

# MTC Australia submission

## ***Fifth Interim Report - 5 Year Productivity Inquiry: From learning to growth.***

### **About MTC Australia**

MTC is a social enterprise that gives people the inspiration, capability and opportunity to create a fulfilling life. We deliver high-impact employment, training and youth programs that help more than 17,000 people every year gain skills for employment and entrepreneurship, build self-worth, and enable possibilities for transformative change.

We are a Registered Training Organisation (RTO) in New South Wales, and we deliver a range of Vocational Education and Training (VET) courses as well as specific training for job seekers from Culturally and Linguistically Different backgrounds (CALD) and mature job seekers. We also provide employment services and youth and community programs.

### **Submission to Interim Report 5 released on 4 October 2022**

MTC Australia welcomes the 5-Year Productivity Inquiry and the opportunity to share information with the Commission. Through the delivery of the programs mentioned above, MTC Australia has an extensive understanding of VET as well as of our students' circumstances. The information below is to share some of our insights regarding the questions raised in the report.

#### **3.1 Supporting sustainable growth in tertiary education**

##### ***Do funding caps place a binding constraint on education providers, or conversely, is there evidence on the extent of unmet demand for tertiary education?***

As with other eligible RTOs, MTC Australia receives an annual allocation of VET full qualification funding (Entitlement Full Qualification) as part of the NSW government's Smart and Skilled Program. Under this model, RTOs are limited to an approved qualifications list, which begins at a minimum Certificate II level. Additionally, funding allocations must be utilised within a financial year, which poses several constraints on education providers. This includes the inability to schedule courses of a reasonable duration towards the end of the financial year, particularly if funding allocations or demand for previous courses have been met. Also, restricting the approved list of qualifications to Certificate II for vocational



qualifications under this model does not take into consideration disadvantaged students at the lower levels.

A more flexible funding model, which is not restricted to funding cap allocations per financial year, would allow education providers to meet student demand regardless of course start dates. Furthermore, funding for Certificate I level qualifications should be availed to any RTOs who engage with disadvantaged cohorts, e.g. migrants and refugees, learners with a disability and early school leavers.

### **How should places be expanded across VET and higher education?**

- Should growth in places be determined using a formula?**
- Should demand-driven funding be expanded to support more students (such as equity groups)?**

Based on MTC Australia’s experience, VET courses are preferred by disadvantaged groups. For instance, 34% of our students are Mature-Aged, 21% are from a Culturally and Linguistically Different background (CALD), and 14% are People with a Disability.

According to the Department of Education’s 2020 Higher Education statistics, those numbers are significantly lower in universities (4% Mature-Aged, 4% CALD, and 7% People with a Disability). The table below compares the different equity groups across VET, universities and MTC Australia:

<b>Percentage of students who are/have:</b>	<b><u>MTC Australia VET commencing students (2020-22)</u></b>	<b><u>VET students (2020)</u></b>	<b><u>University commencing domestic students (2020)</u></b>
Job seekers	93%	N/A	N/A
<b>CALD/Non English speaking background</b>	<b>21%</b>	<b>18%</b>	<b>4%</b>
<b>Have a disability</b>	<b>14%</b>	<b>9%</b>	<b>7%</b>
Indigenous	3%	7%	2%
Homeless	3%	N/A	N/A
Refugees	1%	N/A	N/A
<b>Mature (50+)</b>	<b>34%</b>	<b>12%</b>	<b>4%</b>
Youth (24 and under)	7%	N/A	59%
<i>Source:</i>	<i>MTC internal data</i>	<i>NCVER published data<sup>1</sup></i>	<i>Department of Education website 2020 commencing students<sup>2</sup> and equity groups<sup>3</sup></i>

<sup>1</sup> (2022). *Historical time series of government-funded vocational education and training from 1981 to 2021*. NCVER. <https://www.ncver.edu.au/research-and-statistics/data/all-data/historical-time-series-of-government-funded-vocational-education-and-training-from-1981-to-2021>

