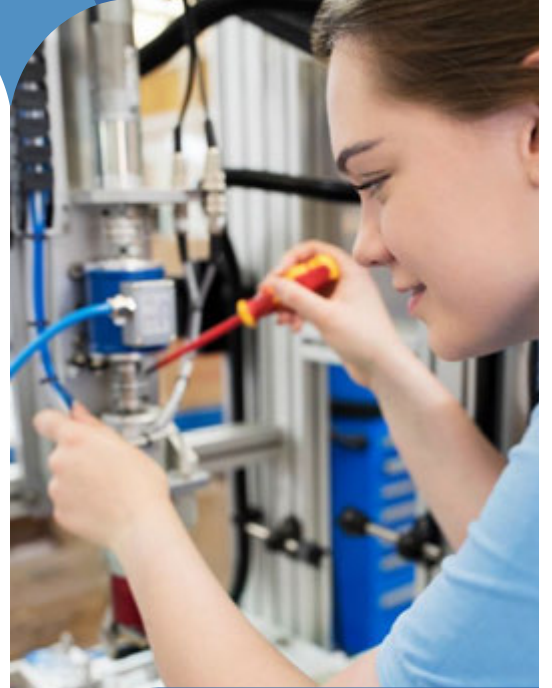


Interim Report Commentary

Productivity Commission Study of the National Agreement on Skills and Workforce Development

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 over 74% of the 4.1 million students studying in Australia's vocational education and training (VET) system. In the higher education sector, independent providers support around 10% of the 1.5 million students in the sector.

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 national policy team.

Recognised by government as an authoritative source of policy advice, ITECA works collaboratively with government to support both students and independent tertiary education providers. ITECA has agreements in place with both the Australian Skills Quality Authority (ASQA) and the Tertiary Education Quality Standards Agency (TEQSA) that seek to build a shared understanding of regulatory compliance obligations and challenges. First and foremost, ITECA views ASQA and TEQSA as key partners in strengthening the Australian independent tertiary education sector's reputation for excellence.

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 a solid understanding of the independent tertiary education sector's contribution to an international student market that delivers enormous socio-cultural benefits to Australia, as well as economic benefits of over \$38 billion annually.

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 — National Agreement for Skills & Workforce Development Review

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.

Quality vocational education and training (VET) is necessary 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 74 per cent of Australia's 4.1 million VET students studying at independent providers. Over 3,100 independent training providers deliver training in all parts of Australia to meet the needs of students and employers across the economy.

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.

Troy Williams
ITECA Chief Executive

Felix Pirie
ITECA Director – Policy & Research

ITECA Recommendations — National Agreement for Skills & Workforce Development Review

The recommendations below are a blend of these made in ITECA's initial submission to the discussion paper, augmented by those raised in response to issues canvassed in the Interim Report.

