

Productivity Commission - 5-Year Productivity Inquiry
From Learning to Growth - Interim report
GPO Box 1428, Canberra City, ACT 2601

Dear PC Chair and Commissioners

Thank you for the opportunity to respond to the Productivity Commission's (PC) Interim Report No.5 (Sept. 2022) entitled "From Learning to Growth". I acknowledge your considerable work to date, both the content and coverage within this Interim Report which is thoughtfully and comprehensively presented.

This submission responds primarily to Section 3 of the Interim Report "Investing for Future Skills Needs".

Central to this submission is the PC's complete failure in its Interim Report to include and consider the (delayed) implementation of the [review of the Australian Qualifications Framework \(AQF\)](#). There has been zero (public) progress on implementation of the reforms proposed in the 2019. Abandoning this thought leadership work and the report's recommendations would be a major strategic mistake. What it proposes is central to national productivity improvements.

This delay is also connected to the long term failure to get jurisdictional sign off of a renewed [National Agreement \(NA\) for Skills and Workforce Development](#) between the Australian Government (AG) and States and Territories (S&T). Progress now seems to be made under the new AG.

The failure to effectively resolve these two issues creates crippling and *connected* consequences. First, a blocked NA undermines jurisdictional cooperation and flow of any additional AG funding for VET skills.

Second, a revised contemporary AQF would provide practical modernisation of national qualifications and shorter credentials, thereby far better accommodating current and future realities of employee 'life-long' learning, so supporting their 'up-and-re skilling' needs.

Third, and most crucially, the AQF de facto defines HE/VET *sectoral* boundaries and overlaps in any *tertiary* education and training *system*. In our Federated system, this also defines which government(s) fund VET (alone or shared). Any revision of the AQF risks inter-governmental dispute about 'who pays for what and who has control'. It would also provoke debate on the policies and quantum of public funding of HE vs. VET and sector relativities (e.g. disparate costs of HE and VET to students and different access to loans). These are all speculative reasons for zero progress on implementing AQF reforms to date.

If this analysis is correct, then the ex-AG left AQF reform in the 'too complex and hard basket' because it risked being similarly tied up.

Key Messages to PC:

- (a) The issues and 'prompt' questions raised by the PC in Sections 3.1 – 3.5 of Section 3 are valid. But they cannot be strategically addressed in re-setting, for the *long term*, the funding/financing and equity policy of Australia's tertiary education and training system, unless and until a new qualifications architecture for the system, i.e. the AQF, is resolved. In the VET sector at least, this is an 'all jurisdictions' sign off – the AG does not carry sole authority.
- (b) The ideal outcome should be an 'all-jurisdictions' agreed and revised AQF and a nationally operating [tertiary funding framework and system](#) that ensures funding and financing of both high quality full qualifications and shorter credentials. Inaction only stymies a [better integrated tertiary education system](#) and opportunity for improved [university/industry collaboration](#), all of which is argued as being vital to lifting skills-related national productivity.
- (c) The AQF is not some arcane, academic 'policy-wonk' artefact - it should be seen as a hot house zone of engagement between students, institutions and industry that supports existing conventional qualifications as well as [new innovative shorter course constructs](#). The principles

and practice by which accredited and non-accredited short courses/micro-credentials may be publicly subsidised and/or be privately funded can be resolved. Course quality (however this is viewed and measured) is a major consideration. Public funding will demand there be acceptable quality standards. Further progress will also need to be made in agreed practices by which institutions recognise 'credit'/'standing' for short course/micro-credential learning. All doable.

- (d) The AQF reform outcomes must be underpinned by an equitable public funding and private financing (loans) schema. Ideally VET would sit in such a schema better integrated with the HE sector, allowing students fair access and opportunity to move across sectors based on merit and equity, *eliminating funding as a major determinant of student choice* (see also [PC report](#) pg. 22).

Supportive Detail

The [Review of the AQF](#) was completed back in 2019. Then Ministers Cash and Tehan headlined the release: "[a New Future for VET and Higher Education](#)" and stated it would 'make it easier for Australians to move between vocational training and higher education and to earn micro-credential qualifications that will improve their productivity'. The AG accepted all the 'recommendations of the review in relation to HE and accepted the aims of recommendations in relation to VET *contingent* on further discussions with S&T Governments' (NB *caveat*). The only significant change since 2019 was the insertion of the Undergraduate Certificate into the AQF to [legitimise Commonwealth expenditure](#) as part of its COVID-driven response to support short courses. This was not AQF reform.

