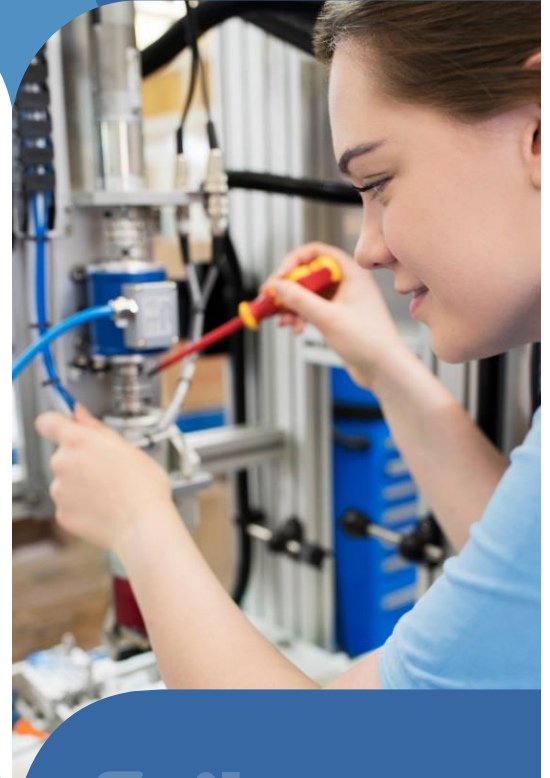


Submission

Productivity Commission Study of the Skills and Workforce Development Agreement

The Independent Tertiary Education Council Australia (ITECA) is the peak body organisation representing the independent higher education, vocational education and training sectors.



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■ HIGHER EDUCATION ■
■ VOCATIONAL EDUCATION ■
■ TRAINING & RESKILLING ■

Introduction

Independent Tertiary Education Council Australia

The Independent Tertiary Education Council Australia (ITECA) is the peak business organisation representing independent providers in the higher education, vocational education and training sectors.

Independent tertiary education providers support some 60% of the 4.2 million students undertaking Vocational Education and Training (VET). In the higher education sector independent providers support around 145,000 students, around 10% of the national total.

ITECA was formed with the intent of allowing the independent tertiary education system to come together, to share experiences and learn about changes to the environment in which education and training is developed. Importantly, ITECA members play a lead role in shaping the policy debate and provide insights to ITECA's Canberra-based policy team.

Recognised by government as an authoritative source of policy advice, ITECA represents the independent tertiary education sector on consultative forums convened by the Australian Skills Quality Authority (ASQA) and the Tertiary Education Quality Standards Agency (TEQSA). ITECA also appoints representatives to committees convened by the Department of Education and also the Department of Employment, Skills, Small and Family Business.

ITECA operates nationally with active committees in each state and territory. These provide a primary resource for member engagement and the link between the independent tertiary education system and state / territory governments.

Given the importance of international education to Australia's economy, ITECA works with government and key stakeholders to ensure that the independent tertiary education sector's contribution to the \$37 billion international student market is understood.

Each year the ITEC Conference brings together stakeholders from the education sector, government and business to discuss the latest issues that affect the sector.

For more information on ITECA visit the website at:

www.iteca.edu.au

Executive Summary

All Australians should have the opportunity to gain the skills and knowledge they require to participate in the labour market. Government has a key role to play in ensuring that all individuals have access to training opportunities and to select a provider who can deliver the training that meets their needs.

The 2016 census showed that for the first time in Australia's history more than half (56 per cent) of all people aged 15 years and over held a non-school qualification. Australians work to gain these qualifications for good reason, as our changing labour market requires higher level skills to gain and maintain employment in the modern workplace.

Students access tertiary education in multiple ways through independent vocational education providers, TAFE, public universities, private universities, non-university higher education providers, schools, community groups and industry.

Vocational Education and Training (VET) is a necessary public good to develop the skills required to be successful in the current workforce and for a modern economy.

The 2019 ITECA State of the Sector report (*attached*) highlights the key achievements of the sector in a challenging environment across eight differently funded and regulated jurisdictions.

Independent providers play a significant role in the sector, with more than 71 per cent of all 4.2 million VET student enrolments being with independent providers. Over 3,100 independent training providers deliver training in all parts of Australia to meet the needs of students and employers.

Independent providers work closely with employers to develop and deliver the training that is required for the current and future workforce. They are nimble, have their 'ear to the ground' and their survival depends on their relationships with employers and getting job outcomes for their students. In a contestable market, it is independent providers that deliver to the needs of students and employers, ensuring both are successful.