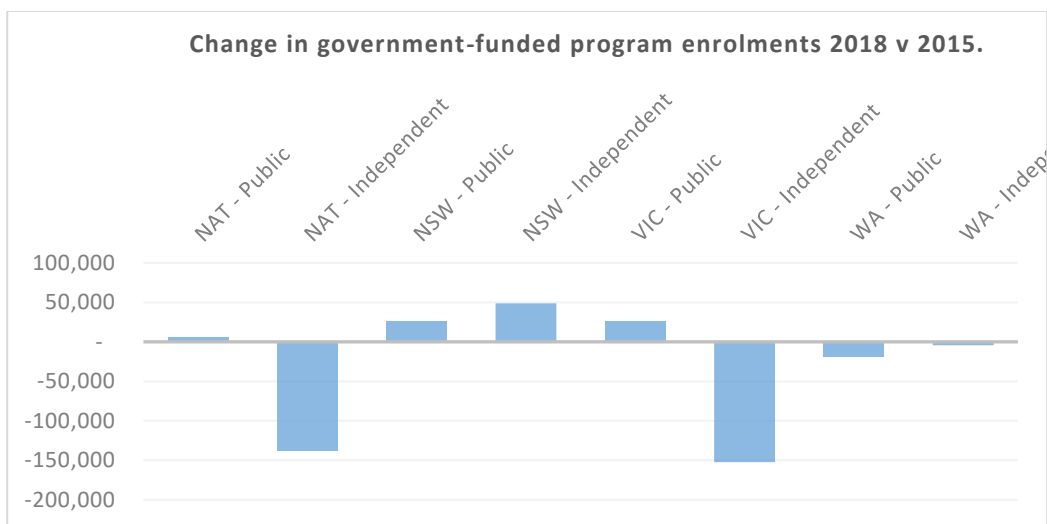
1. That the NFRC adopts a contestable, student-centric model for investment in the VET system, aligned with NSC forecasts, that reflects student and industry demand for quality vocational education and training outcomes and which supports student choice of provider.
2. Australian Governments, through the NFRC, commit to a 10-year nationally consistent policy, as well as program and funding settings that provide certainty to the VET system.
3. That a next-generation NASWD firmly entrenches the role of the NCI as the primary vehicle to empower students through the provision of information that permits students to select the training provider of their choice.
4. The NSC develop a nationally consistent set of course subsidies; based upon the efficient cost of delivery for groups of similar courses, with loadings to address higher delivery costs in some locations and to some student groups.
5. The states and territories align the criteria against which RTOs can be eligible to become funded providers.
6. The states and territories work on the basis of reciprocity for funding approvals to enable RTOs to deliver (within the limits of their ASQA registration) funded training nation-wide.
7. State and territories reform funding approval processes so that, at any point in time, an RTO can apply to become a funded provider.
8. An Australian Skills Entitlement be available for study in qualifications at Certificate IV and above as determined by the National Skills Commissioner. The Entitlement would be redeemable for study with any provider that meets relevant quality assurance benchmarks set by government and would be re-useable once fully repaid.
9. The Australian Government, working with the NFRC, 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.
10. That a next-generation NASWD firmly entrench the role of the NCI as the primary vehicle to empower students through the provision of information that permits students to select the training provider of their choice.
11. The Australian Government, working with the NFRC, undertake a full review of Australia's tertiary system with the aim to build one national tertiary education system.
12. The Australian Government, working with the NFRC, take full policy, governance and administration leadership for VET within a single, cohesive tertiary education system.

Section 1 — The Independent Vocational Education & Training Sector

All Australians should have the opportunity to gain the skills and knowledge they require to participate effectively in the labour market. Similarly, all Australians should be able to participate in the tertiary education sector based on a clarity of information, that helps facilitate the best possible choices, aligned to skills needs and knowledge enhancement, and with support that is agnostic as to the type of provider they choose.

Governments have a pivotal role to play in ensuring they deliver on this to the communities that elect them.

By 2018, there were over 518,000 fewer program enrolments in Australia’s VET system than there were in 2015. Included in this decline were around 137,500 fewer government funded enrolments at independent providers than in 2015 and just over 5,000 additional government funded enrolments at public providers. These nation-wide numbers, however, mask what are some stark differences across the states and territories.



Source: NCVET, Total VET Activity 2018

These data show some of the differences in changing government-funded enrolment patterns across selected jurisdictions in 2018 compared with 2015. The comparative position is important to note too, as the increase experienced by independent providers in NSW reflected an increase of 83% on 2015, yet the increase in that state was 11% for public providers; 4% less than the almost identical increase in *numbers* experienced in Victoria.

Some of the difference in these patterns is due to government policy decisions while some is due to external factors. The massive decrease in funded program enrolments for independent providers in Victoria is due overwhelmingly to government policy decisions. In contrast, the decline in funded enrolments across the board in WA has been due largely to external economic factors (for example, decline of the mining boom).

Increased Preference For Independent Providers

Independent providers accounted for an increasing proportion of qualification completions across the Australian skills sector. Indeed, independent providers deliver the majority of qualifications at every level of the Australian Qualifications Framework in the VET sector, including 65% of those at Certificate III, 70% at Certificate IV, 68% at Diploma and above as well as 85% of Statements of Attainment.

This reflects the strong engagement between independent providers across the not-for-profit, community, for-profit and enterprise sectors in linking with students, communities and employers to deliver genuine and meaningful training that meets needs. Despite the reduction in funded training places that have been available to independent providers in recent years, students and employers have been consistently making the choice to engage with the independent sector to deliver high-quality training, meeting skills needs and filling skills gaps across sectors.

Still, on any metric, including data in this submission, government intervention has sought to prop up a public system that has failed Australians – particularly in some jurisdictions – and wasted significant taxpayer resources in the processes.

