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## Submission

by the National Centre For Vocational Education Research (NCVER)

To

Committee Secretary, Senate Education and Employment Committees

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Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia

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### RESPONSE TO THE TERMS OF REFERENCE<sup>1</sup>

The National Centre for Vocational Education Research (NCVER) is an independent body responsible for collecting, managing, analysing, evaluating and communicating research and statistics about tertiary education and training.

With regard to inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia we provide background information to support the deliberations of the Education and Employment References Committee.

These comments are based on data from the national VET provider collection and student outcomes survey undertaken by NCVER, and relevant research also highlighted in a submission made by NCVER to the 2014 House of Representatives Standing Committee on Education and Employment *Inquiry into TAFE and its operations*.

#### VET system data

It is very important to recognise that, until 2014, private registered training organisations (RTOs) were not required to publish information about their fee-for-service training activity. Going forward, all Australian governments have agreed that information about all accredited vocational training will be collected and published. This is expected to generate significant benefits in terms of comprehensive, reliable and timely information to support policy decisions and regulation of the vocational training system, as well as future investment by governments, industry and individual students. The first total VET collection is currently underway and we expect to be able to report on it in the middle of 2015.

<sup>1</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Education\\_and\\_Employment/vocationalead](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/vocationalead)

Without full training data the breadth and depth of the volume of training and graduate outcomes across the entire system cannot be accurately measured. In time we will be able to map out both the training activity and estimate the outcomes of training across all accredited training. There will however remain limitations on the financial data collected from the system to that of the publicly funded VET system.

## **The public VET system**

In relation to access to Commonwealth and state public funding, this is very much driven by policy set by government. Over the last 5 years the number of publicly subsidised students<sup>2</sup> enrolled in private RTOs has doubled from 267,300 in 2009 to 537,600 in 2013 (NCVER 2014a). The number enrolled in TAFE<sup>3</sup> has remained fairly constant (between 1.25 and 1.3 million) between 2009 and 2012, dropping to 1.19 million in 2013 (NCVER 2014a<sup>4</sup>).

The total operating revenues available for the publicly funded VET system in 2013 were \$8519.1 million, an increase in nominal terms of \$116.2 million (1.4%) from 2012. Revenue from the Australian Government increased by \$374.6 million (17.2%) from 2012 while revenue from state and territory governments decreased by \$344.4 million (7.9%) from 2012 (NCVER 2014b<sup>5</sup>).

The characteristics of students enrolled in TAFE and publicly funded students enrolled with private RTOs are similar, although TAFE students are somewhat more diverse (NCVER 2014c). In 2012 TAFE was more likely to enrol students who were indigenous, have a disability, were from non-English speaking background, or who resided in remote/very remote areas. For publicly funded students at private RTOs the share of enrolments that are apprentices and trainees (37.3% in 2012) was more than twice as large as for TAFE (14.3% in 2012), perhaps reflecting the User Choice of training provider for apprenticeships and traineeships (NCVER 2014c).

## **Graduate outcomes from the public VET system**

Graduate outcomes are measured as part of the annual national Student Outcomes Survey. Currently, the survey measures outcomes of graduates from the publicly funded VET system<sup>6</sup>.

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<sup>2</sup> That is government funded training through the national agreements.

<sup>3</sup> The term TAFE also includes other government providers.

<sup>4</sup> Publicly funded training includes VET delivered by:

- TAFE and other government providers
- Multi-sector higher education institutions
- Community providers
- Private providers

It does not cover the following types of training activity:

- recreation, leisure and personal enrichment
- fee-for-service VET by private providers
- delivery undertaken at overseas campuses of Australian VET institutions
- credit transfer
- VET delivered in schools, where the delivery has been undertaken by schools.

<sup>5</sup> The financial data collection covers transactions that affect the financial performance, financial position and financing of the public VET system, administered or provided by the main training authority or training department within each state and territory, their public training providers and the Australian Government. Public funding for training delivery paid to private providers by the Australian Government and state and territory training authorities or departments is also included in this collection, including VET Fee Help.

