



Submission to: Productivity Commission's Review
Response to: *National Agreement for Skills and Workforce Development
Review Interim Report*

Independent Higher Education Australia

IHEA is a peak body for Australia's registered and accredited independent higher education providers with campuses across Australia.

More than half of IHEA's members are dual sector providers that operate in the Higher Education and VET sectors. Issues that these providers face relating to their Vocational Education and Training arms impacts the entire entity and so IHEA members have a keen interest in VET sector review and reform. There is also an increasing policy imperative to converge the funding and regulatory settings for the Higher Education and VET sectors to unify the tertiary sector in Australia. Our members, therefore, have a keen interest in the outcomes of the Productivity Commission's Review of the National Agreement for Skills and Workforce Development.

The majority of Australian independent providers are IHEA members and educate students in a range of disciplines including Law, Agricultural Science, Architecture, Business, Accounting, Tourism and Hospitality, Education, Health Sciences, Theology, Creative Arts, Information Technology and Social Science. IHEA members are higher education institutions with both for-profit and not-for-profit models and educate domestic and international students in undergraduate and postgraduate programs.

IHEA Membership is conditional on continuing compliance with standards enforced by the regulators and IHEA's Code of Good Practice.

IHEA's primary goal is promoting equity, choice and diversity for all Australian tertiary students.

Executive Summary

IHEA welcomes the opportunity to provide this submission to the Productivity Commission's Review of the National Agreement for Skills and Workforce Development Interim Report.

IHEA's response is limited to those areas that are most impactful on our dual sector provider members so some areas where feedback was requested have not been responded to below.

IHEA members believe that there is an important role for competition in the VET sector and that any sector reforms make policies and funding more compliant with competitive neutrality principles. There are several elements of the way the VET sector is funded and operated that ignore competitive neutrality, such as Community Service Obligations, subsidies and other funding that is limited to publicly funded institutions only, and this is to the detriment of the sector and the students for whom it should be delivering quality learning and employment outcomes. IHEA is supportive of the principles outlined in the Commission's interim recommendation 2.2, including competitive neutrality, being a

sound basis for a new intergovernmental agreement. IHEA also recommends that any changes to funding of the sector be compliant with competitive neutrality principles so that student choice is respected and drives the system.

IHEA members' core concern in relation to the aspects of the sector that are under review and addressed in the Productivity Commission's interim report is the operation of the VET Student Loan scheme. There are several areas that IHEA members would like to see reformed to produce better outcomes for students. First and foremost, the VET Student Loan Fee should be abolished to create equity and alignment between the Higher Education and VET sectors. The burden and costs created by the administration and application of the scheme also need to be reduced, the course loan caps need to be removed and the range of courses eligible for VSL needs to be increased. These reforms need to be made in order to ensure that the scheme is achieving its intended aims of increased participation and access.

Making Training Packages more flexible and course subsidies more nationally consistent will also provide benefits to students and the sector. Having more clearly articulated arrangements for Recognition of Prior Learning (RPL) and Credit Transfer would also benefit the development of pathways between the VET and Higher Education sectors to improve integration of the tertiary system. Students also need access to important information about RTOs, courses and options for their post-secondary study and the National Careers Institute could play a significant role to ensure this is provided.

Ten specific recommendations are included at the end of this report.

Role of Competition in the VET Market

IHEA members believe that competition has an important role to play in the sector. Competition is important for ensuring that the education and training provided to students is of high-quality, meets their needs and delivers the outcomes they are seeking. In order to achieve these aims there needs to be timely innovation and responsiveness to the demands of employers and students. Competition can assist in ensuring that innovation occurs and the sector continually develops and adapts to the economic circumstances.

Competition, however, does not automatically drive these outcomes. There also needs to be proper access to information so that consumers (students) can make informed decisions about the provider who will offer the education that meets their needs and is best suited to them. They also need to be able to assess quality. For this to occur, students need access to good information about the sector, RTOs and courses. Data collected from student surveys and evaluations that provide indicators of quality need to be publicly accessible, perhaps through the National Careers' Institute and certainly careers advisors and teachers, so that potential students can make informed decisions. Information that provides the market with signals and indications of quality also needs to be available to ensure competition offers the sector the benefits it can bring without the adverse effects.