Students continue to access tertiary education in multiple ways, whether through independent vocational education providers, public TAFE colleges, public universities, private universities, non-university higher education providers, community groups and industry. All these avenues to a tertiary education should be valued equally, without one being preferred over another. This point has been reinforced through the Australian Government's *Review of senior secondary pathways into work, further education and training*, led by Peter Shergold AC.

Independent providers as the mainstay of the VET system

Tertiary education provides public and private benefits to the recipients of that education, delivering the skills and knowledge required to be successful in the current workforce and for a modern economy.

Independent providers play a significant role in the sector, with more than 74 per cent of students in Australia's VET system – more than 3 million students – choosing to study at an independent provider.

Independent providers work closely with employers to develop and deliver the knowledge and training required for the current and future workforce. They are nimble, have their 'ear to the ground' and their relationships with employers deliver excellent 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 tertiary education sector is a key player in delivering the skills and knowledge that will help Australia grow its productive capacity to meet the challenges in the economic and societal recovery we face. In that context, the sector must be supported appropriately by policy makers at all levels.

The initial Submission to this Review by ITECA included recommendations focused on ensuring the Commonwealth and the states and territories worked cohesively and

consistently towards optimal outcomes for the sector. These recommendations remain a focus for ITECA and the independent sector and are reinforced here.

In addition, ITECA takes this opportunity to focus on the central importance of student choice in the VET system which was discussed previously in the context of a student-centric funding model that reflects student and industry demand for quality vocational education and training.

Recommendation/s:

1. That the NFRC adopts a contestable, student-centric model for investment in the VET system, aligned with NSC forecasts, that reflects student and industry demand for quality vocational education and training outcomes and which supports student choice of provider.
2. Australian Governments, through NFRC, commit to a 10-year nationally consistent policy, as well program and funding settings that provide certainty to the VET system.

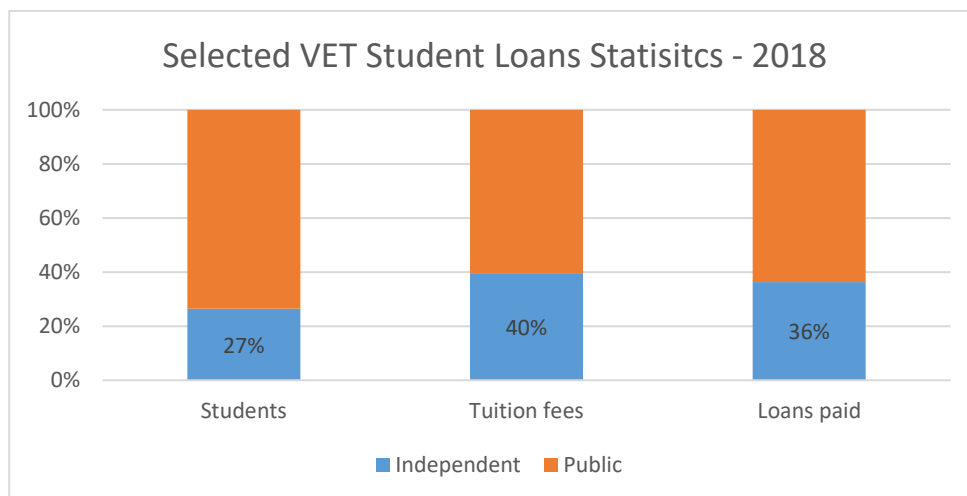
Section 2 — The Independent Vocational Education & Training Sector

Despite suggestions from some participants, there is a market in the Australian vocational education and training sector. The Australian VET market cannot be abandoned just because there are imperfections in it.

Rather, there are serious issues that must be addressed in the market; some of these are ones of architecture and some are related to lazy thinking ('more funding will solve everything'), but many issues are in the process of being addressed and we must work with those processes or repeat the many mistakes of the past.

Information asymmetries are an example of problems which must be addressed as a priority and action on this is underway through the NCI. The NCI is also tasked with dealing with the lack of clear information flowing to market participants and this will greatly assist those students, families, providers, and employers in making better and more informed choices.

The Commonwealth's existing loan program is an inadequate mechanism to deliver students the choice of training in areas of skills need with their choice of training provider.



Source: Department of Education, Skills and Employment, 2020

The low levels of access for independent providers to the VSL scheme do not reflect the strength the independent sector has in delivering qualifications at Diploma and above across Australia: 68% of VET students studying at Diploma and above study with an independent provider, yet only 27% of students accessing a VET Student Loan in 2018 did so through an independent provider.