<sup>6</sup> The scope of the Student Outcomes Survey is all students who completed their training with government funding as well as those students who completed their training with a TAFE as a full-fee-paying student. The survey currently excludes full-fee paying students who completed their training with a private provider. In 2014, we received responses from 20,420 government funded TAFE graduates and 9,270 government funded private provider graduates.

While comparisons can be made between the outcomes of graduates from government-funded TAFE training and graduates from government-funded private provider training, the diversity between these cohorts (as discussed above) need to also be considered. In addition:

- A higher proportion of government-funded TAFE graduates undertook their training for further study reasons than government-funded private provider graduates, at 6.3% and 1.7% respectively in 2014.
- A lower proportion of government-funded TAFE graduates were employed before undertaking the training than government-funded private provider graduates, at 68.1% and 72.2% respectively in 2014.

#### *Employment and further study outcomes*

Over the last five years (from 2010 to 2014) outcomes for government funded VET graduates have remained reasonably constant (NCVER, 2014d). In general:

- Similar proportions of government-funded TAFE and private provider graduates were employed or in further study after training, at 87.8% and 87.1% respectively in 2014.
- A lower proportion of government-funded TAFE graduates were employed after training compared with those from private providers, at 74.9% and 78.8% respectively in 2014.
- However, a higher proportion of government-funded TAFE graduates were enrolled in further study after training compared with those from private providers, at 38.1% and 31.7% respectively in 2014.

#### *Satisfaction with training*

Over the last two years, a slightly higher proportion of government-funded TAFE graduates were satisfied with the overall quality of their training compared with those from private providers, at 88.7% and 85.9% respectively in 2014.

#### *Benefits from training*

Of those employed before training, a higher proportion of government-funded TAFE graduates received at least one job-related benefit from the training compared with those from private providers, at 74.3% and 70.6% respectively in 2014.

#### *Improved employment status after training*

Similar proportions of government-funded TAFE and private provider graduates had an improved employment status after training, at 58.9% and 59.9% respectively in 2014.

Of those employed before training, a higher proportion of government-funded TAFE graduates were employed at a higher skill level after training compared with those from private providers, at 17.3% and 13.6% respectively in 2014.

Of those not employed before training, a lower proportion of government-funded TAFE graduates were employed after training compared with those from private providers, at 42.3% and 47.2% respectively in 2014.

Detailed tables are provided in Appendix 1.

## **Factors enabling effective transitions to work and further study<sup>7</sup>**

Regardless of type of training provider there are a range of studies indicating that well-established training providers with the capacity to develop effective relationships with employers are able to deliver better outcomes for VET students.

Effective provider engagement with industry can foster innovation and diffusion of new technology (Callan, 2004). Individuals and teams engaging in broader industry partnerships often promote more flexible training programs that yield good financial returns and staff development opportunities for both the RTO and the industry partner. Partnerships have also allowed experimentation and fine-tuning of practices, such as flexible and individualised training, customisation of training, blended models of delivery, the use of workplace assessors, and the mapping of competency development within existing workplace projects.

When managed well, apprenticeships and traineeships as a three way engagement between provider, employer and individual is also a powerful on and off the job learning experience. From the Apprentice and Trainee Destination Survey (NCVER 2009; 2010) and other studies (Cully & Curtain 2001) we suggest that the off-the-job training experience delivered by the training provider is not the main cause of non-completion.

Similarly, stable credit transfer arrangements are critical to the value of training for many students. Credit transfer arrangements are the subject of negotiation between VET providers, and universities or higher education providers. Effective arrangements rely on institutional relationships, which in turn rely on relationships between individual teachers and trainers at the faculty or school level (Robinson and Misko, 2003; Wheelahan, Moodie, Billet and Wells, 2009). Indeed, transfer in both directions between VET and higher education is common (Harris, Sumner and Rainey, 2005).

Providers should also have the capacity to develop effective relationships with employers, job network agencies and local communities to enable work-integrated learning and pathways to employment (Wyn, Stokes and Tyler, 2004; Barnett and Spoehr, 2008; Walls and Pardy, 2010).