The speculative reasons why implementation of the AQF Review's recommendations never proceeded are set out above. The reforms have stagnated in the 'too complex and hard basket' not only because it reshapes the tertiary system and has flow on implications in rebuilding any consensus on a revised national [tertiary funding/financing system](#); but also because reform has other far reaching impacts. This includes qualification/credential re-design, flow on quality and regulatory changes plus disturbing a multitude of legislative, industrial awards and professional standards all anchored to the AQF.

But reform of the AQF now needs to be urgently undertaken with the [myths of its reform complexity](#) determinedly challenged. Only Government(s) can lead this.

The AQF Review was a far reaching thought leadership proposal, being an [imaginatively crafted modernisation of the AQF](#). It was not prescriptive but rather gave options for translation of the present AQF 10 levels to new composite 'knowledge, skills and application' bandings. It envisaged extensive consultation to technically stress test best options and to tease out details.

Since 2019, the only valuable complementary policy contribution has been an agreed [national micro-credentials framework](#) (2022) that sets out a lucid and practical statement, prepared by a 16 Member expert working group, without overt sign of government or ministerial endorsement.

There is no shortage in the [stock of ideas](#) for betterment of Australia's tertiary education system. Commissioned by the ex-AG, a recent report focused on [University/Industry collaboration](#). Its advice on the AQF was: "Implement AQF Reform - To assist in the design of qualifications that will meet the needs of industry, *expedite* reform of the AQF, in order to facilitate better collaboration between higher education providers, VET providers and industry and...enable the alignment of micro-credentials to the AQF". The plain message was - get on with it.

While governments collectively dither, the post schooling education/training and skilling landscape, especially kicked on by COVID, accelerates further away. It includes both [accredited HE](#) and VET [short courses/micro-credentials](#). There is a growing [non-accredited skills market](#) available on education-as-a-service platforms. There are examples of VET registered providers, wanting to work with high-tech industry, offering their 'own-branded' [micro-credentials](#), being unable to self-accredit courses (unlike universities) and impatient at the 'snails-pace' of training product reform. There are expanded numbers

of industry/vendor short courses outside the AQF, one recent example that offered by Google/Coursera as [Google IT Career Certificates](#). Learners can globally pick from a span of Oxford Uni to dodgy brands. Many educational disciplines are already well penetrated by multiple alternate and on-line providers of diverse brand and reputation. Governments (the AG in particular) have failed to keep pace and policy left behind. Future settlement of a revised AQF must take account of what the private market has delivered.

All this (COVID-hastened change) may be innovative or set up major future reputation and quality risks. For consumers it's 'buyer-beware' at any 'e-fast-learn outlets' that are beyond the reach of regulators. And more employers and learners are, or will be active, in accessing this non-accredited and non-regulated space. The reason is that increasingly employers just want skilled staff - domestic or skilled migrants. They care ever less for any institutional brand or formal qualification. They want staff with contemporary job-task specific skills. For example, the [Tech Council of Australia](#) seeks by 2030 to grow its contribution to the economy to \$250bn and increase employees in tech-related jobs by 340,000 to 1.2 million, a target [endorsed by the Prime Minister](#). Employers want foremost that all their new and current staff to have the right 'job task-related digital skills', not necessarily formal credentials.

Specific responses to questions raised in Sections 3.4 and 3.5 of Chapter 3.

1. Recommendation direction and information re. request 3.4

Equalising access to loans across tertiary education

- How far down the Australian Qualifications Framework should income-contingent loans extend?

Under the current AQF start only at Cert. IV and do not extend loans to Cert III. Students at Cert IV and above have higher completion rates and more likely to be employed and stable in career pursuits. Cert III is the last level where full public subsidy may be justified and the basis of the historically argued 'training entitlement'. Also Cert. III may be undertaken by students enrolled at school.

How should a transition to greater loan availability be managed?

- Expand VET Student Loans (VSL) to far wider (selected quals or all) of VET Diplomas and Cert IVs

Are loan caps sufficient to constrain price increases when an income-contingent loan is offered?