- Indeed, fewer than 120 independent providers were able to access the VSL scheme in 2018; in stark contrast to the more than 3,100 independent providers in Australia.

The total amount of loans paid to independent providers is also smaller than that paid to the public sector, including to some providers who do not access the scheme to deliver enhanced skills to the economy. The high cost, niche training (such as aviation) delivered by many independent providers under the VSL scheme demonstrates the essential nature of this kind of supported training.

What is required here is not abandonment of the market but guidance of it, and a gentle and measured intervention in it to assist those who have been marginalised through ineffective operation of existing mechanisms. A focus on greater student choice in accessing qualifications and qualification delivery can effectively and efficiently deliver that.

Section 3 — Student Choice In Vocational Education & Training

The ability of consumers to leverage informed decisions about their current and future skills needs is critical. The centrality of informed student choice in the Australian vocational education and training system is vital to the robustness of delivering on the nation’s future skill needs.

Today’s students, whether they are school age, school-leavers or mature-aged workers or job seekers, are operating with and seeking information in an increasingly complex environment. The complexities with which they are faced amplify two things that ITECA continues to advocate for. First, the importance of clear and concise information about a more cohesive tertiary education system. And second, the greater capacity for those students to leverage that information in making choices relating to the qualifications and training providers that best suit them and their circumstances.

Students as the customer

The VET system must be student-centric, recognising that at all times its task is to provide students with the knowledge and technical expertise to be productive employees. Students should be respected for their capacity to make decisions about their study and career goals.

Importantly, students should be seen as the customer, however much this language causes consternation amongst some stakeholders. Students should be free to study with the provider of their choice, whether a quality independent RTO or public TAFE college.

The task for government is to empower students by giving them information to make informed decisions, safe in the knowledge that the VET provider of their choice operates within effective regulatory frameworks.

Empowering students will require an emphasis on collecting and publishing quality and relevant data, on a timely basis, on both labour markets and skills needs.

Improved information to empower student choice

Governments are acting to improve the quality of information being provided to students as well as to training providers and employers. This is very much a welcome development and ITECA expects that, subject to full implementation, the National Careers Institute has the capacity to deliver substantial positive impacts to Australians faced with these choices in the future.

But the focus of the student choice must be given primacy in the overall system architecture alongside quality assurance and ensuring the system delivers the required skills needs into the economy. Here, the work of the NCI is critical to empowering students by giving them information to make informed decisions. Similarly, ASQA needs to operate in a way that both students and RTOs have confidence that the requisite quality assurance approaches are in place, in both public and independent training providers.

However, some have argued that students are not able to make choices about the type of training and training provider they need or would like to access. This sort of paternalistic attitude towards participants in the VET system is a poor reflection on those making it and suggests a lack of ambition for the Australians skills system that views the system through the prism of constraints rather than opportunities.

Solutions to these issues lie in remedying the information asymmetries that exist in the current training market. Students – at all ages and stages of learning and in all cohorts – benefit from better and more accurate information that is curated as far as possible for them and their circumstance.

By examining the skills system through the lens of student choice, skills need, and improved information provision across the system, some key reforms can be progressed to the benefit of students, employers and the taxpayer.

Recommendation/s

- 3 That a next-generation NASWD firmly entrenches the role of the NCI as the primary vehicle to empower students through the provision of information that permits students to select the training provider of their choice.

Section 4 — Determination Of Funding Priorities & Funding Providers

One of the perennial challenges before government is the alignment of funding with workforce skills needs. It is in this context that ITECA has welcomed the establishment of the National Skills Commission (NSC), charged with the task of conducting labour market data and analysis, as well as skills forecasting. Allied to the work of the NSC in skills forecasting is the determination of nationally consistent pricing levels.

The key to the success of a next-generation agreement, and the work of the NCI, will be balancing the over-arching national priorities with local skills needs.

Determining skills needs

ITECA has been a strong supporter of the establishment of the NSC and the appointment of the Commissioner. A nationally coordinated approach to skills forecasting that, in turn, closely informs the qualifications and courses to be funded and the number of places is highly desirable.

The challenge that must be addressed is how to achieve a collaborative approach between the NSC and state and territory governments. There is the real risk that for reasons of practicality or philosophy, a state or territory government may disregard the work of the NSC and rely on its own skills forecasting infrastructure.

