

TAFE Directors Australia (TDA) appeared at the House of Representatives Standing Committee on Education and Employment: Public Hearing 16 July 2014

Following the Committee Hearing held on the 16 July 2014, TAFE Directors Australia ('TDA') received a letter from Mr Ewen Jones, Chair of the Education and Employment Committee, with questions on notice.

The secretariat requested a response to the questions on notice by 08 August 2014.

TDA's response to all HofR Committee questions is outlined below.

Q1 How do stakeholders, including students, business and government get the best value for money?

1.1 NEW AGE OF ENTITLEMENT

The question of TAFE 'value' has been challenged mostly by the effect of pricing and funding changes across the public provider (TAFE) network on industry and consumers, especially over the past two years. These changes followed an initiative led by former Prime Minister Hon Julia Gillard, who successfully encouraged states and territories at a COAG meeting in April 2012 to sign-up to a National Partnership Agreement on Skills (NPA), with reward payments of \$1.75 billion over four years. The NPA Agreement was based on Prime Minister Gillard's proposal for COAG to adopt an original Victorian Labor government pilot called the Training Guarantee, and proceed to a national roll-out of entitlement to training. This proceeded with little detail about its implementation. For example:

- Unlike the higher education sector with a commissioned study by Dr Jane Lomax-Smith, no base funding study of VET or TAFE was included;
- No agreement on which courses would apply to entitlement across states and territories;
- No agreement on quality guidelines; and
- No agreement on student or industry costs.

The experience of most jurisdictions, including Victoria, has been to re-direct VET funding to narrow skill areas of qualifications, lower fee contributions, and cost-shift (c/- Commonwealth student loans) to students, and fees to employers under apprenticeships and traineeships. The task of achieving 'value for money' under entitlement – public or private college delivery – will remain challenged as the NPA Agreement on Skills leaves open to jurisdictions which courses are included under entitlement, the public VET payment – all far from the original mission of an industry-led, national training system.

The Australian Standards Quality Authority (ASQA), when recently reviewing training in the aged care sector¹, reported on this 'minimalist' approach to delivery. The ASQA survey on aged care also found this extended to drastically reduced delivery times. ASQA found some one-third of Registered Training Providers (RTOs) issued certification of qualifications with tuition in 15 weeks or less.

¹ ASQA (2013). Training for aged and community care in Australia.
http://www.asqa.gov.au/verve/resources/Strategic_Reviews_2013_Aged_Care_Report.pdf

ASQA not only was critical of this 'low value for money' for public VET funded training, but commented how this unfairly impacted on TAFE institutes which offered the same courses over longer periods in order to meet aged care industry standards.

ASQA subsequently made recommends for minimal duration of courses for new learners as an essential requirement to ensure satisfactory safety standards, and value for money of VET qualifications.²

Under the Coalition government, more fundamental questions have been raised about 'entitlement' by Ministers Hockey, Macfarlane, Pyne and Ley. TDA supports recent calls by the Business Council of Australia for Canberra to re-assert its national leadership to support skills training, and bring more consistency, quality and value for parents and school-age or mature aged students choosing or pursue a vocational career.

1.2 STATE & TERRITORY VET FUNDING

The current funding regime across all states and territories is now generating disconnection not only with the needs of business and industry but the needs of students and governments.

The constant minimisation of funding levels (RE entitlement) means that RTO training providers are rewarded if they successfully find ways to minimise their expenditure (e.g. on governance, on staff, on resources, on time spent in delivering and assessing training, on student support, on educational innovation, and on the nature of skills being developed). This remains a major structural disadvantage to TAFEs which operate more frequently without price differentials in open market conditions. As ASQA has noted just in one review of one industry segment (aged care), delivery of high cost technical skills, requiring small class sizes and expensive equipment and facilities, essential for developing a productive society is being minimised or avoided. It also means that student support - so necessary for some young people, for people re-entering the work force or transitioning from one industry to another in response to changes in industry structures, or people with disability - is also being minimised or avoided.

The current funding approach is managed by state and territory jurisdictions, on a nominal hour pricing structure per student. This means that completion of a unit of competency attracts funding calculated by the agreed nominal hours at the specified rate. This rate is now set as a contribution to the cost of a student's training and in no case does the contribution cover the full cost. The actual rate is based on the assessed need for those skills as determined by state government agencies.

