

Review of the Skills and Workforce Development Agreement
Productivity Commission
GPO Box 1428, Canberra City, ACT 2601

Dear Commissioners Coppel and Roberts

Thank you for the opportunity to respond to the Productivity Commission's (PC) Interim Report (May 2020) concerning the 'Review of the National Agreement for Skills and Workforce Development (NASWD)'. I acknowledge your work to date, both the content and coverage within the Interim Report.

In doing so, I am here urging the PC to be far more focussed in its Final Report. In my view, whilst the Interim Report is commendable in considering multiple facets of VET policy, funding and operations, including setting out valuable draft principles, it lacks both focus and rigour in analysis of options for a new National Agreement (NA).

The core issue the PC needs to focus on now, in detail and in depth, is the long term sustainable public funding/financing of the VET sector, through a renewed 'all of governments' NA. This must be designed to optimally work within the current national VET governance (of 'cooperative federalism') and also be integrated with, and adaptable to, future changes in funding and financing of Australia's overall (post schooling) tertiary 'education, training and skilling'¹ (ETS) system.

Whilst it is open to the PC to interpret its Terms of Reference widely to canvass the multitude of issues impacting the performance of the VET sector with focus on efficient/effective use of public funds, such issues have long been extensively trampled by others (e.g. the Joyce Review is the most recent example).

The PC's impact will be best served by deliberate and focussed advice on funding/financing of the VET sector and matters *directly* related e.g. course costing, data transparency (i.e. intergovernmental relationship issues that First Minister and Treasurers need to decide). The PC can acknowledge but should not get bogged in examination of other VET operational matters e.g. speeding up qualification development; a single regulator; careers information; clearer secondary school pathways; benefits of apprenticeships mentoring etc. (i.e. issues that Skills Ministers should be directed to resolve - refer to Table 1 pp19, Interim Report). Such issues are second tier to sorting out VET's future funding/financing.

The priority of the PC is to offer advice on an optimal and stable policy to achieve both sufficient and sustainable public funding/financing of the VET sector. This needs to operate within a connected national framework, that is, a coherent funding/financing system that spans Australia's tertiary system and allows students fair and equitable opportunity to migrate across sectors, based on merit and equity.

Content covered in my previous submission is not re-presented, but remains pertinent. My contention remains that any renewal of NASWD and the NA, if isolated from comprehensive consideration of its place and connection within the tertiary education system, including the now new [Jobs Ready Graduates Package](#), will not address the much needed policy changes to lift Australia's human capital skills development, nor better future proof the nation as a competitive economy (even more so post COVID). I urge the Productivity Commission to be farsighted in presenting powerful options for radical reform of VET sector public funding designed to be integrated and connected within Australia's tertiary funding/financing system.

Dr J Craig Fowler
Director JCSF Consulting Pty Ltd
15 July 2020

¹ The **nomenclature is deliberate**: there are **sectors** being vocational education and training (VET) sector, higher education (HE) sector and also the employers/industries sector, each being essential collaborating participants within a national post schooling tertiary ETS **system**.

Submission to the Productivity Commission in Response to the Interim Report - National Agreement for Skills and Workforce Development Review (May 2020)

This submission is in two parts noting the PC's desire to pursue a new 'principles based agreement'.

Part One: is presented as a Table with specific commentary against *selected* Principles and *some* Interim Report headings. These responses have been clustered where usefully related.

Any Principles listed in the Interim report that are *not* mentioned herein are either agreed with, or not seen of sufficient import to make any comment.

Part Two: sets out briefly some specific Options for a new Agreement with only limited commentary.

Part One - Summary responses to specific Principles listed in the PC Interim Report