Recognising that all skills needs are local, not only at a state or territory level but often at a municipal level, greater clarity is needed as to how the nationwide approach of the NSC will align with the local skills needs of each jurisdiction. A significant investment of goodwill is required to ensure that the product of the NSC's deliberations are adopted by the state and territory governments.

One of the challenges in skills forecasting is understanding the time delay between investment in skills and the consequential availability of a trained workforce. The time from when a student commences their course, to the time of graduation can typically be between two and three years. However, it is likely a further period will pass where their training, even with a significant on-the-job training component, will allow them to be considered skilled. Knowledge of this should, in part, play a role in determining the types of qualifications to be funded.

Determining the level of support

As the Joyce Review has noted, and as referenced in the Productivity Commission's Interim Report, there is not always a strong alignment between the level of subsidy provided and the cost of delivery. In some jurisdictions the disconnect between the support provided to train students and the cost of delivery is significant: there has to be a better way.

ITECA is supportive of the role that the NSC will play in determining efficient prices for VET course delivery. Importantly, this will need to be done from first principles rather than relying on historical funding levels. This will require the NSC to consult extensively with providers that have a range of characteristics including varying

sizes, different geographic locations and delivery modes. Naturally, there also needs to be an understanding that each qualification has a different cost basis from the other, with inputs including: physical infrastructure, tool and equipment resources, human capital and consumables used in training.

A major variable in the cost of delivery is the cost of supporting students. Experience of independent providers has shown clearly that different student cohorts require differing levels of support. For example, school leavers, older Australians, those from non-English speaking backgrounds, jobseekers and those from regional areas all have a different cost basis.

The Interim Report presented two options for nationally consistent course subsidies. ITECA, without reserve, supports the first of these which is to have the NSC adopt a nationally consistent set of course subsidies; based upon the efficient cost of delivery for groups of similar courses, with loadings to address higher delivery costs in some locations and to some student groups. The alternative where each jurisdiction sets their own subsidy rates and allocation has manifestly failed students and the business community, as noted in the Joyce Report.

As the Interim Report has noted, there are several inherent advantages in a competitive VET market that is overseen by effective regulation – conversely, there is no evidence that would withstand robust scrutiny to support the primacy of the public TAFE system when measured in terms of student outcomes or taxpayer value. In this context, it is appropriate that a next-generation NASWD agreement be one where public TAFE colleges compete alongside independent RTOs for student entitlement places.

Creating a level playing field

Data from the NCVET show that independent providers deliver to more students (including from disadvantaged backgrounds), across more locations, and ensure more completed qualifications at all AQF levels into the economy than the public system. NCVET data also show, however, that despite massive taxpayer support, and a per-student funding basis that greatly exceeds that at independent RTOs, public TAFE colleges achieve outcomes similar to, or worse than, independent RTOs.

This highlights the benefits to students, their employers and taxpayers of a skills and training system in which quality RTOs can compete on a level playing field with public providers.

A next-generation NASWD should provide for a level of support that is provider agnostic. That is, funding available to support students should be the same whether provided to a quality independent RTO or public TAFE college.

Recognising the need to maintain and develop public TAFE colleges so they are able to fulfil public aspects of provision within the market, the costs of this should be met separately.

Having settled the question of which qualifications should be preferenced (skills forecasting), and the level of support provided to students (the subsidy), the remaining issue would be the funding mechanism.

Given the starting point that each state and territory will retain responsibility for funding allocation, the greatest challenge is to arrive at a funding mechanism that empowers students to choose the training organisation best able to support them.

Vouchers in vocational education and training

Among the possibilities highlighted in the Interim Report was the concept of student 'vouchers'. The Interim Report essentially couched this as a form of funding entitlement which would allow a student to access training with the provider of their course. It was suggested in the Interim Report that the existing course subsidy system could be wholly replaced – or largely replaced – by a voucher system.

Although ITECA is philosophically predisposed to a voucher system as it empowers student choice, the considered view is that this approach is unlikely to be workable when considering the need to engage the states and territories. As noted in the Interim Report, it is likely that a voucher system would be more complex to administer, but could have consequences for ensuring students are engaging in courses of genuine skills shortage as determined through the NSC process.

