

# **TAFE Queensland Position Paper – Review of the National Partnership Agreement on Skills Reform**

## Executive Overview

The Council of Australian Governments' (COAG) Industry and Skills Council decision to review the National Partnership Agreement on Skills Reform (NPA) represents an opportunity for the vocational education and training sector (VET) to engage in planning for the future direction of the sector. TAFE Queensland, as Queensland's largest provider of education and training and welcomes the opportunity to provide input to the review process.

The current NPA provided aspirational direction for the VET sector, however has not at this point in time delivered on key objectives including increasing participation and improving quality outcomes in the VET sector. Strategies implemented to increase participation have been based on increasing competition and reducing the price government pays for training through a contestable market place. This approach has generally been effective in reducing the price paid for training but on the evidence available it has not been effective in increasing participation or improving quality and student outcomes.

A key difference that needs to be acknowledged between Queensland's approach and other jurisdictions was upfront investment in a professional TAFE reform program to make the changes needed for the public provider to be sustainable and financially viable in a fully contestable marketplace. This program established TAFE Queensland as an independent, commercially focused training organisation which has performed well in its first year of operations in a fully contestable market.

While the NPA and associated reforms implemented since 2012 have led to the implementation of entitlement and more market based approaches to VET (as was the intention), these strategies have not been consistently implemented. This lack of consistency has led to confusion in the market and perverse outcomes, including fluctuating training participation and significant policy and funding changes in some jurisdictions. The result of this has been the eight system model, which the Australian VET system now represents.

TAFE Queensland acknowledge the importance of providing states with autonomy to address localised skills shortages, however any future agreement needs to move the sector further toward a consistent policy and funding approach to support national economic growth as opposed to further entrenching the current eight system approach.

When reductions in government funded participation are considered concurrently with significant rises in VET FEE-HELP it can be concluded that there is a significant cost shift occurring within the VET sector from government to students. Furthermore, when lower level data on government funded participation rates by qualification level are considered, it can be seen that training purchased by state governments has shifted to focus on Certificate III and below qualifications and students are increasingly using income contingent loans through VET FEE-HELP to access higher level qualifications at diploma and above levels.

VET FEE-HELP is also distorting the market in Queensland by way of many providers opting to offer higher level qualifications through full fee for service VET FEE-HELP income contingent loans rather than government subsidies, resulting in higher long-term cost for students. This is due in part to significant reductions in state government subsidies for higher level qualifications.

A worthwhile consideration when reviewing the outcomes of the NPA is whether the qualifications profile that is emerging from the strategies implemented under the NPA (including entitlement) have optimally aligned outputs of the training system to the skill needs of emerging industry and growing productivity in national, state and territory economies.

Looking to the future of Australia's VET sector, new arrangement(s) need to establish stable and consistent funding to the VET sector in order to deliver steady and sustainable growth in participation – and therefore supply of skills to the economy. Said another way, this will encourage participation in VET and promote outcomes in terms of individual benefits, industry benefits and increases to the Australian skills base leading to increasing competitiveness in a global economy.

In addition to stable, sustainable and long term investment, quality needs to be at the foundation of any future agreement. It is acknowledged that quality is one of the key components of the current funding model, however it is important that all policy levers utilised are targeted at strengthening the quality of the sector. This provides the sector with clarity that this is the primary goal of VET reform moving forward.

A key contributor to quality is consumer information and improving the level and utility of this information needs to also be a focus of any future agreement. Specifically, the creation of an informed market should be the next goal of VET reform. This evolution of the market will supplement the diversification within the industry that has already been achieved and can be attributed in part to the current funding arrangements.

These factors need to be complimented by a conscious focus on the ongoing development of a highly skilled and professional workforce, which is undoubtedly an important component of the quality puzzle. One way that this could be supported is through the establishment of the long overdue national VET professional association. It is through this kind of initiatives that the sector will continue to progress.

In summary, given the significant progress made by all jurisdictions to implement the market based reforms, it is recommended that the focus of a future national VET sector strategy is on shifting the foundation of the contestable VET market from low cost to high quality. This shift along with an ongoing, well planned approach to Commonwealth and State Government investment in the sector should be the starting point in relation to any new agreement.

### **Key Recommendations**

TAFE Queensland make the following recommendations for the Minister's consideration to inform the Minister's participation in the COAG Industry and Skills Council deliberations regarding the NPA:

1. *Continuing to develop nationally, a market for vocational education and training with clearly stated outcomes and transparency in stated objectives, measuring and reporting.*
2. *Development of a long term national further education and training strategy that establishes a clear direction for evolution of the sector is required with clear, outcomes based measures.*
3. *A stable future funding framework, which is reflective of the importance of VET to the Australian economy, should form the centrepiece of future policy directions for the sector.*
4. *Increasing consistency of policy and funding settings to improve the operation of the sector for the benefit of students, national and multinational employers and large training providers.*
5. *Counterbalancing the role price currently plays in training delivery with student outcomes, industry relevance and quality.*
6. *Clearly identifying and correctly pricing/costing non-market services and cost disadvantages in the VET market.*
7. *Provide a clear statement on the role of TAFE within the VET sector, including its role in providing a benchmark for quality.*

**Purpose:**

The NPA is due to expire on 30 June 2017 and on 8 May 2015 the COAG Industry and Skills Council agreed to undertake a review of the agreement.

The purpose of this document is to provide TAFE Queensland's input into the ongoing review of the NPA being undertaken by ACIL Allen, which has been engaged by the Commonwealth Government. This written submission will supplement a meeting between TAFE Queensland and ACIL Allen on 6 October 2015.

**Introduction**

The National Agreement on Skills and Workforce Development (NASWD) and the NPA are the two key funding instruments for Commonwealth investment in the vocational education and training (VET) sector. Long term strategic investment in skills and training is a critical component of both Queensland and Australia's future economic prosperity. Additionally, a range of studies have identified that the return on investment in VET is significant. One such study commissioned by TAFE Directors Australia identified the internal rate of return on additional investment in VET, targeted at Certificate III and above as 18 percent<sup>1</sup>. This compares to an approximately 9 percent return on additional investment within the business sector.

