. Accordingly, **the Board recommends the Tribunal determines student fees for publicly subsidised Skill Sets as a percentage of the actual costs of delivery of the Units in the Skill Set without exceeding the full fee at each qualification level.**

The Board is concerned that the criteria for government subsidised training will exclude those who have previous higher qualifications even where these qualifications are no longer current. For example, individuals who are unemployed will be ineligible for an entitlement if they hold qualifications above Certificate III level. Similarly, recent migrants who may hold undergraduate degrees that do not provide a pathway to employment will also be ineligible for entitlements. It may be economically advantageous to the State, to ensure such groups can access appropriate vocational qualifications.

Setting fees for second and subsequent qualifications (question 15)

Experience interstate suggests the Tribunal may need to consider setting increased fees for a second or subsequent qualification, even where a previous qualification was not completed. This would deter students from enrolling in but not completing multiple qualifications. The Board also notes that, in South Australia, some funding is available to allow students to have additional attempts to complete a Unit.

The Board recommends that the Tribunal considers whether student fees can be discounted, or at least maintained at the initial lower rate, for individuals who wish to enrol in a subsequent qualification at the same or lower levels, where that subsequent enrolment/qualification is linked to identified skill shortages.

Determining fees for apprentices and trainees (question 17)

Numerous studies have found that Apprentices live below the poverty line, especially in their first year. In 2007, the Centre of Applied Research in Social Science Centre found:

“Apprentices are living on the margins of Australian society – the smallest misfortune, ill health, an unexpectedly large bill, or the theft or loss of wages, is likely to tip anyone living at this low cost standard into debt”²¹

When determining the fees for apprentices and trainees, the Board notes that the level of qualifications is determined by a Vocational Training Order and may not align with students’ or graduates’ remuneration. For instance, in the Community Services sector, qualifications begin at AQF level III but graduates earn comparatively low wages in part time and often temporary employment. In addition, apprentice and trainee employment can be relatively precarious. In 2010, 26.8 per cent of trade

²¹ Centre of Applied Research in Social Science (CARSS), 2007, *Living Standards of Apprentices*, page 2

apprentices and trainees and 15.2 non-trade apprentices and trainees did not complete their qualification because they lost their job or were made redundant.²²

Payment arrangements (questions 19 – 21)

If the approach recommended by the Board to establish specific prices for unique Units of Competence is adopted, there is no need to group Units. This would also make it possible for the NSW Government to pay for Units or part qualifications as the price would simply be the sum of the Units delivered. This approach would address the risk of providers choosing Units to maximise their profit margins. Further, it recognises the flexibility available in the design of qualifications which may include up to 25 per cent of Units imported from other Training Packages.

The Board notes that new business and billing systems will be required to support payments to training providers. If the Tribunal develops base prices as recommended, once new business and billing systems are implemented, payments to providers will be based on a simple calculation.

The Board recommends that arrangements are developed for the regular payments to RTOs, ideally fortnightly, based on the successful or unsuccessful completion of Units of Competence delivered. Providers would be required to submit reports and data that comply with the Australian Vocational Education and Training Management Information Statistical Standard.

By contrast, the risks of a start, middle and end payment regime is that RTOs may be funded for training they do not deliver and may also be encouraged to keep open a student record to capture additional payments, rather than to deliver real outcomes.

In addition, the Tribunal's proposed approach may not be suited to the VET environment where over 85 per cent of publicly funded students study part time. In 2012, over 93 per cent of TAFE NSW students were enrolled part time. TAFE NSW can provide data showing the percentage of students who change their pattern of learning from one semester to the next. Applying a lock-step payment system to RTOs delivering to a very dynamic student body will result in a large administrative load.

The Board notes experience interstate of questionable marketing practices distorting enrolments in programs that do not lead to employment. As the Tribunal is regulating fees, it may also give some guidance that will reduce the risks of unethical marketing. Accordingly, **the Board also recommends the Tribunal provides guidance regarding acceptable trade practices, including offering potential student inducements such as iPads, to avoid proxy competition on prices.**

As the Tribunal is analysing the individual returns to students completing qualifications, it may be possible to determine different cohorts of students' capacity to pay fees. This is particularly important for those students who will not have access to income-contingent loans to pay their fees. This analysis would help guide RTOs

²² National Centre for Vocational Education Research, 2010, *Apprentice and Trainee Destinations*, Table 5

determine how and when to charge fees. Accordingly, **the Board recommends the Tribunal provides guidance on acceptable student payment options, taking into account the different student cohorts, as described above.**

Reviewing prices (questions 22 – 25)

The Board notes that the Department has indicated it will review *Smart and Skilled* reforms a year after full implementation. This review should include fees and base prices to ensure it has not led to unintended consequences. The Board notes that interstate, following comparable reforms, governments have been required to make a number of changes following the initial reforms.

5. CONCLUSIONS

The Board supports policy reforms that improve training participation and completion rates, particularly for individuals who are disadvantaged, as well as reforms that contribute to the achievement of State and national goals.

The Board supports the Tribunal's review of fee and funding arrangements and the setting of efficient base prices, loadings and student fees for all publicly subsidised training. The Board and TAFE NSW senior executives are more than willing to share data and related information from extensive collections developed over many decades. This information could assist the Tribunal to refine its advice for the NSW Government.

The Board acknowledges the Tribunal is well placed, particularly given its previous advice on NSW training reforms, to guide the implementation of *Smart and Skilled* in a manner that ensures the sustainable, accessible provision of high quality training that supports the State's economic and social development.

The Board notes that the development of a training market has occurred over a relatively short period and that careful sequencing of reforms to date has avoided unintended consequences.

In NSW, there are more than 2,000 active RTOs, 750 of which receive public funding through the current Approved Provider List managed by State Training Services. This increased competition has been effectively managed to ensure the overall composition of training aligns with industry demand and delivery is sustainable.

During this period, TAFE NSW has responded by reducing costs while still increasing total delivery, including the delivery of relatively high cost training, and improving completions. TAFE NSW remains committed to being a "partner in the state's economic development" by increasing "the capacity of individuals to participate effectively in the workforce throughout their whole working life".²³

²³ Independent Pricing and Regulatory Tribunal, 2006, *Up-skilling NSW: How vocational education and training can help overcome skill shortages, improve labour market outcomes and raise economic*, page 53