The independent education sector makes a significant contribution to Australia's economy and productivity. Total education industry revenue was \$122 billion in 2017-18, and its estimated value add to GDP is \$74 billion.

The independent VET sector is a key player in delivering the skills and training that will help Australia grow its productivity and exports and must be supported appropriately by policy makers at all levels.

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Recommendations

This section highlights ITECA's key recommendations to the Productivity Commission study into the Skills and Workforce Development Agreement.

1. The Australian Government, working with the Council of Australian Governments (COAG), undertake a full review of Australia's tertiary system with the aim to build one national tertiary education system.
2. The Australian Government, working with COAG, take full policy, governance and administration leadership for VET within a single, cohesive tertiary education system.
3. The Australian Government, working with COAG, review current tertiary education regulatory arrangements with the aim of ensuring robust regulatory and quality assurance mechanisms while reducing and removing unnecessary regulation that does not add to the quality of the outcomes delivered to the Australian community.
4. That COAG adopts a contestable, student-centric funding model that reflects student and industry demand for quality vocational education and training outcomes and supports student choice of provider.
5. Australian Governments, through COAG, commit to 10-year nationally consistent policy, program and funding settings to provide certainty to the VET system.
6. The Commonwealth to work with the States and Territories to develop a new national agreement for foundation skills supporting fee-free foundation-level education, for all Australians, to deliver consistent levels of access across Australia to language, literacy, numeracy and digital literacy courses.

Section #2 The Independent VET Sector

Summary –

The latest data from the National Centre for Vocational Education and Training (NCVER) shows that it's the independent vocational education and training (VET) sector that continues to do the heavy-lifting when it comes to providing the workforce with the skills that it needs.

Independent providers play the most significant role in the delivery of VET in Australia, with some 4.1 million students choosing to study with an independent VET provider in 2018 (NCVER, Total VET Students and Courses 2018).

This represents more than 71% per cent of all VET students nationally.

In reviewing the data, the ITECA notes that the increase in students enrolled in subjects that are not nationally recognised highlights the growing importance of micro credentials in helping individuals adapt to the changing nature of work.

Over the period 2015-2018 there has been a decrease in the number of students enrolled in nationally recognised training. In 2018, there were 4.1 million students enrolled in the VET sector and approximately 2.5 million students were enrolled in subjects that were either stand-alone or not part of a nationally recognised program.

The shift from full qualifications is most prescient when considering that over the period 2015 to 2018 the number of government-funded VET students has decreased 7.3% while domestic fee-for-service students have increased by 13.7%. The data is clear, when it comes to providing high-quality vocational education and training there is a clear preference for independent providers.

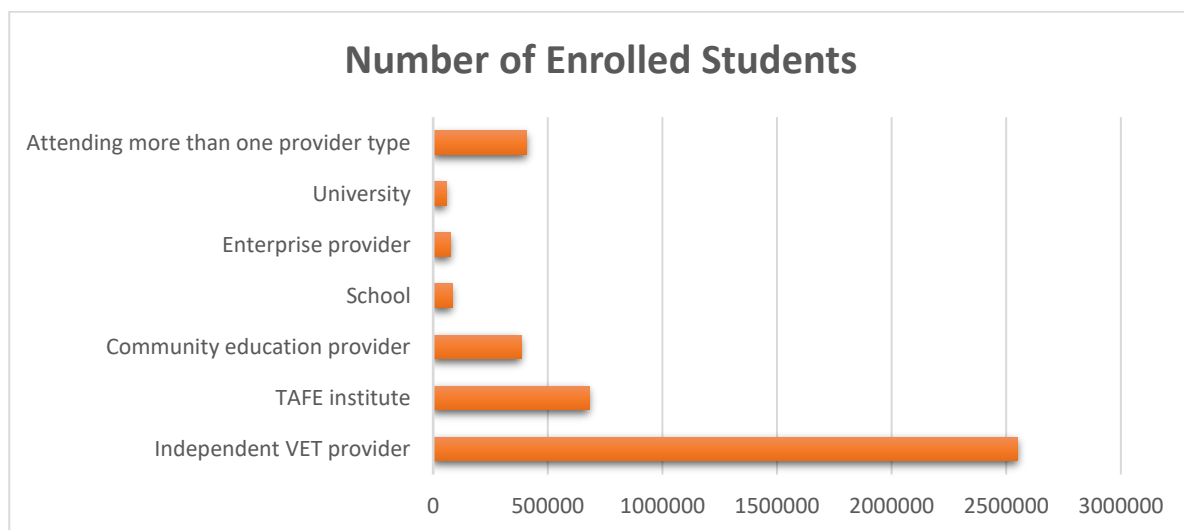


Figure 1 – Number of enrolled students by provider type

Independent providers work closely with employers to offer the training they need for their current and future workforce. They are nimble, have their 'ear to the ground' and their survival depends on their relationships with employers and getting job outcomes for their students.