This return on investment is only likely to increase as the Australian economy undergoes significant structural changes, illustrated most recently by the Centre for Economic Development of Australia (CEDA) 'Australia's future workforce?' report, which has modelled almost five million jobs (approximately 40% of the workforce) as having a high probability of being replaced in the next 10 to 20 years<sup>2</sup>. The report goes on to note that key to dealing with these changes will be ensuring the skilling needs of redundant workers are met.

**Queensland VET Reform**

The VET sector in Queensland and nationally has undergone a raft of significant and rapid reforms during recent years. Some of this reform has been driven nationally and other components have been driven at a state level.

Importantly, in the context of evaluation, the strategies implemented to increase participation have in the main been based on increasing competition and reducing the price government pays for training through a contestable market place. This approach has generally been effective in reducing the price paid for training but on the evidence available it has not been effective in increasing participation or improving quality.

The NPA and its associated implementation plan committed Queensland to a number of reform measures and allowed flexibility for the State as to how the specified reforms would be implemented.

Queensland's approach to skills reform was based on the recommendations from the Skills and Training Taskforce review of vocational education and training and the recommendations of the Queensland Commission of Audit.

From 1 July 2014, initiatives contained in the *Great Skills. Real Opportunities* five year VET action plan were implemented including the transfer of TAFE Queensland land, buildings, equipment, training material, aides and other assets to the Queensland Training Assets Management Authority (QTAMA); implementation of 100 per cent contestability for government subsidised training; complete fee deregulation with no requirement to impose student fees and removal of the previous circa 10% regulated fee; as well as a new VET investment framework with varying levels of government subsidy for a lower number of subsidised training courses. A key

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<sup>1</sup> Independent Economics, *Cost-benefit analysis and returns from additional investment in Vocational Education and Training*, (TAFE Directors Australia, 2013).

<sup>2</sup> Committee for Economic Development Australia, *Australia's future workforce?*, (Committee for Economic Development Australia, 2015), p.6

difference that needs to be acknowledged between Queensland's approach and other jurisdictions was upfront investment in a professionally developed TAFE reform program to make the changes needed to be a sustainable and financially viable organisation in a fully contestable marketplace.

As a result of the reform program, TAFE Queensland was established as an independent, commercially focused statutory body and has been successful in improving its financial sustainability and revenue diversity, while significantly increasing its utilisation of built infrastructure. These reforms have delivered increased efficiency and staff productivity.

TAFE Queensland has achieved this through a dedicated transformation program completed in June 2014 resulting in:

- the establishment of one TAFE Queensland with a network of six regions delivering quality training from Thursday Island to the Gold Coast, from Bundaberg to Roma and across the South-East;
- appointment of an independent board and implementation of effective corporate governance arrangements including a board committee structure and risk management framework;
- consolidating TAFE Queensland's infrastructure footprint, focusing services to where industry and communities need them most;
- a wholesale review of program and service offerings to align program delivery to community demand and government funding priorities; and
- the launch and establishment of a TAFE Queensland brand that focuses on raising the profile of VET and contemporising TAFE Queensland's offerings to the market.

#### **Assessment against NPA outcomes:**

The NPA, which was entered into by states/territories and the Commonwealth in 2012, is central to the reforms undertaken within the VET sector in recent years.

The four key outcomes that were sought through implementation of the NPA are as follows:

1. More **accessible** training for working age Australians and, in particular, a more **equitable** training system, which provides greater opportunities for participation in education and training
2. A more **transparent** VET sector, which enables better understanding of the VET activity that is occurring in each jurisdiction
3. A higher **quality** VET sector, which delivers learning experiences and qualifications that are relevant to individuals, employers and industry
4. A more **efficient** VET sector, which is **responsive** to the needs of students, employers and industry.

Central to any review of the NPA with a view towards setting the future strategic direction of Australia's VET sector is an assessment against the stated objectives and reform directions of the agreement.

#### 1. More accessible training for working age Australians

The NPA has achieved introduction of entitlement funding models in each jurisdiction and facilitated a shift to more open and competitive markets in some jurisdictions as well as expanding access to VET FEE-HELP.

A key concern is the inconsistency in which different entitlement models have been implemented in different jurisdictions and the associated confusion this has caused in the market and for consumers of VET. For example, Victoria, South Australia and Queensland are the only three jurisdictions that implemented full contestability for public training funds.

In Victoria and South Australia, initial implementation of entitlement included uncapped funding and relatively open eligibility criteria. This approach significantly increased training participation in these jurisdictions and led to reviews of these funding models which subsequently resulted in increased eligibility requirements and funding restrictions to reduce a rapidly expanding cost to government.

In both these instances there was substantial additional state government investment in training for a short period of time that increased training numbers followed by a reduction in investment and training numbers. In 2015 South Australia has moved away from full contestability and Victoria has signaled an intention to move away from full contestability during its ongoing VET funding review.

In Queensland the 2013-14 VET investment framework introduced Queensland's approach to entitlement, the Certificate 3 Guarantee. From 1 July 2013 full fee deregulation and partial contestability was introduced under the framework with full contestability of government funding implemented from 1 July 2014.

Queensland's VET investment framework included a cost disadvantage grant paid to public training providers to offset the additional cost public providers bear (mainly in relation to staffing salaries and conditions) in comparison with private training providers. This approach assisted in establishing an even playing field between providers and Queensland was the first state to introduce the concept of transparently recognising the cost disadvantage borne by public providers and neutralising it. Subsequently there has been interest in this methodology from other jurisdictions including NSW and Victoria as part of their skill reform programs and reviews.

Queensland's Certificate 3 Guarantee was implemented within a fixed budget and included funding controls (or levers) of reduced eligibility for government subsidised training, a reduction (from approximately 700 qualifications to less than 400 qualifications) in government subsidised courses and a varying level of government subsidy aligned to industry training priorities.

In addition to this TAFE Queensland as a public provider of VET receives an annual grant from the Queensland Government in acknowledgement of the differential in the cost base of public providers when compared with private providers of VET. In addition to this the 2015-16 Queensland budget identifies \$34 million in funding over three years to support the 'Rescuing TAFE' package with circa \$22 million over three years in funding for TAFE Queensland.