Given the complexity for federal – state relations and the wildly different processes currently embedded within each jurisdiction for investing in skills, ITECA is not recommending a significantly different approach to the mechanism by which state and territory governments access subsidised places, however desirable that may be. At the same time, there are some minor improvements that can be made.

RTO eligibility to become a funded provider

Every state and territory has criteria against which an independent RTO is assessed that may enable them to become a provider of funded training. Similarly, the Australian Government has criteria against which VET Student Loan providers are assessed. ITECA supports this approach as it ensures appropriate level of probity when taxpayer funds are accessed.

The challenge for providers is that there is considerable variability in the approach of each jurisdiction and there is no mutual recognition between jurisdictions. Thus, a provider wanting to deliver in multiple jurisdictions has to apply in each one separately, often through widely different mechanisms, processes, timeframes and requirements.

There are efficiencies to be gained in two reforms. The first reform is aligning across the jurisdictions the criteria against which RTOs can be eligible to deliver funded training. The second reform is that having aligned the criteria, that reciprocity in approvals for funded providers be granted. This makes particular sense in a second-generation NASWD as it means that a provider, with appropriate ASQA registration and geographic scope, would be able to support students across the nation.

A major limiting factor in building capacity across the VET sector is the restriction imposed by state and territory governments on the number of independent RTOs that can deliver training. Here, ITECA refers not to the probity assessment but the fact that some jurisdictions, such as Victoria, take a haphazard approach to allowing new RTOs to apply to become funded providers. ITECA recommends that state and territory governments reform the processes so that, at any point in time, an RTO can apply to

become a funded provider. This will position the RTO to apply to access funding to support students when such opportunities become available (typically annually).

As is noted in the Interim Report, governments have stepped back from some of the policy aspirations in the initial NASWD. Targets were not met and performance indicators proved to be deficient. It is therefore imperative that the next generation NASWD include clear obligations with respect to reform commitments and funding models. For example, if the work of the NSC is to have primacy with respect to subsidy allocations, acceptance of this approach for the life of the NASWD should be a precondition for annual funding.

Recommendations:

4. The NSC develop a nationally consistent set of course subsidies; based upon the efficient cost of delivery for groups of similar courses, with loadings to address higher delivery costs in some locations and to some student groups.
5. The states and territories align the criteria against which RTOs can be eligible to become funded providers.
6. The states and territories work on the basis of reciprocity for funding approvals to enable RTOs to deliver (within the limits of their ASQA registration) funded training nation-wide.
7. State and territories reform funding approval processes so that, at any point in time, an RTO can apply to become a funded provider.

Section 5 — Empowering Student Choice With More Funding Options

The Interim Report posed the possibility that there could be an expanded role for loans in a system that embraced a larger role for government funding of VET. ITECA has continued to advocate for an expansion of the existing VET Students Loans (VSL) scheme to Certificate IV, and so in that context, this proposal aligns with our existing advocacy.

While the VSL scheme has proven an effective way of dealing with the gap between the price of a course and what a student might otherwise be able or willing to pay, it has been unsuccessful in other ways. In that context, it would benefit from a fundamental rethink and redesign.

The overarching principles for a redesigned skills-specific loans scheme should be as follows:

Principles for a redesigned student loans scheme

- Students are able to access an Australian Skills Entitlement for payment of course fees at Certificate IV and above programs that have been designated by the National Skills Commissioner.
- The amount of the Entitlement would be set in three bands (similar to the current model used for VSL, albeit with different methodology).
- Any unused amount of an Entitlement can be kept as part of the Entitlement and used for additional qualifications.
- Amounts drawn down from the Entitlement are fully repayable (through the taxation system, so no additional architecture is required) and repayment begins as soon as an amount is drawn down, subject to minimum income threshold being reached.
- In an effort to promote lifelong re-skilling of the workforce, when the Entitlement is fully repaid, it can be re-accessed for further training.

Quality assurance in the delivery of training aligned to programs under the Entitlement will be paramount. In that context, it is envisaged that:

Course selection and entitlement redemption

- Only programs that are identified by the NSC as a critical skills need will be supported by an Australian Skills Entitlement that is provided to the student and not the provider.
- The Australian Skills Entitlement can only be redeemed for nationally recognised qualifications; and
- The Australian Skills Entitlement can be redeemed by the student with any RTO that has the program on their ASQA scope of registration.

This ensures that ASQA retains a strong quality assurance role over student access to training and links the NSC work with that of the NCI.