## **International approaches to regulation**

Forthcoming research by NCVER looks at the regulation of VET both in Australia and overseas. Once finalised a copy of the final report will be made available to the Committee. In general, the principles and practices of regulatory and quality assurance systems for vocational education and training (VET), and other education sectors, at home and overseas are converging (Misko and Polvere, forthcoming 2015). Although the details of the regulatory processes followed may differ many of the issues confronted by and important to VET regulation in Australia are often being experienced in education and training systems overseas.

Common in many systems are provisions for: initial provider registration, and accreditation (including provisional registration or equivalent); frameworks for qualifications; institutional self-reviews (self study, self assessment) combined with external reviews (often including desk-top audits, on-site visits, and third-party assessments). In some countries site visits include observations of teachers and learners in institutions, as well as visits to employers and observations of learners at workplaces.

The adoption of objective measures on outcomes of performance for systems, providers and students is also gaining traction and encompasses student learning and competency outcomes, graduate destinations, and employer and student satisfaction with training. In some countries

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<sup>7</sup> This information was also highlighted in our 2014 submission to the House of Representatives Standing Committee on Education and Employment, Inquiry into TAFE and its Operations.

output measures (like numbers of participating students, teachers and employers and hours of training delivery) continue to be used to signal quality. Although there is increasingly a shift towards continuous improvement as opposed to a strict compliance with rules regimes in many systems, the need for and use of external accountability combined with internal quality assurance regimes remains high.

Risk-based approaches to reduce regulatory burden on the regulated and the regulator, and to improve the efficient use of resources, are also being commonly applied. This is especially the case for those systems which have given substantial independence and autonomy to providers. The identification of key risk factors helps regulators to establish audit or review schedules and to focus reviews on specific issues.

Not surprisingly the key quality standards and or quality areas in many quality systems cover similar issues. These include: ethical, legal and good business and financial management (including ownership, and financial sustainability); competent staff for administrative operations (including management and leadership); appropriately qualified teachers, trainers and assessors; accurate and timely information to be given to students prior to enrolment to enable them to make informed selections; and non-misleading marketing strategies.

There are also definite moves to increase the transparency of information about the expectations and outcomes of service provision supporting consumer choice. Across systems and sectors transparency initiatives are promoted as ways of helping governments, systems, providers and clients make informed decisions. Nevertheless, what are considered to be traditional approaches to ensuring quality continue to operate (for example, defined curriculum and qualifications, external examinations, and inspections). The use of mechanisms to regulate and quality assure providers eligible for government funding is also used in voluntary systems, as in the United States.

## **Conclusion**

There are some differences between the characteristics of students of TAFE, and those of private RTOs. Overall, TAFE students are more diverse. Nonetheless, based on analysis of publicly funded training activity and student outcomes it is clear that both TAFE and private training providers can provide effective vocational training leading to both employment and further learning.

The development of a competitive training market has the potential to encourage effective investment in training. However, there are clearly risks in a training market based purely on price and short-term funding contracts.

Some aspects of training require time to establish, including effective training provider relationships with employers, other education sectors, and local communities (in the case of TAFE Institutes over several decades, Goozee 1995). These support high quality training, innovation, and well-integrated student pathways to work and further learning. In turn, the development of this capacity has required a stable, supportive policy and funding environment.

The expansion of national VET systems data to now include not only publicly funded but also privately funded training from private RTOs is expected to provide significant benefits, including support of system quality and regulation. While the first collection of 2014 'total VET activity' is expected to be reported in mid-2015, it will take some further years before clearer evidence on VET system performance is available.

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**Appendix 1: Key findings for publicly funded VET graduates, ten-year time series (%), Student Outcomes Survey, unpublished data, NCVET.**