An important consideration for Queensland is whether or not entitlement has increased access to training. Anecdotally, there was no evidence of unmet demand for qualifications covered by the VET investment plan prior to the Certificate 3 guarantee and given that overall training output has reduced since 2012, it may be observed that the entitlement has not increased access to training for Queensland students. In part, restricted eligibility (or the up-skilling requirement) of the Certificate 3 Guarantee has contributed to this with approximately 13% of students (whom at the time held higher level qualifications) being restricted from accessing the Certificate 3 guarantee due to ineligibility.

Based on National Centre for Vocational Education and Research (NCVER) data, this approach in Queensland appears to have been effective in increasing participation and student numbers between 2013 and 2014 (by 4.9%) however this increase has not made up for the reduction of -13.4% in 2013, resulting in a net decrease of 9.14% between 2012 and 2014 as illustrated at Table 1.

When the increases in Queensland student numbers between 2013 and 2014 are broken down by qualification level, participation at the Certificate III level increased by 20.3% from the previous year to 154,000 students or approximately 60% of total participation in government-funded students in Queensland in 2014. This increase

drove an overall rise in government-funded students in Queensland across 2014, however this trend did run against declines in participation at other qualification levels and illustrates the role that the introduction of full contestability and the Certificate 3 Guarantee played in shaping supply and demand in the Queensland training market. In particular, the use of low cost (to students) training and Recognition of Prior Learning (RPL) has driven much of this increase in training participation, which is not sustainable in the longer term within a quality investment framework.

**Table 1: Number of Government Funded VET Students - Queensland**

	<b>2012</b> '000	<b>2013</b> '000	<b>2014</b> '000
<b>Number of Students (Qld)</b>	290.7	251.9	264.1
<b>Change from Previous Year</b>		-13.4%	4.9%

Source: NCVET Government-Funded Students and Courses 2014 data

By comparison, other jurisdictions including New South Wales, WA, ACT and Tasmania have implemented entitlement funding models with varying degrees of contestability.

This inconsistency has led to perverse outcomes including reductions in quality outcomes for students and employers as well as flat-lining or reducing participation in government subsidised training within many jurisdictions and nationally. It is important to note that this data does not include the majority of VET FEE-HELP training and if these students were added to the government subsidised training figures participation rates would appear differently.

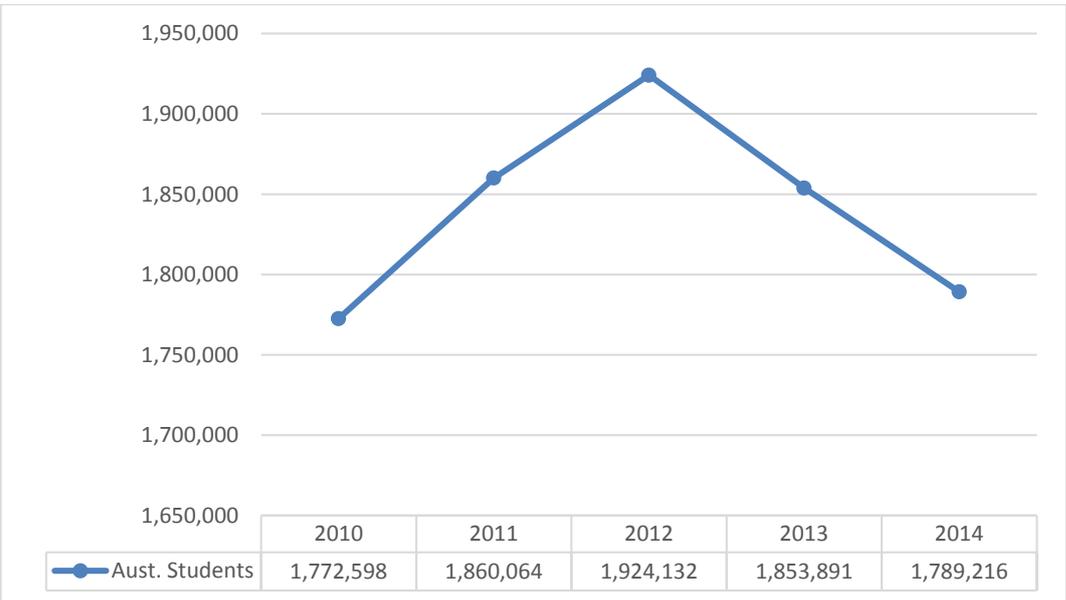
Participation is a key measure of training accessibility.

Graph 1 illustrates the decline in government-funded<sup>3</sup> student participation nationally since 2012 and Graph 2 illustrates the changes and overall decline in government funded student participation in Queensland over the period 2010 to 2013 and as noted an increase in 2014.

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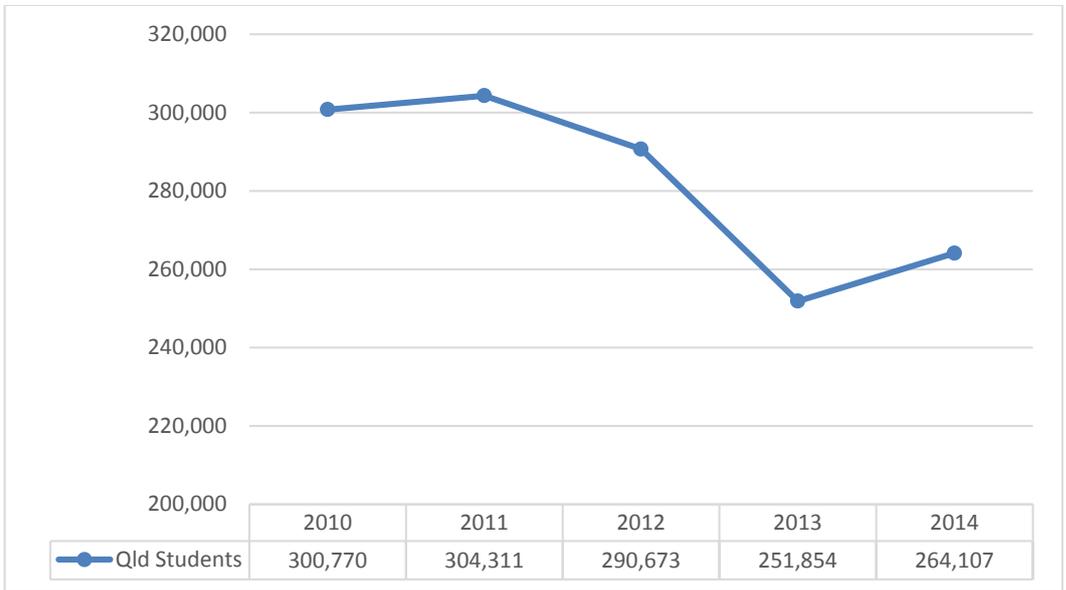
<sup>3</sup> Government funded students includes all government subsidised training places as well as all fee-for-service undertaken by public providers. It excludes all fee-for-service delivered by community and private providers.