In a contestable market, it is the RTOs that deliver to the needs of students and employers congruently.

The independent VET sector delivers the majority of higher-level qualifications of Certificate III (58 per cent); Certificate IV (66 per cent); Diploma and above (61 per cent) and half of all qualifications delivered at the Certificate I and II level (50 per cent). Importantly the independent sector also delivers a range of short courses, accredited skill sets and single subject training.

These are vital to allowing the existing workforce to top-up their skills to adapt to new technology. Often referred to as micro-credentialing, this type of delivery is highly flexible and specific to the needs of individuals and can often enable just the right amount of training, at just the right time, to support individuals to increase their capability, career prospects and productivity.

Many independent providers also work closely with schools in promoting and implementing school-based apprenticeships and traineeships (SBATs) in years 10, 11 and 12. Many students undertaking SBATs are not seeking to follow a pathway into university, and independent providers play a significant role in preparing these students for the workforce. Independent providers play an important role in helping young people stay at school and enter employment and become productive members in society.

The independent education sector makes a significant contribution to Australia's economy and productivity. Total education industry revenue was \$122 billion in 2017-18, and its estimated value add to GDP is \$74 billion (IBIS World). The VET sector accounts for 9.5 per cent of the total education industry, or approximately \$11.6 billion of economic activity.

However, the VET sector has become the poor cousin to both school and higher education. While these two sectors have seen significant growth in investment from governments, VET sector funding continues to decline.

International Education –

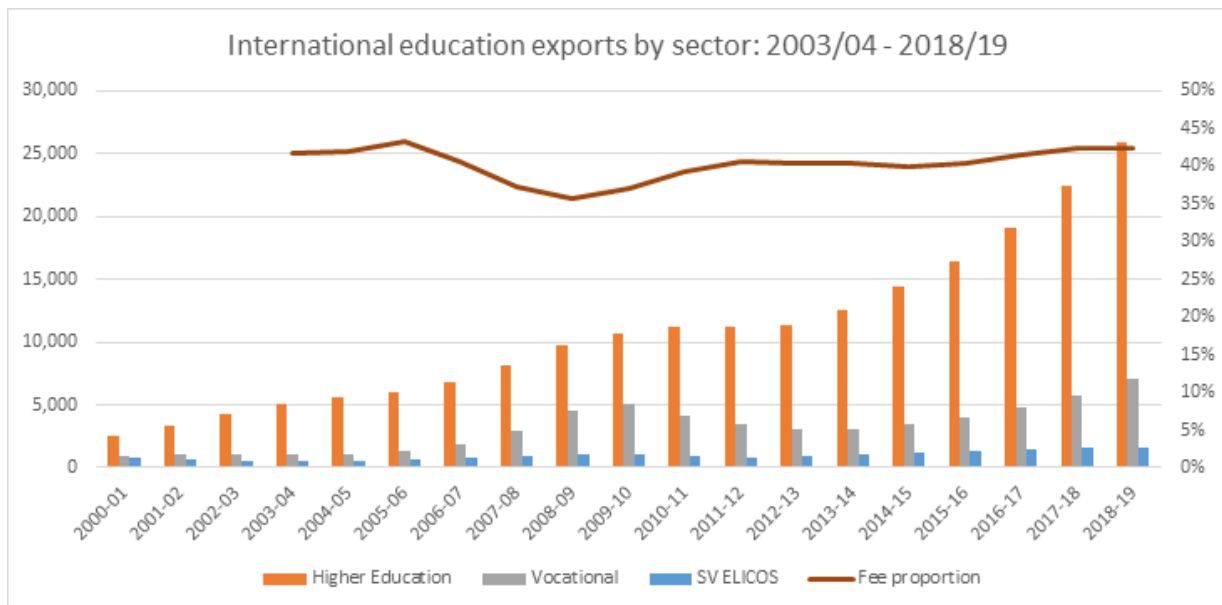
International education is Australia's fourth largest export worth more than \$37 billion to the Australian economy. The independent sector plays a significant role in Australia's international export market which supports 250,000 jobs nationally

Importantly, 68 per cent of the total number of Australia's international VET students chose to study at an Independent provider (NCVER International students, 2018).