<b>Graduates</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Government-funded TAFE</b>										
Employed after training	78.6	79.9	80.7	80.4	77.3	75.9	77.4	76.1	74.8	74.9
Employed or in further study after training	89.8	90.0	90.7	90.7	89.0	88.0	88.7	88.3	87.5	87.8
Enrolled in further study after training	36.7	35.9	35.7	38.1	37.6	36.6	36.3	38.6	37.6	38.1
Satisfied with teaching <sup>4</sup>	89.4	88.8	89.7	89.7	89.9	89.5	90.5	91.3	90.4	90.1
Satisfied with assessment <sup>4</sup>	88.1	88.0	88.5	88.8	88.8	89.1	89.9	90.4	89.9	90.1
Satisfied with generic skills and learning experiences <sup>4</sup>	77.4	76.9	77.4	77.9	78.8	79.4	79.6	80.5	79.8	79.2
Satisfied with the overall quality of training	87.8	87.9	88.7	88.5	88.9	88.7	89.2	89.4	88.4	88.7
Fully or partly achieved main reason for doing the training	84.2	85.1	85.5	86.9	84.7	83.8	84.8	84.5	83.0	82.0
Of those employed after training										
Found the training relevant to their current job	74.5	76.1	77.5	76.4	77.3	77.5	78.4	78.2	80.0	76.3
Received at least one job-related benefit	81.1	78.1	76.7	78.5	76.3	75.0	77.2	76.9	76.1	74.3
Of those employed before training										
Employed at a higher skill level <sup>2</sup> after training	21.5	25.0	26.2	26.9	27.4	24.6	23.5	21.4	19.6	17.3
Of those not employed <sup>1</sup> before training										
Employed after training	50.0	52.2	52.3	52.1	45.9	45.0	46.2	44.3	40.7	42.3
Improved employment status after training <sup>5</sup>	66.3	66.3	65.9	67.3	63.1	61.1	63.3	62.0	60.2	58.9
<b>Government-funded Private Providers</b>										
Employed after training	85.7	86.5	88.9	86.8	84.0	78.7	79.3	78.9	80.2	78.8
Employed or in further study after training	89.6	91.0	92.2	90.9	89.8	85.3	86.4	87.4	87.8	87.1
Enrolled in further study after training	26.0	29.6	31.3	31.1	30.8	31.1	32.8	34.1	32.4	31.7
Satisfied with teaching <sup>4</sup>	87.6	87.2	90.2	89.9	91.3	91.3	91.5	92.0	89.7	89.6
Satisfied with assessment <sup>4</sup>	84.0	84.1	85.8	86.7	88.1	88.5	89.3	89.8	87.8	87.4
Satisfied with generic skills and learning experiences <sup>4</sup>	68.3	68.0	71.5	73.8	75.4	74.1	75.9	76.6	75.2	74.4
Satisfied with the overall quality of training	80.4	82.6	86.0	86.3	87.8	88.7	88.4	88.9	86.2	85.9
Fully or partly achieved main reason for doing the training	88.0	89.0	90.2	90.4	89.9	86.9	85.8	84.7	82.9	81.6
Of those employed after training										
Found the training relevant to their current job	80.1	78.9	81.2	82.6	84.6	83.2	83.6	81.5	80.9	79.2
Received at least one job-related benefit	78.2	76.5	76.1	77.3	77.6	74.4	76.3	74.2	71.3	70.6
Of those employed before training										
Employed at a higher skill level <sup>2</sup> after training	20.2	22.6	23.4	22.3	25.2	22.0	18.9	17.3	14.7	13.6
Of those not employed <sup>1</sup> before training										
Employed after training	61.8	66.2	74.0	65.3	60.1	51.6	51.8	52.4	48.3	47.2
Improved employment status after training <sup>5</sup>	69.4	70.5	72.3	70.9	69.0	62.6	64.3	63.3	60.5	59.9

Notes on table

- 1 'Not employed' is defined as unemployed (looking for full-time or part-time work), not in the labour force, or not employed (no further information).
- 2 These questions are not asked of students from community education providers. Therefore, the percentage reported represents the proportion of graduates or module completers, respectively, excluding those from community education providers.
- 4 Satisfied with teaching, assessment, and generic skills and learning experiences are derived by taking the average of the items under each heading in the questionnaire. Percentages are the proportion of respondents with average scores of 3.5 or higher on each scale. For more information see *Measuring student satisfaction from the Student Outcomes Survey* (<http://www.ncver.edu.au/publications/2492.html>) and *Data dictionary: satisfaction outcomes* (<http://www.ncver.edu.au/publications/2755.html>).
- 5 Improved employment status after training is employment status changing from not employed before training to employed after training OR employed at a higher skill level after training OR received a job-related benefit. An individual may have reported a positive response to more than one measure contributing to improved employment status after training.