Table 1: *Selected* Principles upon which the author has substantive comment

Text extract from Interim Report (with page ref.)	Response and comment
<p>'This goal should be pursued through a new principles-based agreement' pp. 2</p> <p>...where 'policies that would give effect to those principles could be in a different intergovernmental agreement or pursued bilaterally or unilaterally' pp 15</p>	<p>Agree – but needs sufficient explicit detail to hold participants accountable, and if not met by State/Territory should incur a financial penalty</p> <p>Agree – needed to provide some flexibility within 'cooperative federalism'. The size, circumstances and needs of States and Territories are often overlooked and mandating 'one size fits all' in all circumstances may not be suited nor effective.</p>
<p>'commitment to <i>competitive training market</i> waned' pp12</p> <p>'establishment of a <i>workably competitive</i> market' pp 15</p> <p>'Subsidising public providers may violate <i>competitive neutrality</i> principles' pp 31</p> <p>'supporting effective competition in service delivery by establishing <i>clear, contestable community service obligations</i>' pp2</p>	<p>These statements all centre on the role of TAFEs vs privates RTOs [p-RTOs] and the endless debate on the 'role of the public provider'. Much depends on what a "<i>workably competitive</i>" market means and how this is to be measured.</p> <p>This issue is VET's long standing 'wicked' problem i.e. education and training as a 'public good', via dominant TAFEs vs. 'benefits' of contestability and market-driven approaches (including both 'for' and 'not for profit' RTOs) in more efficient/effective use of public funds and greater student choice of provider. There is some 'right' on both sides of this very long running argument.</p> <p>The problem has contested political and provider interests, no nationally unified will for change, and significant risk to (any) government(s) that seek to implement any policy to radically change the current VET provider market structures.</p> <p>Compared with the national HE market structure (~160 providers), the present VET market structure (~3,900 RTOs) is that there are</p>

	<p>presently too few p-RTOs as <i>alternate quality providers</i> to TAFE of sufficient size, scope and financial stability to provide a ‘workably competitive market’.</p> <p><u>Conclusion</u>: there are inconsistencies across jurisdictions and only a limited ‘<i>workably competitive</i>’ market at present time. There is mostly stasis in policy and no change likely. The COVID pandemic has now made this prospect even less likely, and governments rely on TAFEs to train more students in such circumstances.</p> <p><u>IF</u> this philosophy of a ‘competitive training market’ is to be retained by governments, then governments <i>collectively</i> will have to <i>devise and agree specific new policies to radically change - in a consultative and transparent and phased manner</i> - the present structure of the VET provider market in the <i>context of institutional reforms in the wider national tertiary ETS system</i>.</p>
<p><u>Further detail and comment</u></p> <p>TAFEs</p> <p>TAFE’s are owned (at differing levels of ‘arms-length’ under statutory corporations) by Governments and operate much dependant on local political will (e.g. Free TAFE places), general government policy on VET funding contestability (most evident in Qld), or, more protected access to State funds. As last resort TAFE’s rely on State Treasuries to provide liquidity to guarantee them as a ‘going concern’ (despite on the other hand Treasuries also imposing simultaneous efficiency dividends on TAFE’s, they being ‘part of’ government). Refer to summary of public evidence of States’ Auditor Generals (e.g. in Vic, NSW, Qld, SA). TAFE’s labour costs/productivity output is by some estimates about 15-20% more costly than p-RTOs.</p> <p>TAFE’s have immense brand and political pull, carry most of the nation’s more expensive trade training and in many and varied examples provide students and industry excellent service and highly valued training and interconnected pathways with the HE sector. Whilst seen by some as vital ‘blue collar universities’ or ‘public funded adult technical schools’, TAFE’s business models are increasingly at risk (see Attachment 1).</p> <p>The alternate view is that TAFE’s can no longer operate as ‘comprehensive old fashioned full service department stores’ – this business model is being eroded by p-RTOs, short course specialist and training on-line specialists, non-registered VET providers and, ever increasingly, universities and HE providers at Diplomas levels. This is driven by policy/funding changes made, or being made, by the Cwlth. Government.</p> <p>Even if the Cwlth. were to fully take over the VET sector, they would leave TAFEs to the ownership and any remedy and costs to owner Ministers in State governments. Local arrangements and State policies further illustrate important jurisdictional policy and operational differences e.g. Tas, NT, ACT, Vic, NSW, WA and SA.</p> <p>p-RTOs including uptake and utility of training products</p> <p>There are some 3,800 <i>active</i> non TAFE p-RTOs. [HE has <~180 providers only]. There are estimated 1500 active Training Package (TP) qualifications (not including accredited courses). In recent years some 93% of TP student enrolments are in only 21% of these qualifications and thus only 9% of enrolments are in some 79% lesser used TP qualifications. With some exceptions, p-RTOs dominantly offer qualifications in the most used 21% of popular qualifications and many are small and micro businesses with low numbers of student enrolments (<100 students). Whilst some provide niche qualifications, it is questionable how and why a ‘<i>workably competitive</i>’ market needs these large numbers of providers. It is notable that for reasons of both RTO <i>quality and financial stability</i>, VET Student Loans (VSL) are only accessed by a limited numbers</p>	

of RTOs (including p-RTOs) *approved* by the Commonwealth Government. About 187 providers are presently so approved to deliver Diploma and above courses with VSL support.