There needs to be disincentive to drive down price by cutting quality. A well-functioning regulator should be able to ensure minimum standards of quality are met. There need to be signals to students about the quality of the product they are purchasing from the provider. In order to ensure there is viability to provide courses, there needs to be a minimum level of funding that is required to deliver the course. Students' choice about provider and course to study may be impacted by price signals and if students do not have sufficient information about the range and quality of the courses on offer and suitability for their own circumstances, quality may suffer.

Recommendation 1

IHEA recommends that reforms that increase competition in the sector are accompanied by means to distribute useful information that allow potential students to evaluate RTO and course quality.

Career Guidance for Students

Independent providers feel that the careers guidance provided to students about their post-secondary study options is skewed towards encouraging them to enrol at a public university. There are a diversity

of providers and RTOs in the sector and it is important that students are made aware of the range of options that are available to them and that they are not just driven towards one option. Well-informed careers advisors, teachers and other sources of information for students making decisions about their post-secondary study are crucial to students being armed to make the best choice for their future.

Competition driving efficiency in the sector is entirely dependent on having a well-informed student market. If policy settings are directed towards “user choice”, then the users need to understand how to assess quality. In this circumstance, career guidance can play an important role for the sector. Careers counsellors and advisors can assist in providing potential students with the information necessary to make a properly informed choice about their post-secondary study options.

Part of assisting students having access to the information they need to make a choice that represents their best interest is to provide student survey results that, among other measures, aid in the assessment of quality of course and provider. The National Careers Institute could be a useful body through which information can be gathered, collated and reported to the sector, careers counsellors, teachers and potential students to ensure there is sufficient data about important measures for students to make the right choice for them.

Designing a New Intergovernmental Agreement

IHEA supports the principles as outlined in interim recommendation 2.2 to be used as the basis for the development of a new intergovernmental agreement. In particular, IHEA’s focus is advocating for competitive neutrality between public and independent provision of tertiary education and training. It is this concept that will allow a flourishing sector with a diverse range of options for students to meet their educational and employment needs. Policy should not be formulated that allows for one part of the sector to be favoured over the other. Discriminating against certain providers purely based on the model of the institution does not assist students or the economy. Equity and diversity of providers should be encouraged in both the Higher Education and VET sectors.

The principle of student-focused policy is also strongly supported by IHEA and its members. Student success and quality educational outcomes are the key drivers of quality education providers. These should also be the drivers used to determine sector policy directions and settings. IHEA members also encourage reforms that improve transparency and accountability for funding allocations and course subsidies. Without transparency and accountability there will be no competitive neutrality and so one naturally flows from the other.

Recognition of fiscal sustainability and the stability of funding are also crucial to the health of the sector. Providers and RTOs need to be able to deliver quality education and work to provide for the needs of the community and the economy. In order to be able to do that, there needs to be an understanding of the true costs of efficient and effective delivery of education and training so that providers are able to access the funds that allow that to occur, while students are assured equity of access by being able to meet their costs of study in a way that enables their choice and does not impede it.

If a new intergovernmental agreement was successfully negotiated with these principles as the focus and core of the agreement, the VET sector and Australian tertiary education would benefit.

Recommendation 2

IHEA recommends that the principles outlined in interim recommendation 2.2 of the Productivity Commission’s interim report be the basis of a new intergovernmental agreement.

Identifying and Acting on Skills Shortages

In order to effectively address skills shortages, there needs to be good and timely data gathered, but also suitable and sufficient analysis of that data to make informed decisions about shortages in certain occupations and industries. Nuanced and detailed understanding of the differences in geographical location, industry, types of business and enterprise, and elements of trades need to be developed to be able to effectively determine skills shortages and design policy to address them. A high level of cooperation and collaboration needs to exist between agencies, industry, peak bodies, employers,

training providers and government in order to achieve the necessary understanding of these nuances and to be able to effectively address the causes of skills shortages. The data also needs to be gathered and analysed in a very timely manner so that the information can feed into policy-makers within an effective timeframe to address issues as they arise. In a quick moving economy, where jobs needs can shift in a very short time span, having accurate and up-to-date data is imperative to making good policy.