The independent VET sector is a key player in delivering the skills and training that will help Australia grow its productivity and exports and must be supported appropriately by policy makers at all levels.

According to UNESCO, the USA is the most popular study destination for international students, while Australia is the third most popular (after the UK). Thus, a comparison between international student populations of the two countries can provide some insight into Australia’s relative success in the global education market.

In 2018, Australia’s growth rate was around 10 per cent while the USA’s 2018-19 growth rate was just 0.05 per cent on the previous year.



Section #3

One National Tertiary Education System

Summary —

The vocational education and training system has become the poor cousin to the university sector over the past 20 years – both in terms of perception and funding. Essentially, Australia has eight VET systems with a lack of national leadership.

There is no longer a vision at the Commonwealth level which is shared by the states and territories. There is confusion on the governance of VET, with numerous funding programs at both Commonwealth and state and territory levels all with different compliance and contract management overheads and red tape.

Key Issues —

Constitutionally, the responsibility for VET lies with state and territory governments, but in reality, VET has become a shared responsibility with the Commonwealth administering VET Student Loans (VSL), national training package development and national RTO standards with state and territory governments administering funding, programs and TAFEs.

The sector has a national VET regulator in the Australian Skills Quality Authority (ASQA), but two jurisdictions did not refer powers to the Commonwealth, whereas all higher education providers are regulated by the Tertiary Education Quality and Standards Agency (TEQSA).

Training providers operating across multiple jurisdictions face enormous complexity in the design, administration, quality assurance and delivery of qualifications that are intended to hold national portability and recognition. These complexities add cost and risk that diminishes the inherent value of a national system.

VET and higher education providers have essentially been operating in silos, with the former administered by states and territories and the latter by the Commonwealth. This has led to a situation where funding levels for higher education are greater than VET, and a demand driven system is available to higher education students but not available to all VET students.

There is a need to change the nomenclature around VET and it is time for new conversations to reflect a single post-secondary education system.

Australians would benefit from the introduction of one national tertiary education system where VET and higher education providers are treated equally but are still able to keep their respective identities. Higher education providers must continue to focus on academic learning and research while VET providers must continue its focus on skills acquisition and employer needs.

Recommendation/s —

1. The Commonwealth Government, working with the Council of Australian Governments (COAG), undertake a full review of Australia's post schooling education system with the aim to build one national tertiary education system.
2. The Commonwealth Government, working with COAG, take full policy, governance and administration leadership for VET within one national tertiary education system.
3. The Commonwealth Government, working with COAG, review current tertiary education regulatory arrangements with the aim to establish one national regulator for all tertiary education.

Section #4

VET Funding Model

Summary —

The independent sector emerged because of inadequate public supply for training places and higher demand for skills in the early 1990s. Following a series of public policy reforms, the independent sector started to deliver publicly funded training through state and territory government's contestable funding sources such as User Choice. Over time these funding methods have increasingly allowed individuals and businesses to access government funding using a provider of their choice.

Key Issues —

In 2017, just 27.7 per cent of the \$2.1 billion of government funding invested into VET was awarded to non-TAFEs, which represents a reduction of 7.1 per cent on 2015-16 figures (Productivity Commission).

In a training system where over 71 per cent of students choose to study with an independent provider, there is clearly a mismatch in funding support to students.

Indeed, over half of VET student enrolments do not receive any public funding, which demonstrates that individuals see value in the system that supports life-long skill attainment closely aligned to vocational opportunities.

A reduction in funding to independent providers is expected to continue with state governments announcing free TAFE training places for apprenticeships from 2019 in priority courses. These announcements come at the expense of many students who seek to enrol with an independent provider for their training needs.

It is important that the benefits of an open training market that have been developed over decades are not lost. The priority for government should remain enabling students to utilise public funds with high quality providers, regardless of ownership but with suitable quality controls, by harnessing market forces to achieve the best possible outcomes in the most effective and efficient way.

ITECA promotes a student-centric, single student account model that allows students the freedom of choice of provider without losing the advantage of government subsidy. Giving students the freedom to choose provider can overcome many obstacles to enrolling in tertiary education such as rural remoteness, social disadvantage, availability of local providers and specialist training options including indigenous or cultural awareness and flexibility in learning.

Transitioning to a single student account model also improves cross-border study options where students regularly are disadvantaged due to differing subsidies across state or territory boundaries like the Canberra, Gold Coast and Albury-Wodonga regions.

A well-designed single student account model is one that does not promote one provider sector over another, nor does it enable government policy to support one

system over another. This model will increase participation of students, businesses, providers and governments in the national training system.