**Graph 1: Government-Funded Participation - Australia**



Source: NCVET Government-Funded Students and Courses 2014 data

**Graph 2: Government-Funded Participation - Queensland**



Source: NCVET Government-Funded Students and Courses 2014 data

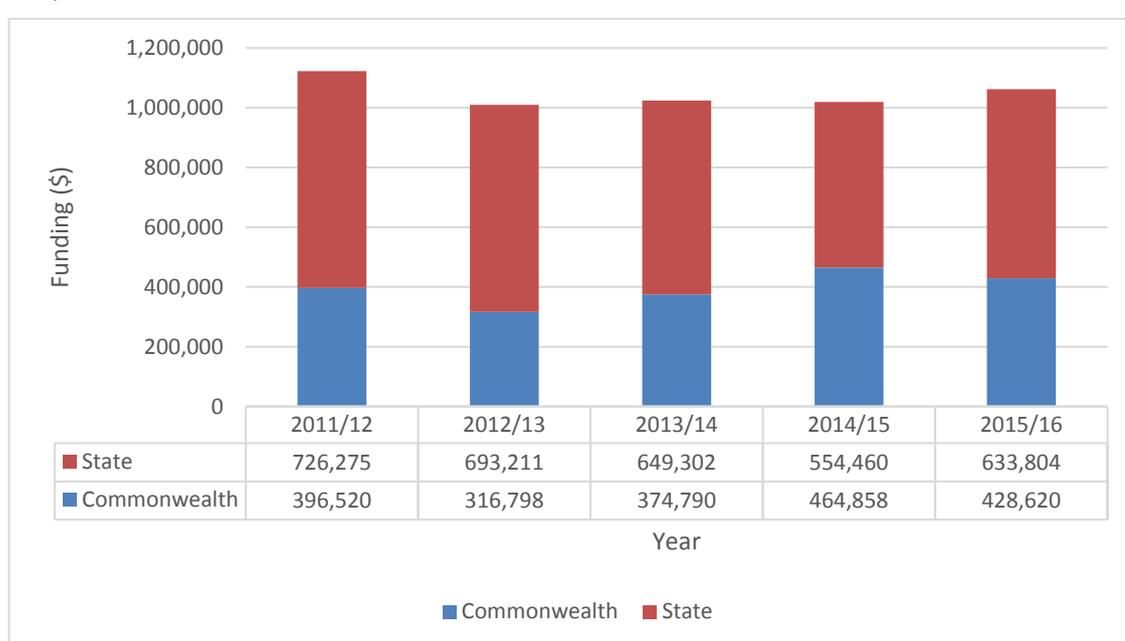
While market based approaches for VET have been implemented in all jurisdictions, there remains a strong correlation between the level of government investment in training and participation.

Graph 3 shows fluctuation in Commonwealth funding for the Queensland VET sector as a result of varying levels of training funding provided through the NPA. When comparing participation trends in Graph 2 against investment in Graphs 3 and 5 there is a clear correlation between changes in NPA funding profiles and rates of training participation.

A key issue under the NPA was a significant reduction in Commonwealth funding over the first three years of the NPA with the balance of funding aligned to the out years of the agreement. While this approach (combined with additional State Government funding recently announced) will likely lead to increases in training over the next two years, fluctuation causes confusion in the market, impacts on providers capacity to grow the training market and does not facilitate a consistent and reliable flow of skills to employers, industry and the economy more broadly.

Graph 3 below shows total government investment in training and skills in Queensland broken down by State and Commonwealth contribution for the period 2011-12 to 2015-16. Again, comparing the funding profile against participation profiles demonstrates the correlation between government investment and participation. Additionally, it illustrates the stagnant funding profile for VET in Queensland, which has been largely driven by decreasing investment at the state level in recent years.