Certificate IV, Diploma and above coverage

As a first step, limiting the available qualifications to Certificate IV and above has the effect of firstly limiting the extent of usage to key skill areas while ensuring that lessons from the VSL scheme can be leveraged.

Following an initial phase of delivery at these levels, it might be feasible to expand the program to lower levels in the AQF.

Under this model, the Entitlement can work alongside subsidy arrangements rather than being a replacement for them as proposed in the context of Vouchers. Critically, the level of a subsidy would be 'capped' to a maximum level determined by the National Skills Commissioner and agreed by state and territory jurisdictions for Entitlement-eligible courses, aligned to these as being the nationally consistent benchmark cost of delivery for a qualification or group of qualifications.

Beyond that level, it would be a matter for each jurisdiction to add 'loadings' for factors such as specific geographies, cohort factors, local delivery issues and so forth.

Recommendation/s

- 8 An Australian Skills Entitlement be available for study in qualifications at Certificate IV and above as determined by the National Skills Commissioner. The Entitlement would be redeemable for study with any provider that meets relevant quality assurance benchmarks set by government and would be re-useable once fully repaid.

Section 6 — Multiple Regulators Diminishes National Competition

In the same way that we acknowledge that the skilled labour force is agile, able to traverse state and territory boundaries, it's time that we empower VET providers to be similarly agile. It is no longer tenable to have three separate regulators for the VET sector.

The three regulators are the Australian Skills and Quality Authority (ASQA) that operates in all jurisdictions other than Victoria and Western Australia. With respect to the latter two jurisdictions, RTOs in those states are regulated by the Victorian Registration and Qualifications Authority (VRQA) and the Training Accreditation Council (TAC) respectively. Challengingly, independent RTOs that also operate in the higher education sector are also regulated by the Tertiary Education Quality and Standards Agency (TEQSA).

The advice from ITECA members is that the abundance of regulators creates inconsistency and overlaps that impairs the efficiency, innovation and, in some cases, curtails an ability for an RTO to deliver in multiple jurisdictions.

ITECA endorses the view of the Productivity Commission that there is merit in Victoria and Western Australia moving towards a single national regulator for VET. However, ITECA recognises that many independent RTOs accept this direction in-principle but would resist any such move in the short-term.

Impediment To A Single VET Regulator

Advice from independent RTOs in Victoria and Western Australia is clear. Although they are desirous of a single VET regulator and an acknowledgement that ASQA should play that role, the appetite for such a move is not currently strong. The reason is that there remain concerns amongst independent RTOs about the way ASQA currently conducts regulatory activity. As the Joyce Review noted, there is always some tension to be expected between a regulator and the regulated. However, concerns that independent RTOs have with ASQA go beyond that sort of healthy tension.

ITECA notes the changes over the past year which have transformed ASQA's operations, with a more open and collaborative approach. Importantly, ASQA has also embarked upon a process of playing a more educative role. There will need to be widespread acceptance that ASQA's performance and culture has changed across independent RTOs in Victoria and Western Australia before momentum can be built for these states to refer their RTO regulatory powers to ASQA.

ITECA, therefore, believes it appropriate that as a side-condition to a funding agreement, both Victoria and Western Australia agree to the referral of regulation of RTOs to ASQA within five years, on the proviso that an agreed set of preconditions must be met.

Single Tertiary Education Sector Regulator

As set out earlier, RTOs that also operate in the higher education sector are typically regulated by both ASQA and TEQSA, creating an additional regulatory burden.

Although it is difficult to quantify the costs of dual regulation with any certainty, advice from these dual sector providers is that the resource demands associated with meeting two sets of regulatory standards to the satisfaction of two different regulators is burdensome and excessive.

Both ASQA and TEQSA have, after advocacy through ITECA, committed to a process of regulatory convergence. This would see, where possible, an alignment of standards and audit processes to reduce the resource requirements on regulated RTOs. This work is in its infancy; however, the commitment of ASQA and TEQSA to the task is valued by the independent tertiary education sector.

The long-term objective would be a single tertiary education regulator, operating nationally across both the higher education sector and the vocational education and training sector. ITECA recognises the myriad separate and competing interests which make such an outcome inherently difficult, but it is one that merits close analysis and sustained effort.