Governments could take an unpopular and radical step and set new size, capability, capacity and performance metrics for RTOs (except perhaps school RTOs) and require national re-registration. This would be a drastic approach to VET provider market structure, engineering major market change and fall out/mergers etc. The COVID pandemic is likely reinforcing this. Such a policy appears improbable.

Quality

Consistently student outcomes shows course completion rates, course satisfaction and job outcomes of TAFEs vs p-RTOs are little different – it's about quality and all classes of provider can deliver, though the worst examples of quality failure has historically arisen from a minority of 'profit motive' p-RTOs. There is also a future risk that p-RTOs will increasingly de-register as RTOs and offer *short course non accredited training* to any students and employers, outside the regulators scope, and at lesser cost/quality.

Text extract from Interim Report (with page ref.)	Response and comment
'better data collection and <i>transparent</i> , comprehensive reporting of the allocation of public funds to support regular assessment of governments' policies' pp2	There has been significant progress in the last 5 years or so on the collection and reporting of relevant data concerning the VET sector, especially since the inception of collecting Total VET activity. There are ongoing efficiency and timeliness improvements to VET data collection, automation and security etc. to <i>minimise RTO provider burden</i> as far as possible.
'the <i>performance</i> of registered training organisations (RTOs), <i>course quality and prices</i> ' pp2	<p>The new VET National Funding Collection that recently replaced the VET National Finance Collection has been designed more for governments' purposes and has lost some useful information e.g. student fees. It does not cover provider level prices/costs data.</p> <p><i>This key issue is transparency.</i></p> <p>The PC is urged to examine closely the line of legal authority in making VET data public. It stems from the <i>NVETR Act 2011</i> and its specific legislative instrument (that requires AVETMISS data to be collected from RTOs) which links to a next lower tier of administrative governance policy approved by training Ministers.</p> <p>This is the National VET Data Policy which details matters of collection, privacy, access and disclosure of data. It is complex.</p> <p>The key issue raised here is Clause 11.5 of this Policy.</p> <p><i>"11.5 Identified RTO [i.e. named RTOs] level <u>VET Outcome Data and VET Funding Data</u> [e.g. completion rates, student satisfaction, financial data if collected] <u>may only be published by governments, following agreement of Senior Officials responsible for VET in the Commonwealth, states and territories.</u></i></p> <p><i>The publishing jurisdiction is responsible for ensuring adequate consultation with VET stakeholders, ensuring compliance with</i></p>

	<p><i>data use and legislative requirements, and deciding in what form to publish data. Governments may authorise a third party to publish or disclose outcome or funding data on their behalf”.</i></p> <p>On behalf of Ministers then, Government officials at a jurisdictional level decide whether or not information is made public about critical provider performance metrics.</p> <p>Some of this reaches the MySkills website as desired by the Cwlth.</p> <p>Governments for their own risk averse and wrong reasons; plus the lobbying of p-RTOs as well; have thus far been unwilling to make public provider-level VET Outcomes data as automatic, a ‘must do expectation’ across the VET system, designing instead the existing ‘controls’ as stated in 11.5 above.</p> <p>This level of control is not evident in the HE Data Protocols e.g. all HE providers have their student course attrition rates (proxy completions) made public regardless.</p> <p><u>Proposal</u></p> <p>The PC should make their own analysis of this issue and comparative examination of VET and HE protocols/policy with regards to privacy, access and disclosure of data, especially outcomes and funding data, and not just activity data.</p> <p>The PC should consider options for greater transparency. Rather than this be the decisions of ‘risk managing’ bureaucrats; that transparency be taken to one level higher into the relevant <i>NVTRE</i> Act legislative instrument.</p> <p>This presently only states in effect ‘to be an RTO you must submit AVETMISS compliant data’; to be amended to become ‘if you want to be an RTO you must not only submit compliant data, you must also accept and agree that <i>provider identified data</i> including Outcomes data and funding e.g. costing of courses (e.g. whether publicly subsidised (or not)) will be routinely made public and available).</p> <p><i>Look at the NBN retail providers as an example; and the ACCCs watch over them for full disclosure of product and price.</i></p> <p>If RTOs balk at such disclosures, it will remove from the system those that are shy of publishing their performance.</p> <p>Governments and providers need <i>both</i> to be fully accountable and transparent.</p>
--	---