**Graph 3: State and Commonwealth investment in VET in Queensland**

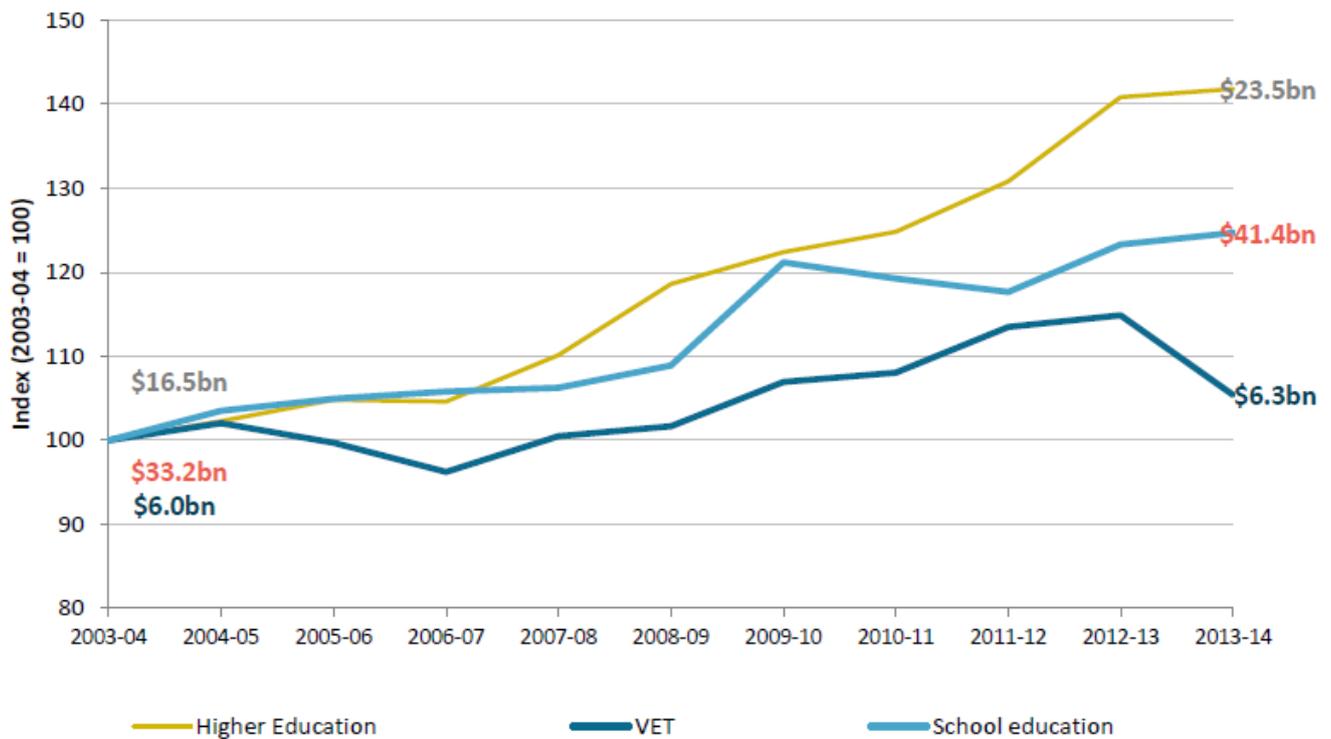


**Notes and source:** State and Commonwealth investment in training and skills as reported in the Queensland Department of Education and Training Service Delivery Statements with other revenue and user fees and charges removed. These figures also exclude Commonwealth expenditure on VET FEE-HELP.

Studies undertaken by the Mitchell Institute illustrate the differing approach of all levels of government, including the Commonwealth, when it comes to education funding. This study identified that while higher education (40%) and schools funding (23%) have enjoyed medium to high growth from 2003-04 to 2013-14, VET funding received contextually modest growth of 5% over those eleven years. VET funding was impacted by a sharp decline in 2013-14<sup>4</sup>. The Mitchell Institute also identifies significant differences in the investment of individual states over the study period. This is due to VET sector funding being heavily reliant on the states, which leads to differing outcomes across the country as state governments differ in their prioritisation of the VET within an increasingly tight fiscal environment<sup>5</sup>. The differing funding outcomes within the education sector is shown in Graph 4 (as reported by the Mitchell Institute)

<sup>4</sup> Noonan et al, 'Expenditure on education and training in Australia', (Mitchell Institute, 2015), pp.4-5

<sup>5</sup> Noonan et al 'Expenditure on education and training in Australia', (Mitchell Institute, 2014) pp.6-7

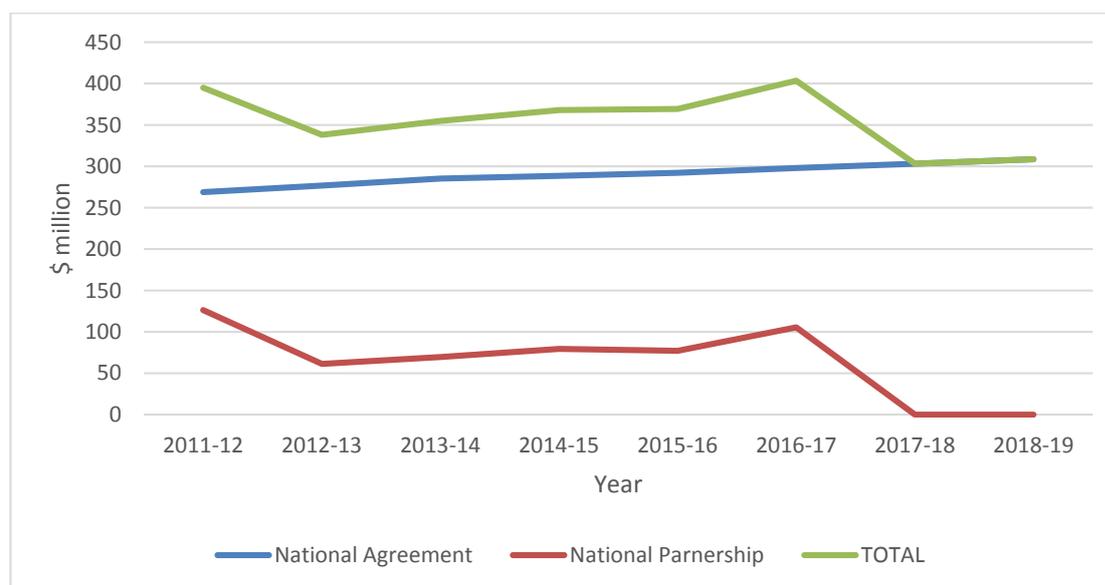
Graph 4: Expenditure on Education by Sector 2003-04 to 2013-14 <sup>4</sup>

ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

Note: School expenditure includes all expenditure on government schools (including private contributions) and

As shown in Graph 5, current Commonwealth Budget forward estimates show that Commonwealth funding for VET in Queensland will decline by more than \$105 million in 2017-18 due to the expiry of the NPA. This represents both a risk and an opportunity for the Commonwealth Government to ensure long term funding stability to the VET sector.