ITECA supports policy arrangements that lead to the best training outcomes for students and employers.

The tertiary education system is in a policy situation whereby higher education providers are funded by the Commonwealth through a demand driven system and VET providers are funded through state and territory government supply models which has led to an uneven playing field within tertiary education.

The current arrangements for government funding in VET have developed over many years, and not always on a rational basis. Similarly, the arrangements adopted by states and territories reflect historical considerations and often what appear to be crude approaches to manage broader expenditure challenges across government.

If it is to be accepted that success of the VET sector can and should properly be measured through successful student outcomes and workforce indicators, then broadly speaking VET funding growth should mirror growth in the workforce and should focus on anticipating skills shortages. However, when you review the evidence this is clearly not the case.

Indeed, a report from the Mitchell Institute shows that total recurrent funding to the VET sector across the States is now 15% below 2006 levels. These reductions are of course, more severe in some States than in others. At the same time, obviously, total employment has grown across all these states over that period. So, the VET sector has produced more workers against a backdrop of severely declining funding (in real terms). This is not a formula for success across the nation and it is not sustainable.

This is in complete contrast to higher education funding where subsidies are not affected by an ongoing assessment of labour market needs and skill shortages.

Funding of the VET system should also reflect variables such as regional and remote delivery, thin markets for some VET qualifications and the variety of delivery methods necessary to achieve the desired outcomes. There also needs to be greater consistency between jurisdictions for similar qualification subsidies.

ITECA believes that a fully contestable VET funding model, with good contract management, consumer information and regulation, will deliver better outcomes for students and employers and will assist with productivity improvements for the national economy.

Finally, the VET market needs consistency and certainty in policy, program and funding settings. Governments should commit to a 10-year VET funding policy that would provide much needed certainty to the sector.

Recommendation/s —

4. That COAG adopts a contestable, student-centric funding model, based on quality of provision, that reflects student and industry demand for quality vocational education and training outcomes and supports student choice of provider.
5. Australian Governments, through COAG, commit to 10-year nationally consistent policy, program and funding settings to provide certainty to the VET system.

Section #5

Building Foundation Skills

Summary –

ITECA believes that central to the benefit of a strong and growing 21st century economy is ensuring every adult Australian who has not achieved Level 2 on the ACSF should be given access to fee-free training in LLND skills.

Key Issues –

Successful participation in society requires a reasonably well-developed level of language, literacy, numeracy and digital (LLND) skills. There is likely to be growth in job roles that require interactions with technology, and relatively less need for those based solely on physical labour.

It is critically important that every Australian has the basic LLND skills that will allow them to participate fully in modern life. The vocational education sector has a huge role to play in ensuring that all Australians have at least those minimum skills.

People with low levels of literacy and numeracy are less likely to be employed or more likely to be employed in low-skilled insecure work and at greater risk of redundancy. Like literacy and numeracy, a lack of basic digital skills also poses a significant barrier to a growing number of jobs.

The States and Territories all provide some level of support for foundational skills development, but program design, subsidy level, eligibility criteria and the applicability of student fees varies widely across jurisdictions. The Commonwealth does not generally offer this level of targeted support for employed Australians or those currently out of the workforce and not registered with Job Active providers for income support.

ITECA believes that there should be a new national agreement for foundation skills that has a shared commitment to fully-subsidise foundational skills for all Australian adults without basic skills regardless of their employment status.

As recommended in the Joyce review, the new national agreement for foundation skills should expressly provide for the three main delivery models for language, literacy, numeracy and digital literacy training across Australia:

- standard Registered Training Organisation delivery of foundation-level VET courses
- intensive literacy and numeracy short courses (like the Adult Migrant English Program), and
- dedicated workplace-delivered language, literacy, numeracy and digital skills programs in partnership between employers and Registered Training Organisations

Recommendations –

6. The Commonwealth to work with the States and Territories to develop a new national agreement for foundation skills supporting fee-free foundation-level education, for all Australians, to deliver consistent levels of access across Australia to language, literacy, numeracy and digital literacy courses.

Introduction

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Abbreviations

Understanding Tertiary Education

ASQA	Australian Skills Quality Authority (Australian Government)
ITECA	Independent Tertiary Education Council Australia
RTO	Registered Training Organisation
TEQSA	Tertiary Education Quality and Standards Agency (Australian Government)
VET	Vocational Education and Training



The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the higher education, vocational education and training sectors.

ITECA members are unified, informed and influential. They share an interest in creating an environment in which independent providers deliver students and their employers the quality outcomes they are looking for.

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