The Covid-19 crisis has seen a new spirit of cooperation, one in which the Australian Government and its state / territory counterparts have shown a new willingness to collaborate on reform. It is hoped that this goodwill, augmented by the architecture through the new National Federation Reform Council (NFRC) will reduce the number of regulators that RTOs face.

Recommendation

- 9 The Australian Government, working with the NFRC, 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.

Section 7 — One Integrated Tertiary Education System

Over a half-century, the pathway to a career following secondary schooling has changed. No longer is post-secondary education a binary choice between higher education or VET. No longer do students undertake their post-secondary education and upon entering the workforce, cease any further education. Today, recognising the benefits to life-long learning, people dip in and out of both higher education and VET; however, the system design works to frustrate this.

Although largely outside the terms of reference of the NASWD review, it would be remiss of the Productivity Commission not to emphasise the immense benefits to be derived from a more integrated tertiary education system.

It's no longer appropriate to look at tertiary education as a binary choice for students, presented as a choice between undertaking study in the higher education sector or the VET. Similarly, it's no longer appropriate that it be viewed from a hierarchical perspective, in which higher education – as is implied by its very name – sits at the top. Reform is warranted, but it's an enormous task.

Students and their employers want the ability to obtain the further education and training to ensure currency of professional expertise and skills required to adapt to constant technological change. They want the ability to study with the provider of their choice, whether this be an independent provider or a public provider, in the sector (higher education or VET) that best suits their needs. Australia's approach to funding and funding loans doesn't make this an easy proposition.

Students and their employers would be well served by the evolution of a more integrated tertiary education system. This would see the higher education sector plus the VET sector operate as one, while retaining their separate identities and strengths.

When considering reform, many stakeholders view the evolution of a more integrated tertiary education system as simply too hard, given the need to change funding models, regulatory frameworks and the type of information presented to students.

Although these are all issues that merit consideration, where change is clearly required, first and foremost we must put students first.

From the perspective of students, the entry and exit points for the higher education sector and the VET sector can be bewildering. Decisions made by students are complicated by two different loan programs and more than 30 different subsidised training arrangements.

For independent tertiary education providers that support more than 74 per cent of the 4.1 million students undertaking VET plus about 10 per cent of the 1.5 million students in higher education, different regulators and funding models create a compliance nightmare, and red tape is pervasive.

The Council of Australian Governments has clearly identified the need for reform, recognising in August 2019 that VET and higher education are equal and integral parts of Australia's post-secondary education system. The goal is for a system that acts as

one, but in which the higher education sector and the vocational education sector retain their separate identities. This distinction is critical. Such a cohesive tertiary education model is one that supports students throughout their working lives, free from the hassle of navigating the disparate higher education, training and skills sectors. This is significant reform, requiring a substantial structural and cultural shift in Australia's tertiary education system.

An integrated tertiary education system will see Australia move towards one regulator, one funding model, one student loans program and a student-centric approach to lifelong learning.

It will embrace the strengths of each sector. The higher education sector's role in undertaking world-class research will be retained, and its reputation for graduating critical thinkers would be strengthened.

Similarly, the VET system will continue to excel in providing students of all backgrounds and ages with the skills required to adapt to changing technology and workplace requirements.

Importantly, people will be able to access the offerings of both sectors throughout their lives – and with government funding support to study with the provider of their choice, whether independent or public.

For providers, both independent and public, it will mean considerably less red tape, producing cost savings that can be reinvested to provide students and their employers with quality outcomes.

For students, a fully integrated tertiary education system will enable them to more easily move between VET and higher education without confronting the complexity of different funding models and access pathways.

Recommendations

- 10 That a next-generation NASWD firmly entrench the role of the NCI as the primary vehicle to empower students through the provision of information that permits students to select the training provider of their choice.
- 11 The Australian Government, working with the NFRC, undertake a full review of Australia's tertiary system with the aim to build one national tertiary education system.
- 12 The Australian Government, working with the NFRC, take full policy, governance and administration leadership for VET within a single, cohesive tertiary education system.

Abbreviations

Understanding Tertiary Education

ASQA	Australian Skills Quality Authority (Australian Government)
ITECA	Independent Tertiary Education Council Australia
NCI	National Careers Institute
NFRC	National Federation Reform Council
NSC	National Skills Commissioner
RTO	Registered Training Organisation
TEQSA	Tertiary Education Quality and Standards Agency (Australian Government)
VET	Vocational Education and Training

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