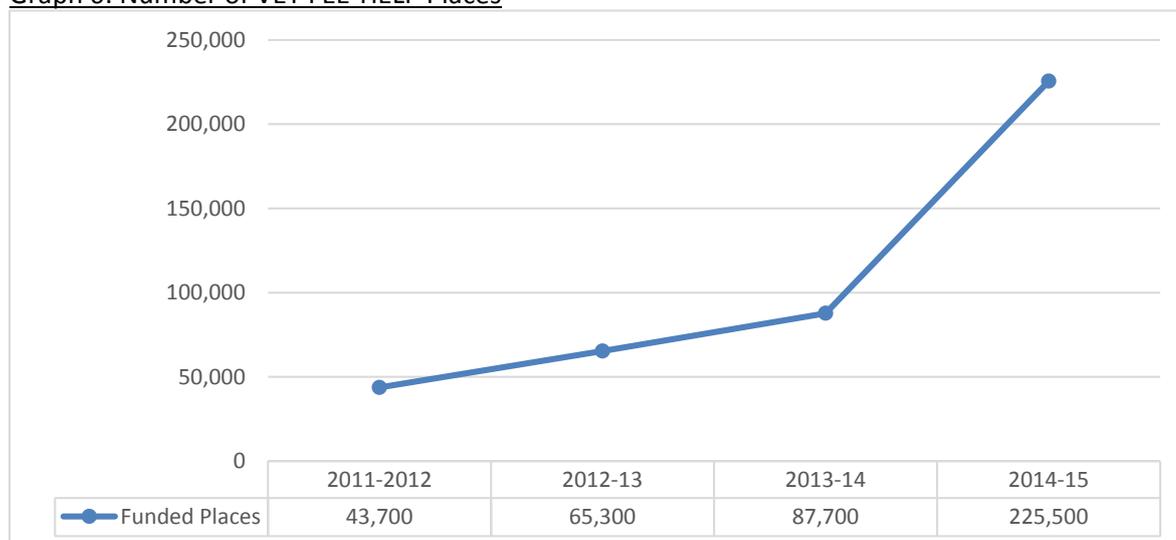
**Graph 5: Commonwealth investment in skills and training in Queensland 2011-12 to 2018-19**



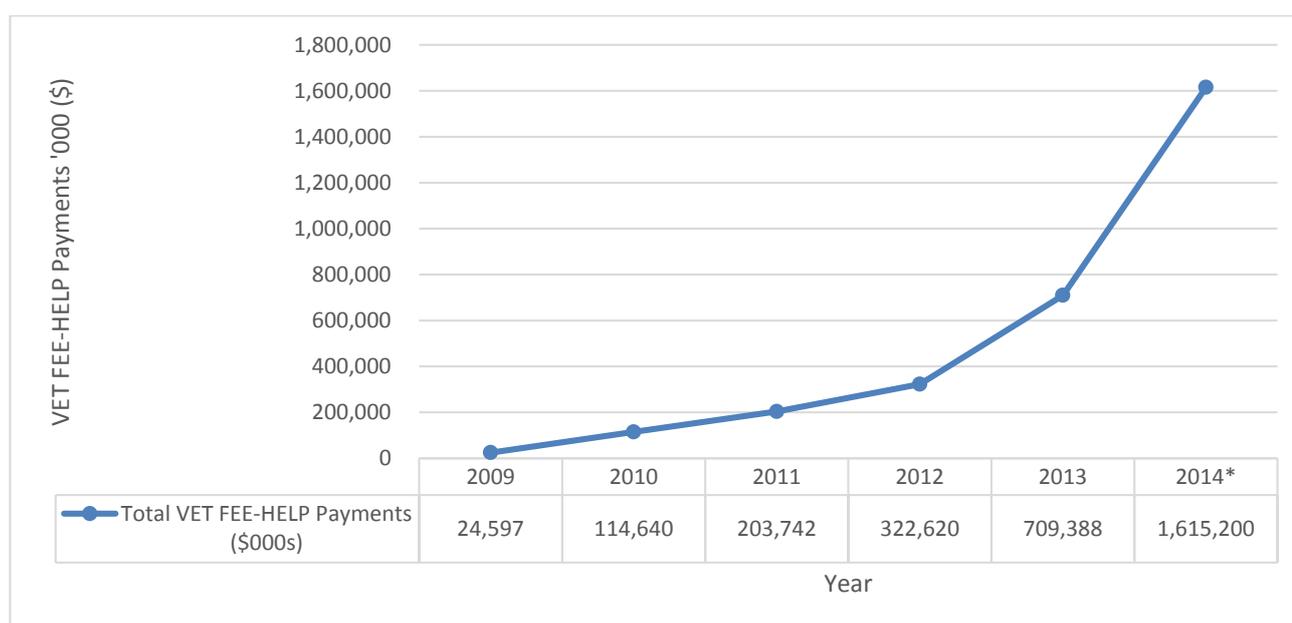
**Source and notes:** This graph has been created from Commonwealth budget papers and shows Commonwealth Government investment in training under the Intergovernmental Agreement on Federal Financial Relations which consists of funding through the National Agreement on Skills and Workforce Development and the National Partnership Agreement on Skills Reform. The NPA on skills reform concludes 30 June 2017.

The VET sector is strategically critical to Australia's ongoing economic prosperity and growth. The above illustrates a need to refocus on long term and stable funding frameworks, which are targeted at supporting economic development and which provide certainty.

When considering the relationship between government funding and participation it is important to acknowledge that VET FEE-HELP in the majority of cases is not captured in government-funded student participation data (in instances where there is no government subsidy and the student uses an income contingent loan to meet the full fee for service cost of training). VET FEE-HELP is nevertheless an important element of the changing funding base of the VET sector. Since its introduction in 2008, Commonwealth Government funding for VET FEE-HELP has grown at an extraordinary rate from \$25m in 2009 to an estimated more than \$1.6 billion in 2014 (YTD to July in 2014). In regards to the increasing role that VET FEE-HELP is playing in driving participation and for that matter funding of the sector. Commonwealth budget papers illustrate an increase of 160,200 VET FEE-HELP places between 2012-13 and 2014-15 and this has been reflected in sharp increases in enrolments in recent years. This growth is illustrated in graphs 6 and 7.

**Graph 6: Number of VET FEE-HELP Places**

Source: Commonwealth Budget Portfolio Statements

**Graph 7: Historical and estimated growth in VET FEE-HELP 2009-2014**

**Source and notes:** This graph has been created from the 2013 VET FEE-HELP Statistical Report from the Commonwealth Department of Education (2010 – 2013) and estimations for 2014 based on Minister for Industry (2014) Response to Question on Notice No.769, 17 July 2014 as reported by the AEU. \* Comprising payments to July 2014 and expected to be higher at year's end.

In summary, while the NPA and associated reforms implemented since 2012 have led to the implementation of entitlement and more market based approaches to VET, these strategies have not been consistently implemented. This lack of consistency has led to confusion in the market and perverse outcomes, including fluctuating training participation and significant policy and funding changes in some jurisdictions.