- Yes – presently in three VSL cost tiers. Can be reviewed but 'cap' is needed as fiscal safeguard.

Should HELP loans include a loan fee (similar to VSL)?

- Be consistent! whatever the argument – preference for no loan fee in FEE HELP, HELP or VSL

How should the costs of debt not expected to be recovered be shared between governments?

- This is a wretched inter-governmental issue. Ideally, as the loan is managed through the national income tax system, it's an AG issue alone. The AG can offset this by giving less NA funding given Cert IVs and Diploma's will be increasingly financed by the AG (plus any ongoing S&T subsidy).

2. Recommendation direction and information re. request 3.5

Funding balance and lifelong learning

- Is the current balance between government funding for initial post-school education and training, and ongoing skills acquisition and lifelong learning fit for purpose? Or, does it need to be reconsidered given evolving labour market needs?
- Should there be a greater public investment in lifelong learning? If so, what areas have the largest positive spill overs that governments should target with their support?

It is not fit for purpose, however the above cannot be answered nor can policy adjustments be made until there is far better *quantitative and qualitative data and reliable evidence of employer and employee investment into ongoing skills acquisition and lifelong learning*. This is a long standing yet-to-be solved critical data issue. There are rare surveys of Australian industry. There is limited evidence that indicates contributions by employers to national up-and-re-skilling is significant, but very poorly quantified (see [S10 Burke](#)). Some information about individual education/training expenses is gained from personal tax data.

This means any strategic optimisation and balance of public vs private funding cannot be effectively set in the absence of at least credible and contemporary data of both employer, and individual, investment in education, training and skills (noting some 'on job skilling' is hard to 'value'). It also means the AG's new [Tech Investment and Skills Training Boost](#) gives rise to uncertain 'additionality' issues; giving a tax break to those entities already investing in such training, to encourage those entities not investing.

If global accounting standards can be introduced for entity 'truth in green financing/accounting' surely, it's possible domestically, for both profit and non-profit entities to identify defined educational and training expenses e.g. in their GST returns reported as input tax credits (not via Company Tax as this would exclude non-profit entities). Whether voluntary or mandated, the lessons from the R&D Tax Concession/Incentive are to keep any definitions used both practical and simple to cover the bulk of relevant expenses.

- What would be the best mechanisms to encourage additional uptake of ongoing education and training, given that private benefits for both workers and employers exist, and many adults are already engaging in lifelong learning?
- How might any changes to government funding arrangements to support lifelong learning affect various parts of the formal tertiary education system (such as universities and RTOs) and providers of other training options (such as industry-delivered short courses and unaccredited micro-credential providers)?

A challenging suggestion – [if public funding/financing is ongoingly constrained]

Employees can choose to direct a lifetime, capped amount of their employer paid (or self-paid 'top up') superannuation into their personal education and training expenses (perhaps age limited up to say 45 years old). The economic rationale is evidence that a workers' ability to: win a job; get a better job; re-train for a different job; retain a job, i.e. continuity of employment, is directly related to their qualifications, ongoing training and upskilling. This directly correlates with lifetimes earnings and, hence, accumulated superannuation. What is being suggested here is that individuals can make a personal choice (or not) to divert a capped \$ amount into paying for their chosen education or training, including repaying any loans.

Whilst this idea will attract fierce criticism, self-investment in education/training early and during a career is a rational alternate better use of such funds - safeguarded to a lifetime \$ cap. The PC might wish to model scenarios to test out the merits of this 'trade-off actuarial' proposition. It provides a life-long account that individuals can make personal decisions about by instructing their employer to direct periodic payments to a place other than their chosen super fund, including refunds of HELP loans.

As a potential elaboration, an employer can choose to make extra payments (above that made by the employee) and in that instance employers would be able to claim the expense (as a training GST-input tax credit). It's possible this may also attract an extra incentive offset. Clearly none of the above is suited to those persons who are unemployed, nor would it work where employers/contractors are below the GST threshold etc. Other than this, coverage of both for-profit and non-profit entities would be extensive.

The one critical overriding caveat would be whether or not government would allow citizens to choose courses/training themselves, or, impose specific quality conditions and/or job relevance requirements on citizens' choices, on the basis such activity was underpinned by public financing of training.