The expectation is that students will be charged the difference between the cost of training and the funding contribution. This drives a cost/pricing mentality for RTOs to only offer programs which are affordable or chargeable often at the expense of quality outcomes.

Given the qualification outcome is in theory the same no matter where it is gained, it also drives students to seek the lowest cost provider, or even no cost provider, irrespective of quality.

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1.3 ECONOMIC PROPOSITION

If we accept that the results of a high-performing Vocational Education and Training (VET) system are reflected in the economic performance and growth of a state, and in its sustainable social cohesion, then this premise provides a context to consider the question of value for money.

These outcomes require there to be a synchronicity of needs to be met; needs of government, the needs of industry and employers and the needs of individual students. Achieving the synchronicity of value propositions for each of these stakeholders is only one fundamental basis for success. The value proposition is of course inextricably concerned with money expended. Is it the best and most effective and efficient investment to attempt to achieve the satisfaction of all the stakeholders' expectations?

This is a complex question because achieving acceptable harmony between the sometimes differing aspirations of stakeholders is not easy and is one important reason why there is often a disconnect between the expenditure made in VET and the satisfaction of the different stakeholders. If the aim is to get to a point where all are satisfied, then arguably we have improvements to make.

The question is how to assure that these stakeholders are getting the best value for money and are satisfied with the value they receive from the resource investment in VET. TDA would assert that students, business and government get best value for money when education and training is provided in an educational environment that is well governed, resourced and well managed. This results in quality staff and resources and curriculum structures that enable the development of a broad set of technical, employability and life skills.

1.4 SUMMARY

A '**benchmark on quality**' based under ASQA will be critical to maintain Australia's reputation as a world-class TAFE sector.

Australia enjoys as part of its educational framework a worldwide reputation that TAFE forms a key part – and one of the top three public VET systems worldwide. Our public provider (TAFE) network remains a centrepiece of the VET system, and the Pyne demand-driven tertiary education reforms places TAFE as integral to pathways in the deregulated tertiary sector. This quality system will be important to nurture through this major demand-led reform.

For TDA, our approach has been to assert TAFE as a partner-of-choice to many regional and international tertiary education systems, and donor agencies, which increasingly rely on TAFE (via TDA) to support new technical college systems and curriculum in developing countries, along with English language support. A recent Austrade commissioned report by TDA, found that 45,000 Chinese students enrol each year IN CHINA COLLEGES AND POLYTECHNICS, to compete a TAFE/Australian qualification.

To date, the Commonwealth regulator ASQA has failed to articulate the special role of TAFE in a training market, nor the vast difference in risk proportionality between public and private providers.

A comparative issue was addressed in the early stages of TEQSA, when universities successfully challenged the **risk framework**, to re-balance regulation on risk and proportionality. In reality, both universities and TAFEs operate under similar sovereign risk jurisdictional regulation – as with community obligation as a prerequisite. Yet low risk for TAFE -- and major private and enterprise providers risk – needs urgent recognition by ASQA.

The reference to TAFE by the House of Representatives Committee itself illustrates how relevant this accompanying issue on regulation (RE costs) remains.

TDA argues that it is essential for the Commonwealth to oversee implementation of a more level playing field across regulation, and see how this is also enforced under the NPA Agreement, given the NPA Agreement stipulates ‘transition support for TAFE’ in the move to the market demand-led system.

Q2 Have you encountered this proposition of the fundamental disconnect before and, if so, how has it been previously addressed?

2.1 INDUSTRY CONCERNS ON VET SYSTEM

Yes. TDA has tracked an ongoing disconnection between the role of education and training providers, and the demands and needs of industry, students and government.

NCVER survey data consistently confirms high satisfaction levels of students and industry in accessing public and private VET providers. Yet surveys also show that satisfaction by industry with the VET system, and its qualifications, is in serious decline. Also in decline are enrolments and completions in apprenticeships– particularly in the core trade skills required for ongoing economic and industry productivity.

This dichotomy is important for the Commonwealth. The Commonwealth funds both the 11 Industry Skill Councils (ISCs) and the Australian Apprenticeship Centres. The NPA reward payment also allows the Commonwealth to form judgements on satisfactory implementation of entitlement, support for the TAFE network, and what is priced under entitlement, and the impact on industry.