Text extract from Interim Report (with page ref.)	Response and comment
<p>'the <i>performance</i> of registered training organisations (RTOs), <i>course quality and prices</i>' pp2</p>	<p><u>Collection of courses costs and prices</u></p> <p>It follows from the legislative reforms above that all RTOs (certainly for any courses government subsidised by grants or loans; and; perhaps also those courses offered fee for service i.e. private) would be obliged to make public their course prices e.g. to students, employers etc.</p> <p>This can be done on a national standardised template populated by RTOs and published on their websites.</p> <p>This information can be either routinely 'scraped' from the web by a central authority e.g. NSC (meaning little provider collection burden), or be submitted quarterly e.g. with course activity as collected via NCVER (using improved API protocols).</p>
<p>'binding arrangements on all governments to apply a nationally-consistent set of course subsidies, based on the efficient cost of delivery, with loadings to address higher delivery costs in some locations and to some student groups'</p> <p>or</p> <p>'replacing the proliferation of granular subsidy rates for courses with a limited range of subsidy rates, but otherwise leaving jurisdictions to set their own subsidy levels and allocation' pp2</p> <p>'State and Territory governments adopt a common national approach to subsidies (and) use common methods to measure costs and determine loadings' pp2</p> <p><u>PC expressed concerns:</u></p> <p>"Each to its own — how jurisdictions determine costs and subsidies" Box 4 pp21</p> <p>"The same qualifications can have different subsidy levels" Fig 5 Issues paper pp27</p>	<p>As shown by Joyce and re-stated by the PC, S&Ts took different approaches to setting and amending student 'entitlement' policies and course subsidy regimes. A widely felt and reasonable gripe by users/employers (such as national companies) has been the lack of consistency across jurisdictions with regards to <i>which courses are subsidised, the level of subsidy; their access (i.e. capped places), and also limits of individual access (ie 'bites of the subsidy cherry') and abrupt changes to these settings.</i></p> <p>What is needed is a dynamic closest to real time evidence of <i>course pricing and course outcomes</i>. This does not need to be driven by <i>uniform national input controls</i> as proposed by Joyce.</p> <p>'Simpler funding' as proposed in the Joyce Review proposed to set up national VET courses with '<i>averaged</i>' <i>costs and subsidy levels and equal student 'out of pocket' expenses</i>. In tandem with 'skills matching' this seeks to optimally align public subsidies to support training for current and future jobs (refer the value and limitation of 'skills matching' in Attachment 2).</p> <p>Joyce said: the "<i>National Skills Commission (NSC) to be given responsibility for determining nationally consistent subsidy levels, in partnership with the States and Territories</i>".</p> <p>The new National Skills Commission now states as follows. It "<i>will provide research and analysis on:</i></p> <ul style="list-style-type: none"> • <i>the development of efficient prices for VET courses</i> • <i>the public and private return on government investment in VET qualifications</i> • <i>the performance of Australia's system for providing VET</i> • <i>opportunities to improve access, skills development and</i>