Additionally, when reductions in government funded participation are considered concurrently with significant rises in VET FEE-HELP it can be concluded that there is a significant cost shift occurring within the VET sector from government to students, without a significant growth in overall participation. Furthermore, when lower level data on government funded participation rates by qualification level are considered, it can be seen that training purchased by State Governments has shifted to focus on certificate III and below qualifications and students are increasingly using income contingent loans through VET FEE-HELP to access higher level qualifications at diploma and above levels. These outcomes are driven by the current funding and design of the VET market.

Of concern in Queensland is the growing gap between lower level entry qualifications (Certificate III and below) and VET FEE-HELP eligible qualifications at Diploma and above. Anecdotally, many of the skills and skill sets needed to improve productivity in skilled employment and related occupations are at the Certificate IV and above level. Many Certificate IV qualifications are targeted at supervisory skills. Analysis of productivity lag has identified previously that supervisory and management skills are contributing to the deficit or drop in productivity. This means that potentially the current approach to purchasing misses an opportunity to grow and build the capacity of Queensland's workforce to increase productivity. Compounding this issue is the likelihood that the trial of VET FEE-HELP for Certificate IV level qualifications is expected to lapse leading to a gap in any form of government support for Certificate IV level qualifications.

A worthwhile consideration for the COAG Industry and Skills Council when reviewing the outcomes of the NPA is whether the qualifications profile that is emerging from the entitlement funding model is optimally aligned to the skill needs of emerging industry and growing productivity in national, state and territory economies. Additionally, a perceived reduction in quality across the industry has the potential to erode confidence in the sector and reduce industry investment into the future.

## 2. A more transparent VET sector

In September 2015 the National Centre for Vocational Education Research (NCVER) is expected to release for the first time a complete picture of training (government funded and fee for service) following the introduction of the Unique Student Identifier and requirements for registered training organisations to report all training activity. This information will be an important tool for policy makers into the future and will provide a better and more detailed picture of overall training activity and investment in training from government and non-government sources.

In Queensland transparency has also been increased through purchasing arrangements which have established a single price paid to training providers as well as a specific cost disadvantage grant that recognises the additional costs (mainly associated with staff pay and conditions) that TAFE Queensland bear in comparison to private training providers.

While reform of Queensland's public provider has increased transparency, looking nationally across Australia the different approaches to funding of public providers and the roles expected of public providers is not clear. In this regard, TAFE Queensland's enabling legislation is clear on its functions and that any community service obligations (or non-market services) are to be specifically agreed and funded. In other jurisdictions including New South Wales and South Australia, there are explicit statements about the role of public providers in delivering community service obligations, without clarity of the funding arrangements for them.

Nationally there is support for defining a consistent role for public providers. A key recommendation of the Australian Parliamentary Committee Report 'TAFE: an Australian asset' was for the Australian Government through COAG to make a value statement "...comprehensively defining the role of TAFE within the VET sector

together with its future direction in the competitive training market, from a national perspective..."<sup>6</sup>. Taking a national approach to the role of VET in a manner comparable to the University sector in Australia and international approaches to the VET sector, particularly in Western Europe is one way of achieving this outcome.

Establishing public providers with a consistent role and purpose and as cornerstones of the VET sector that set the benchmark for quality should be a focus of negotiations for arrangements post the current NPA.

### 3. A higher quality VET sector

The Queensland VET sector has gone through a range of reforms, not least of which being the introduction of full contestability of government funding from 1 July 2014 and the deregulation of fees. These reforms have increased consumer choice and diversity within the sector, however quality concerns have emerged within this period as a result of the rapid reforms and the development of a larger and more diverse training market

While student and employer satisfaction rates remain high and stable, it is important to note that data collection timeframes for these measures mean that there are long lag times (the most recent NCVET student satisfaction data is based on surveys undertaken in 2013) between changes in the measures and when the data will show more recent concerns in relation to quality in the VET sector, which have increased significantly within the last 12 months

Concerns regarding VET quality have been regularly expressed publically and examinations of quality are both beneficial (if they manifest in a meaningful discussion and renewed focus on quality in the sector) and damaging as they reduce public trust in the VET sector generally.

Based on Queensland's experience and approach to market based reforms, the design of the market based on price combined with a relatively uneducated consumer base has resulted in a price sensitive market where consumer decisions are in the main made on the basis of cost rather than quality or value for money. In this regard there are existing and emerging quality issues in Queensland's training market. Examples of these issues include:

- volume of training (i.e. the length of time taken to complete a course as recommended by industry);
- teaching and assessment quality;
- monitoring and speedy resolution of unscrupulous marketing practices;
- effective control of brokers and brokering activity prior the Commonwealth's recent guidelines and regulation;
- low cost training offerings where the price paid for training could not meet the cost of delivery of a quality training product (this is interconnected with the first point);
- pressure being placed on quality providers, such as TAFE Queensland to reduce their cost base to remain competitive; and
- anecdotal evidence of industry losing faith in VET qualifications as an indicator of competency with increasing reports of graduates not having the necessary skills to operate in the workforce.

It is important to note here that these above issues have cut across qualifications and have related to both VET FEE-HELP programs and those funded through State Government programs, such as the Certificate 3 Guarantee.

Central to these concerns is the lack of information being provided to consumers on a range of matters, including quality and outcomes. An example of this in the Queensland context was the lack of understanding in relation to the Certificate 3 Guarantee only being applicable to the first post school qualification. Additional information on

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<sup>6</sup> Commonwealth Parliament, *TAFE: An Australian Asset*, (Commonwealth Parliament, 2014)

what are often complex matters will greatly assist students in making informed training choices, which has the potential to benefit students, industry and providers in the long run.

Queensland's current VET investment approach which rapidly implemented full contestability, full fee de-regulation, and varying subsidy levels at the same time as reducing the price paid to providers for training has led to quality issues in the Queensland Training market.

The release of a recent report by Australian Skills Quality Authority (ASQA) into training for early childhood education and care<sup>7</sup> illustrates some of the issues currently confronting the sector. The national strategic review of training for early childhood education and identified a series of concerns relating to the delivery of training in that industry by training providers.