2.2 ISC TRAINING PACKAGES

Over the past two decades a key mission of the ISCs has been the development of Training Packages, which has been funded by the Commonwealth. The ISCs operate under governance arrangements with appointment from industry and trade union councils or boards. This was designed to specify the competency requirements for the award of a qualification. However, seldom have RTOs been permitted on these boards.

TDA has observed that the result has become increasingly focussed on industry’s role in articulating the specific work and assessment requirements for a competent worker. This approach has meant that competency outcomes **rather than** learning approaches and pedagogy have been at the fore. The situation has remained, despite extensive research by NCVER and more recently AIG Group, and the Productivity Commission indicating that teaching and learning are essential elements of VET, and that literacy and numeracy issues for many VET learners makes it essential for support foundation

studies to be provided to enable satisfactory progress. In addition, Recognition of Prior Learning may be assessed rather than the full courses being delivered.

Training Packages developed by industry are predicated on assessment of work requirements and qualifications are made up of a specific package of units of competency. It has been noted that despite the desire of industry, the take up of many of the training package qualifications developed by industry is not high and that the bulk of enrolments occur in a limited range of qualifications.

Training packages were also founded on the premise that the achievement of competency cannot and should not be time dependent, unlike universities or schools where the curriculum structures have formal time for learning dimensions and specifications consistent with AQF volume of learning requirements.

The industry-led approach to Training Package development, coupled with the diversification and minimisation of funding allocations, has meant that some RTOs spend the barest minimum amount of time in providing training and assessment and student support i.e. reducing the learning and skills development time of students, and yet collecting the full allocation of funds from the funding authority. There are many references in the literature and media articles exposing this trend such as private colleges offering one-week Diplomas, or six week aged care or children's services certificates. This combined approach unfortunately creates lack of cohesion and credibility for tertiary education, and worse, encourages the development of delivery and assessment activities that require the students to learn off campus or off job without supervision or direction or resources or support. This approach also contributes in part to higher levels of non completions or student drop outs and equally importantly, lower levels of participation of people in need.

2.3 SUMMARY

It is nearly 20 years since the era of training packages began; the world moves on and the demands of the stakeholders move. TDA argues that it is time for an evolved approach to VET which marries the undoubtedly useful elements of the current model with an element of contemporary curriculum design. A hybrid model might better address a number of contemporary issues and provide opportunities to streamline and improve funding mechanisms.

Rather than being 'previously' addressed, the issue of a fundamental disconnect remains a growing issue. It is however not simply a matter of the funding mechanisms versus the industry or business expectations.

3. Can TDA propose a better framework for funding that would meet the needs of all stakeholders?

3.1 FUNDING OVERHAUL

Several recommendations are made in response:-

Overwhelming evidence indicates there needs to be more flexibility in VET funding to avoid further skills mismatch.

The national Board of TDA has proposed that, outside the areas of licenced trades, skill set funding should be allowed which in effect would provide more capacity for entrepreneurial skills formation beyond narrow the current approach of training packages. The skill sets being funded would still be

required to be subsets of training packages, however like multidisciplinary course in higher education, this gives industry the chance to guide their employees (usually VET students) on a variety of skills directly relevant to their workplace. This has been set out in a TD's policy position paper (Attachment 1).

More recently there has been an initiative by the UK Cameron Government in the UK to support more entrepreneurial training models.

The UK Government funded what it termed the 'Gazelle Group of Colleges', to pilot special workplace and IT-focused training to meet emerging employer skills needs (the Innovation Code³). More information is provided in Attachment 2 and <http://www.gazellecolleges.com/>

TDA also recommends:

- (i) Enforce not only VET Standards for regulation of RTO providers, but AQF guidelines on ***minimum duration of Training Packages for new learners, and guidelines on VET marketing***. These two issues will seek to deal with:
 - (a) As outlined by ASQA, fraudulent operators seeking to deliver Training Package qualifications without regard to learners understanding of the system, their capacity to do work experience, and their right to be judged competent without duress;
 - (b) Also outlined by ASQA, misleading and deceptive marketing. This could be trialled by ASQA establishing an industry marketing consultative board, which may be invited to meet regularly with the purpose to review marketing concerns referred by ASQA, or from reports by the general public or industry on VET qualifications and/or providers.
- (ii) That a base funding review be commissioned by the Commonwealth. This recommendation is based on evidence before this House of Representatives Committee that the NPA Agreement on Skills has not supported TAFE's in the transition to open market entitlement. That the key discrepancies found were:
 - (a) The funding regime of VET under entitlement across public and private registered RTOs, how variable were arrangements on the treatment of TAFE within this framework, and the capability to meet community obligation legislative requirements;
 - (b) For low-risk VET RTOs, regulatory duplication needs to be minimalised and the VET Standards from 1 January 2015 require a special low-risk segment to operate under delegations and self-governance. This would focus ASQA's remit on regulating high risk RTOs and audit investigations. Importantly, this may restructure the added costs to TAFE which are currently required to meet ASQA's full cost-recovery risk framework which treats all 4,700 Australian RTOs as 'one size fits all' in regard to risk.

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/279830/how_to_use_the_innovation_code_-_2013-14.pdf

Q4. TDA response to question on notice (Page 5 Hansard Transcript):

Mr Williams: "I know there have been some great case studies of TAFEs running courses overseas in China and there are also international linkages. There has been some success, notwithstanding your comment about it being mixed. What can be done better to help promote TAFE through the Australian government, Austrade or education marketing networks?"

TDA response to enhance and expand our offshore activity

There have been enormous gains by TAFEs operating as partners or in collaborative curriculum relationships with polytechnics and technical colleges in the Asia-Pacific, UAE, Latin America and African regions. A recent Austrade-commissioned report on offshore partnerships by TAFE (2014) was presented during Trade Minister Hon. Andrew Robb's Australian Week in China (see Interim report, see Attachment 3).

For example, in China, some 45,000 Chinese students enrol each year in a TAFE partner Australian course or qualification, graduate with BOTH their Chinese college qualification, and the TAFE Australian qualification – often supplemented with English language. This 'twinning' of qualifications brings value to TAFE operating offshore, and delivers for the China student/College better job prospects for those Chinese "C-TAFE" students. Now India, Indonesia and several other countries are seeking similar alignment with TAFE.

One hurdle we have identified is a lack of understanding by many in Austrade, that while the Australian university model was based on inbound students, TAFE has benefited by partnering with neighbouring technical colleges and/or their government agencies, seeking help to bring capacity and quality to their own technical college systems.

For instance, for China engagement, Australian universities received more than \$100 M over the past two years for China engagement and research. Yet the new **Australia China Centre for Skills Excellence**, which opened during the Australian Week in China with Minister Robb as a witness to the MoU for the new Centre, received no funding, and will rely on China government and industry support. Nor does the Australia China Council have a specific remit for skills and VET.

As the Business Council of Australia has articulated, we need to break the cycle of purely university focus, and make skills – inside and with our regional partner countries – a real priority. Accordingly, TDA has made several recommendations:

1. Enable TAFE institutes to apply for funding through the existing Government Partnerships for Development program. TAFE are currently ineligible to apply for these grants for between \$500,000 and \$3 m⁴;
2. Austrade to initiate a marketing campaign promoting TAFE expertise in consultancy work. Key areas include strengthening vocational education and training systems; developing occupational standards; workforce training for major events; college management and leadership;

⁴ Reference: http://aid.dfat.gov.au/business/other_opps/Pages/gpfd.aspx

3. Department of Industry to sponsor TAFE consortiums to bid for major offshore projects. For example, the UK Trade and Investment Department coordinated a successful £850 million bid to establish colleges in Saudi Arabia⁵;
4. Department of Education to extend the New Colombo Plan to TAFE students studying Bachelor Degrees or Advanced Diplomas. Our offshore partnerships with overseas colleges and industries provide significant opportunities for TAFE students to include overseas study and internships as part of their program; and
5. Department of Foreign Affairs and Trade to ensure Free Trade Agreements include education as part of any services agreement. For example, the China Ministry of Education has signalled a limit of three partnerships in China for any overseas education provider. This greatly restricts our ability to achieve economies of scale and operate in a free market.

For further information:

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⁵ Reference: <http://thepienews.com/news/uk-providers-win-850m-education-contracts-saudi-arabia/>