Simplification of Subsidy Groupings

There could be greater national consistency in the establishment of subsidy rates. The benefit of this would be to ensure providers who operate across jurisdictions did not face increased administrative burdens of operating in different funding settings and with different models of subsidies. Students also need to be made aware of the different course costs that may be charged in different jurisdictions. The lack of transparency and inconsistency also results in a disjointed VET sector and confused employers. If the aim is to create a more integrated tertiary education system, then national consistency is imperative.

Consistency of funding across state borders would also ensure that students wishing to study in a different jurisdiction would not be disadvantaged by facing different course costs. This is important for regionally based students who may cross state borders to study. It would also address the issue of providers offering online delivery across jurisdictional boundaries and the complications that result. As the technological advancements assist provider delivery options, regional and remote students may be offered opportunities for study that were previously unavailable and these options should not be limited or made confusing and difficult by different state subsidy rates.

Recommendation 3

IHEA recommends that course subsidies be made more nationally consistent to avoid complexities and confusion caused by different states having different subsidy rates and methodologies for calculating them.

Impacts of Vouchers

Vouchers would be one mechanism to fund students undertaking Vocational Education and Training. Vouchers would increase student choice, as long as the providers eligible to accept the vouchers were not limited to publicly funded institutions. If the voucher system were limited to publicly funded institutions, competitive neutrality issues similar to the investment in public provision would be found with this system also. Vouchers, if used as a funding mechanism, need to allow genuine student choice and students should not be disadvantaged for choosing to study at an independent provider.

It may also be an advantageous protection for government and the sector to have a time limit or expiration date for the voucher to ensure that students and providers have some certainty about the intent of the student to undertake their studies within a reasonable timeframe. The timeframe allowed for activity to be undertaken with the voucher would need to reflect a reasonable amount of time for a student to complete the qualification and with some allowance for delay or deferring studies too, to account for changes in life circumstances that may occur. Having an expiration, though, would ensure students cannot have an open-ended funding opportunity that may lead to abuse of the system.

Recommendation 4

IHEA recommends that to ensure compliance with competitive neutrality principles, if a voucher system for funding is adopted, that they be able to be used to enrol at an independent RTO not only a publicly funded institution and that an expiration date be applied to the vouchers.

Implementing an Expanded Loans Scheme

Not only does the loan scheme need expansion, but the administration and regulatory burden need to be reviewed to ensure that providers are able to offer the loans and are not precluded from doing so because of the difficulties and cost of implementation.

The Loan Fee also needs to be abolished. Aligning the tertiary sector requires alignment of the loan fee. In the VET sector, the loan fee applies to students at all providers in non-subsidised courses. In the higher education sector, there is an issue of equity in the applicability of the loan fee in that it is

charged only to students enrolled in an independent provider. This issue of student equity needs to be resolved. In order for there to be equity in both sectors and consistency between them, the loan fee in both parts of the tertiary sector needs to be abolished.

The justification that has been provided for the implementation of the Loan Fee has been that it is to cover the risk to government of default on the loan. This, however, is not the most appropriate or effective mechanism to ensure that the loan is repaid or for the government to recoup costs if it is not. Thresholds of income and repayment rates would be a more effective way to ensure debts are repaid. Also, ensuring that the sector delivers quality training that delivers the employment outcomes sought by students would be a more effective mechanism to encourage student loan repayment.

Beyond the Loan Fee, there are barriers to providers being able to access VET Student Loans to offer their students. The administrative burden of the application process is overly onerous and also repetitive. RTOs must apply to ASQA and also to offer VSL, and then again to register for CRICOS and these are separate application processes and carry different charges and fees. There is also an administrative charge for providers to apply to offer VSLs. The administrative costs and burdens that these processes create drive quality providers from the sector. This is evidenced by the decrease in the number of independent providers offering VET Student Loans in recent years.¹ To minimise the bureaucratic burden and red tape, as well as the distraction from actually delivering education to students, RTOs face, these processes need to be simplified, streamlined and duplication minimised.

The VET Student Loan scheme is also far too restrictive in the courses that are eligible for the income contingent loan to be accessed by the student. Not only does this distort student choice away from certain qualifications, but it also disincentivises RTOs providing a range of courses which in turn limits options and choice for the student.