	<p><i>choice for regional, rural and remote Australia in relation to VET.</i></p> <p><i>We will work closely with states and territories to develop and maintain a set of efficient prices for VET courses, including the cost drivers and public and private returns. An efficient and effective price is one that promotes quality teaching and creates job ready candidates. Not just the lowest price.</i></p> <p><i>Core to our work will be the consideration of quality, and the price that needs to be paid to secure training that delivers students with the skills employers need and sets students up for a valuable career. This also means students are better informed about employment needs and confident that they are paying appropriate fees for their qualification”.</i></p> <p>Given the States overwhelmingly objected (in Submissions to the PC Issues paper) to a ‘centralised price setting and control system’ (as inconsistent with their view of the NA, federal financial relations, and ‘cooperative federalism’), the NSC is now speaking of ‘<i>research and analysis to develop and maintain a set of efficient prices</i>’ and not ‘<i>determining nationally consistent subsidy levels</i>’ per Joyce.</p> <p>The PC might note the issues and controversy recently seen in Deloitte’s consulting work to construct average HE course costs and prices that underpinned the recently announced HE funding reforms (see below), based on activity based costing provided for some courses, by some, but not all universities.</p> <p>This data has driven the announced proposals (Jobs Ready Graduates Package) and subject to Senate agreement of decisions about changes to Cwlth. support places (CSPs) = Cwlth. grant scheme (CGS) [in FoE funding clusters] + HECS-HELP.</p> <p>Whilst it is appropriate to ‘ground up’ calculate course costs, in VET there are ~1,500 courses and widely differing duration and inherent costs; a better way to achieve the desired end point is as follows.</p> <p><u>Preferred solution</u></p> <p>Any RTO with government funding support (subsidies or loans) would have to submit auditable evidence of full course prices for each qualification (see collection mechanism above). The NSC would analyse prices from (de-identified) RTOs examining all components of how a student paid fees (by loan or loan/subsidy mix). <i>Public investment per course per RTO when linked to student outcomes would be the granular data the NSC and governments need to drive quality/efficiency improvements.</i></p> <p>RTO’s ongoing access to public funding could be determined on the basis of this data. The NSC role would then be in ‘system monitoring, verification and assessment’ of all</p>
--	---

	<p>parties meeting the terms and intended outcomes of the new-NA/NASWD, and not 'up-front' deciding which courses are offered at nationally 'average' prices.</p> <p>Whilst States/Territories would determine their own course and subsidies, every course they subsidise/finance and student fees would be subject of national inter-jurisdictional comparison and if varying e.g. by say +/- 10% of the national mean, these would be subject of a 'please explain' under terms set in the new NA/NASWD. Better quality and completion rates may be justified in higher costs.</p> <p>Like the ofqual (UK), the NSC could also publish annual qualification price index changes based on RTO surveys (or information taken direct from websites). The NSC might then include features of an independent pricing tribunal examining for exceptional price movements. Such data should also allow advice on which qualifications are not in effective use and be removed from government support.</p> <p><u>Don't blame the States/Territories entirely</u></p> <p>It needs emphasising S&Ts have had 15 years of experience in making awkward compromises. <i>Critically, given limited public funds and no general access to income contingent loans for VET unlike HE</i>, the States have been making differing decisions on which courses may get no/some/full subsidy; which courses attract regional/remote or special (eg. drought) loading; and what relative emphasis is given to courses to lift training participation vs. those at higher level supporting more advanced skills.</p> <p>There is further complexity in deciding policy on an individual's subsidy entitlements (lifetime number or \$ cap and consideration of attempts/fails/exceptions etc.) to set nationally fair access and equity rules.</p> <p>[Under the Jobs Ready Graduates Package a student still walks into uni. with 'no cost' in doing an Arts degree, the HECS costs are later - <i>not how VET operates, student have upfront costs</i>]</p> <p>Students also 'game' policy settings by enrolling in full qualifications and then pick only bits they want. Subsidy entitlement rules need to mesh with students' needs.</p> <p>Evidence shows increasingly students want to fit in study around their other work/life commitments. They increasingly enrol in accredited and non-accredited subjects, skill-sets, micro-credentials, short courses etc. Indeed employers are of like mind when themselves funding training.</p> <p>It is notable that as a pandemic response (likely to remain into the future), the Cwlth has funded HE providers for short course/micro-credentials funded as part of the standard CSP = CGS + HECS-HELP arrangements; a new policy advantage. This is again reinforced in the Jobs Ready Graduates Package.</p>
--	--

	<p><u>Summary</u></p> <p>There is no ‘market’ rationale for subsidies and pricing being <i>exactly</i> the <i>same</i> across the nation as costs are not the same. There are efficient mechanisms to create information on public investment per course per provider linkable to provider-specific student outcomes. This would give granular data to funders to drive quality and efficiency improvements (better quality may be justified by higher costs). All governments must commit to sharing this information. Any government whose VET course funding (and linked student out of pocket costs) is shown to be unreasonable variant of national averages and cannot be economically explained would be subject of public notice and sanction under a new NA.</p>
--	---