<sup>2</sup> (2022). *2020 Section I Commencing students*. Department of Education. <https://www.education.gov.au/higher-education-statistics/resources/2020-section-i-commencing-students>

<sup>3</sup> (2022). *2020 Section II Equity groups*. Department of Education. <https://www.education.gov.au/higher-education-statistics/resources/2020-section-ii-equity-groups>



The table indicates a high proportion of disadvantaged VET students who engage in our courses. These students rely on fully subsidised courses to access relevant skills training, and some students may require specific courses or licences to enter or re-enter the labour market. However, short qualifications such as First aid training (Provide First Aid – HLTAID011) – which can be a requirement for some care sector jobs – are not funded under Smart and Skilled, even though disadvantaged students may be unable to pay for it upfront. As a result, we strongly believe access to VET courses should be increased to include a broader range of certificate levels, including skill sets, units of competency and non-accredited courses specific to labour market needs and shortages over a longer funding period. This will ensure education providers can meet the needs of their student cohorts, without the current limitations on annual, fixed-cap funding.

Under Smart and Skilled, Aboriginal and/or Torres Strait Islanders, People with a Disability, long-term unemployed, regional or remote students can receive loading in NSW. While loading payments for these cohorts are useful, they do not cover other disadvantaged groups, such as migrants and refugees with low language, literacy and numeracy (LLN) levels.

A national approach to supporting equity groups who engage in vocational training is recommended. This approach should consider all barriers to participation, which may include homelessness, domestic violence, mental health etc. Vocational training is an important step in providing equity groups with the skills they need for further education or employment opportunities. MTC suggests the loading could be reviewed to include more equity groups. As referenced in the Productivity Commission's report, one in five Australians have low foundation skills. As such, broader funding for education Providers to deliver Foundation Skills qualifications is essential to ensure disadvantaged communities are not left behind.

### **3.2 More effective targeting of government investment in education**

***Can funding be better allocated in tertiary education to encourage competition across providers? To what extent would this (or other funding approaches) support more efficient or high-quality education, and improve the flexibility of the tertiary system to changing skill needs?***

According to NCVER statistics<sup>4</sup>, in 2020, 70% of the government funding of VET went to TAFE (and 5% to universities), which left only 25% of the annual funding for other organisations, including RTOs. MTC Australia believes this weakens the competition as it considerably limits the market size of VET outside of TAFE, while – as mentioned on page 61 of the Productivity Commission report – students are equally satisfied with public and private RTOs and employer satisfaction is higher for private RTOs. Competition can foster innovation in the

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<sup>4</sup> (2021). *Government funding of VET 2020: data tables*. NCVER. <https://www.ncver.edu.au/research-and-statistics/data/all-data/government-funding-of-vet-2020-data-tables>



sector. When students can choose where they can study regardless of restrictions to funding models, this encourages providers to innovate or differentiate their offering to remain competitive in the market. Such an approach would support more efficient or high-quality education, since students would have greater access to education providers who could tailor courses to their needs.

### **4.3 Allowing greater flexibility in VET course delivery**

#### ***What would be the risks and benefits of piloting alternative approaches to competency-based training?***

While a proficiency-based model could help with some of the current challenges, we are concerned there could be significant risks associated with the change. It would require a considerable overhaul of the whole system and could discourage learners at the lower end of the proficiency scale. At some stage, grading to a bell curve may also be required, which tends to create competition between students rather than collaborative learning environments.

#### ***Under an alternative approach, how should training be defined and updated over time?***

MTC Australia agrees with the current challenges mentioned in the Productivity Commission report, such as the rigidity of the current training packages and the time taken for them to be updated. To tackle those issues, MTC Australia suggests new curricula that aim at broader knowledge could be developed to give more flexibility to providers to update teaching material and reduce the frequency with which training packages need to be updated.