The fact that the Student Loan Scheme was established with a cap imposed on the amount of funding that could be allocated through the scheme, and that that cap has not come close to being met, and so has since been removed, demonstrates that the burdens and costs of accessing the student loan scheme to offer students make it prohibitive and so it fails to achieve the aims and intentions of the scheme's creation. The scheme can very clearly afford to be broadened and the range of courses extended.

The course cap for the VSL scheme is also inadequate to viably deliver some courses. RTOs are then forced to charge the difference to the student, leaving them out of pocket or unable to enrol at that provider because they cannot afford the difference. This discourages RTOs from offering these courses and decreases the choice of providers for students. The capped amount for courses needs to be based on a sensible methodology that allows for a minimum reasonable cost of provision for the course while ensuring that quality is measured. Although there is a clear need to ensure that courses are being delivered at an efficient cost, this needs to be balanced against providing incentives to cut corners on quality to lower the cost of delivery to fit into an artificial cap.

VET student loans need to be extended to more courses and a broader range of qualifications. IHEA well understands the need to protect the taxpayer and the education sector by ensuring that providers are not rorting any loan scheme. Members support having a strong and well-functioning regulator to monitor compliance with standards to ensure quality education is provided to students. The extremely restricted settings of the VSL scheme are not an appropriate way to try to mitigate the risks to the government or the sector of funding students. Having a regulator that is too heavy handed and restricts and disincentivises quality providers from operating in the sector is also not of benefit to students or the economy. Regulation of the sector needs to be designed to avoid these unintended consequences.

The intent of income contingent loans is to encourage participation in the education and training system. If the loan scheme is too difficult to access, RTOs are disincentivised to offer a range of courses and so fewer providers are available for the student and there are less opportunities on offer, then the aim is not being met. The scheme needs to be revised and expanded in order to ensure that the objective of the program is met.

¹ VSL Annual Statistical Report 2017 and 2018 (<https://www.employment.gov.au/vet-student-loans-statistics>). There was a drop in the providers offering VSL courses from 211 in 2017 to 182 in 2018. The decrease was almost entirely accounted for by private RTOs being removed from the list.

Recommendation 5

IHEA recommends that the VET Student Loan Fee be abolished.

Recommendation 6

IHEA recommends that the application process and other administrative processes of the VSL scheme be streamlined to reduce the burden on providers that offer the loans to students.

Recommendation 7

IHEA recommends that the VSL caps for course costs be removed and the range of courses students can study and be eligible for VSL be extended.

Flexibility Allowed by Training Packages

Many IHEA members find the Training Packages are not flexible enough in that the process and time that is required to alter elements of the training package does not allow for flexibility and innovation that can be responsive to student needs and industry demands in a timely manner. There is an important need to ensure that a rigorous process is followed so that the Training Packages are designed to meet the needs of industry. Qualifications need to be relevant and provide the skills students need to be capable employees in the workforce and industry in which they are seeking to work. There is also a need to recognise, however, that RTOs should have input into the way training is delivered and into the pedagogical aspects of the education and an opportunity to provide innovation and agility to the sector.

Providers also feel that there would be greater interest in developing and delivering VET qualifications at dual sector providers if there was greater scope for pedagogical creativity. Providers understand pedagogy and should have their expertise and experience in course delivery utilised in order to benefit students. Some providers have limited the scope of their delivery because of issues around the inflexibility of Training Packages. This limits students' choice about the education they wish to receive and from which type of provider.

Dual sector providers have a significant role to play in the alignment of the VET and higher education sectors and are well placed to demonstrate to students the pathways and transitions between the two elements of tertiary education. Allowing these providers and RTOs greater ability to alter aspects of the Training Package to allow for innovation and greater responsiveness to the needs of industry and students, and to ensure that best-practice pedagogy can be adopted, would be of benefit to the sector as a whole.

Recommendation 8

IHEA recommends greater flexibility be provided in the delivery of Training Packages to ensure the best-practice pedagogy and innovation is not stifled by current restrictions on making changes to them.