The major finding of the strategic review was the prevalence of excessively shortened courses, that is, more than 70% of the delivery of the Certificate III in Child Care occurring in less than a year (AQF guidelines specify 1-2 years). This was consistent with previous national strategic reviews undertaken by ASQA into the VET sector, including aged and community care.

The strategic review has highlighted two major concerns confronting the training sector:

- Trainees are not being fully skilled and properly assessed prior to gaining qualifications and therefore employers are receiving individuals that are not equipped to undertake duties required.
- Quality providers are being faced with unfair competition and pressure to lower price and therefore quality, which is threatening the long-term financial sustainability of the Australian Training Market.

The significant variability in the quality of training that individuals receive from the VET sector is undoubtedly a bi-product of the differing business models that RTOs are currently delivering training under. That is, the differing lengths that providers are willing to go to ensure that the minimal level of training is delivered at the lowest possible cost to the provider.

TAFE Queensland note that a key recommendation of this report is to ensure that new training package arrangements include minimum benchmarks around the amount of training required for each unit of competency across the "...whole VET sector as a matter of urgency...". This illustrates ASQA's view that volume of training continues to be a significant issue across the sector and needs to be addressed in the short term.

The rapid increase in VET FEE-HELP as discussed in the above section on participation has also led to issues relating to student outcomes. Recent reports identifying the alarmingly low completion rates of VET FEE-HELP enrolled students at some training providers. It was reported that no VET FEE-HELP students commencing with one such provider in 2011 had graduated by the end of 2014 and just 10 per cent of students commencing 2012 and 13.4 per cent commencing in 2013<sup>8</sup>.

This is further evidence that the VET market has responded to market design which has been largely focused on accessibility and participation, at the expense of quality and student outcomes and responsiveness to industry need. Additionally, low completion rates will presumably lead to higher incidence of debt not being repaid to the Commonwealth Government, therefore increasing government expenditure in the long term.

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<sup>7</sup> ASQA, *Training for early childhood education and care in Australia*, (ASQA 2015)

<sup>8</sup> <http://www.theaustralian.com.au/higher-education/graduation-rates-at-careers-australia-evocca-scrutinised/story-e6frgcjx-1227491967659?sv=4b96d042dbbe232d094d89e5adf274af> – Accessed 01/09/2015

TAFE Queensland's view is that significant work needs to occur at both a national and state level to identify the elements of quality that need to be focused on. These need to be clearly articulated in any future funding agreements, with clear measures identified. This may include:

- consumer information that provides relevant information to support real choice
- student outcomes (employment and further study)
- student completion rates
- quality of teaching and assessment
- contribution to skills shortages in key industries

The realignment of the focus of funding and market design needs to acknowledge the importance of accessibility and choice, while bringing student outcomes and quality to the centre of the framework. This approach should provide the foundation for the implementation of purchasing models by states along with an ongoing, well planned approach to Commonwealth Government investment in the sector. These elements should be the starting point in relation to any new national agreement.

As noted in the ASQA report a key driver of quality concerns is the requirement for providers to compete on price because it is the only differentiator of product commonly understood by consumers. This is also exacerbated by the restrictive nature of training packages, which limits the ability of high quality providers to tailor programs which meet individuals and local industry needs and further limits the ability of providers to offer a point of difference. It is TAFE Queensland's view that proven high quality providers should be provided with increased autonomy, including through design and self-accreditation of training outside training packages, noting that the Bruce McKenzie review in Victoria is exploring this concept through a provider categorisation system.

TAFE Queensland is also supportive of the progression of a nationally consistent approach to teaching and assessment practices within the VET sector. The introduction of a national VET professional association, or something similar, has the potential to provide a voice for people currently working within the sector, strengthen the capability of the VET workforce and provide a professional identity for VET. A cohesive approach to teaching and assessment levels, which utilise professionalism and continuing development as their foundation, should complement any regulatory approach to improving quality.

Finally, there is also potential to reconsider Queensland's full fee de-regulation approach in favour of a system that builds consumer commitment to training, by way of ensuring a minimum level of investment (from system users). One option would be to establish a price floor for all government subsidised qualifications that are subsidised at less than 100%. This would remove financial incentives for training providers to offer partly subsidised courses at no cost to students but would not stop training providers from charging more for higher quality offerings or for offerings that included additional student services or experiences. Such an approach would put more emphasis on the purchase decision of students and thereby create a more discerning and informed market.

#### 4. A more efficient VET sector

A detailed review of the NPA and its core elements including entitlement and contestability are required as part of developing a new national strategy for further education and training. State based reviews of entitlement funding models and similar have identified issues with quality, informed consumers, impacts on budgets and the need to carefully structure implementation of major policy and funding changes. A particular concern looking across the different models and approaches of jurisdictions is a lack of consistency in funding models that have ranged from uncapped fully demand driven models to training places capped by numbers as well as capping of training places through reduced and restricted eligibility criteria balanced with increased student contributions.

As state and territory economies and labor markets continue to evolve they are increasingly exposed to national and international influences and drivers. The current eight system approach to policy and investment in the Australian VET sector is failing to acknowledge this evolution. TAFE Queensland acknowledge that a successful VET system needs to combine responsiveness with high levels of quality and public confidence in the training that is being delivered will support key national economic priorities.

TAFE Queensland welcomes COAG's examination of future policy and funding responsibility for the VET sector, noting this is building on the Reform of Federation Green Paper, which canvasses options for future reform of the VET sector. Many of the points raised in this paper come back to a lack of direction and consistency within the Australian VET sector and this has produced stagnant funding and an imbalanced focus on finding efficiencies in the delivery of training.

Operationally, the current eight system approach can result in inconsistencies which impact on student and industry. For example TAFE Queensland is unable to deliver government funded training in New South Wales, however NSW providers including TAFE NSW are able to deliver government funded services in Queensland, which results in unnecessary and imbalanced competition between public providers.

Increasing consistency and moving toward a national approach provides the benefit of aligning the VET sector with higher education. This alignment critical as there is an obvious intersect between the two sectors, which has the potential to increase into the future, pending the outcome of Higher Education reform processes.

These issues need to be addressed and the review of the current NPA, coupled with recent focusses on governmental responsibility for the sector present the ideal opportunity for a strategic and coordinated path for the VET sector in Australia to be identified.