Pathways and Transitions

The "Credit Pathways in VET and Higher Education Research Project: Final Report" by the Ithaca Group (2018), identified that RPL and credit transfer is not well utilised by students or providers. There is inconsistency in the approach of different providers and institutions to RPL and credit transfer arrangements. Students find it hard to understand the arrangements and face uncertainty about different options for the possible future pathways leading from a qualification. A system that allowed students to clearly identify what RPL and credit they may be eligible for would create a smoother transition between VET and Higher Education qualifications.

The confusion students face is particularly evident in the application of credit for informal and non-formal learning and work experience. The process that is expected of a student to be able to identify their opportunity for RPL or credit from previous work experience or life learning is too arduous and ambiguous and this prohibits the system being best utilised by students. This is not a simple problem to address but providing students with more information and clearer options about RPL and credit transfer would assist in the opportunity being taken up.

Recommendation 9

IHEA recommends that clearer RPL and credit transfer arrangements be provided to students to ensure more effective use of these options.

Investment in Public Provision

IHEA supports competitive neutrality in Australia's tertiary education sector. There is a need to protect disadvantaged cohorts of students and ensure that they have access to training and education and can achieve their desired employment and educational outcomes. To ensure this, there is a need to provide as diverse a range of provider types, qualifications, course offerings and delivery styles spanning as much of Australia's geography as possible. Subsidising the public sector and public institutions alone is not the most effective or efficient way to achieve these outcomes for the economy and society more generally.

To ensure compliance with competitive neutrality principles and that student choice drives the market, Community Service Obligation funding should be contestable and based on the RTO being able to achieve the desired outcomes for the student and not simply based on the type of institution delivering the course. Measures other than provider type need to be used as eligibility criteria for access to funding. The RTO best able to meet student needs and deliver the outcomes sought for and by the community more generally should have the opportunity to be funded to do so. Transparency is key to the operation of an effective and efficient Community Service Obligation system and so IHEA supports greater transparency and disclosure arrangements as well as contestability being applied to the Community Service Obligation funding.

Subsidies that are limited to a certain type of provider cause issues of equity and fairness in the sector, especially where they cannot be justified in terms of delivering a better outcome for the student. Ensuring that the subsidies are able to be awarded to RTOs and providers that meet quality standards, are registered with the proper regulator and that can offer the courses being subsidised produces a fairer and more equitable outcome for the sector, students and the economy.

Recommendation 10

IHEA recommends that the investment in public provision of VET be made compliant with competitive neutrality principles through contestable and transparent Community Service Obligation funding agreements.

The Challenges of Online Delivery

There are challenges with online delivery, but there are also opportunities. Online delivery can allow the opportunity for regional and remote students to be able to access courses offered by providers outside their immediate location that can expand their options and choice of provider and course they may wish to complete.

Providing this opportunity (where possible with good quality online delivery of the education and training) can assist in achieving the aim of some of the recent reforms of the VET sector in Australia to increase participation. It is not only regional and remote students that would benefit, but a range of students for whom the option of online learning allows greater flexibility and increased options that may be required because of life and personal circumstances.

Impacts of COVID-19

The impacts of COVID-19 have demonstrated the effect of the loss of a segment of the student market. Some providers that find it too difficult and onerous to offer VSL to their students may rely heavily on the international market. When there is a shock that impacts that market it is felt throughout the sector, but some providers are hit particularly hard. Ensuring that policy settings avoid causing distortions in the market that create risk and exposure to economic shocks is imperative to the future sustainability of a healthy tertiary sector.

There have also been some positive impacts of COVID-19. The sector was forced to quickly find ways to continue delivering education and training without the ability to meet face-to-face. There has been innovation and creativity caused by the crisis. Another positive outcome of the crisis has been

cooperation between the sector and industry to develop solutions to the need for work placements that may not have been able to occur during the height of the crisis. Although work placements and professional accreditation activities are valuable and there is a clear need and justification for them, it is also important to have flexibility and the opportunity to be reminded of the core reasons behind these activities and to allow creative and innovative ways to meet the aims of the activity. Providers and agencies have been forced to think more creatively about how to achieve similar outcomes without the need for face-to-face interaction that was prohibited during the crisis.

If lessons can be taken forward from the crisis that address these positives and negative aspects of the system and its activities, it will be for the greater good of the sector.

IHEA's Recommendations are as follows:

Recommendations

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