Text extract from Interim Report (with page ref.)	Response and comment
<p>‘expanding access to VET Student Loans by relaxing loan caps and course and qualification restrictions, underpinned by strong risk management’ pp2</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p><u>VET funding/financing</u></p> <p><i>VET is part of a national tertiary system and needs to be positioned within a funding/financing framework that connects and integrates the (differing yet complementary) HE and VET sectors and gives students fair and equitable access to post school education and training, and opportunity to move across sectors based on merit and equity, so eliminating funding as a major determinant of student choice.</i></p> <p>Expanding ICLs is a major element in support of this.</p> <p><i>JCSF Consulting Pty Ltd</i></p> </div>	<p>This expansion is strongly supported - <i>in principle</i>. This includes agreement with the PC’s issues and caveats regarding the tiered expansion of income contingent loans (ICLs) per Table 2, pp28.</p> <p><u>Issues of mechanics arising</u></p> <p>Besides these important issues identified by the PC, the concerns of any future design include:</p> <ul style="list-style-type: none"> (a) Whether ICL VET financing is offered by Cwlth <i>only</i> or by the States <i>or</i> by both together; and (b) Whether ICL VET financing is split at an AQF level ie. Cwlth from Cert IV and above and States at Cert III and below (for example); or (c) Any other formulation. <p>This is raised given current policy includes:</p> <ul style="list-style-type: none"> • For VET Student Loans where the Diploma/Advanced Diploma has no State subsidy a 20% loan fee applies (temporarily waived under COVID provider supports). Where there is any/some State subsidy courses do not have a 20% loan fee. • Unrecoverable loans: this relates not merely to graduates whose income does not reach thresholds to be liable; but specifically to student attrition and non-completion (in HE this is triggered by a ‘census date’). Both in VET FEE HELP and VET Student Loans, the Cwlth agreed with States arrangements to recover funds seen as ‘bad debts’ [the terms of these arrangements are not believed to be public and are only known in government].

<p>'using student vouchers instead of subsidy payments to RTOs to facilitate user choice' pp2</p>	<p><u>Issues of impact arising - ICLs and their source of finance e.g. Cwlth. will re-set perspectives on HE and VET sectors and also has consequences for institutional structures</u></p> <p>There are a number of vital issues of consequence that the PC might wish to give considerable thought and testing with others in advancing the idea of greater access to ICL for students in VET.</p> <p>These other issues are as follows:</p> <ul style="list-style-type: none"> (a) Look at loan systems in other federated jurisdictions e.g. Canada and how they work and whether these are just cheap government loans or loans that are income contingent in structure (b) As noted above in new HE short courses, it is essential to build in that loans are available for short courses/skill-sets and micro-credentials as has now been initiated in the HE system (c) ICLs accessed in VET and HE need to ideally operate off the same national data and case management systems and ATO architecture. A student passing from VET to HE or reverse must not get blocked by inter-sectoral barriers – it's the same HELP system but the specific conditions may differ e.g. trigger point of ICL liability. (d) The ICL is in effect a 'voucher' and gives the student access to a loan to cover the full cost of any course (extra to any direct government grant/subsidy). The access to any loan as a 'voucher' may be based on a student's past performance and be limited (not exceed at any time a set \$ limit or a 'life-time' limit given workers 'life-'long' learning needs). There are e.g. increasing examples of HE graduates doing VET qualifications to upskill. (e) The roll out of ICLs into an expanded range of qualifications e.g. more than present ~250 Diplomas in VSL and say also into Certificate IV courses (with 'black lists' of non-supported courses) is rational as students in these courses would normally already have completed some other lesser qualification, are far more likely to be employed, and more likely to trigger loan repayment (f) In this regard, wider ICLs could be backed by allowing students to either direct their compulsory superannuation to a nominated super fund as present, or, be used to 'pay as you go' their HELP loans (to a life time limit and only on approved courses). People then have the choice to invest in their training/job future. This will draw more private funding into the tertiary system. (g) What are the social equity messages if students in Cert II and III courses, close to only school-level qualifications
---	--

	<p>and likely the first post school qualifications achievable by academically less able students, if they are lumbered with a loan and possible debt? This takes ICLs to where it's socially inequitable and also less likely to be repaid.</p> <p>(h) The AQF boundary point of availability of ICLs, especially if financed by the Cwlth will inevitably send major messages about what is seen as HE and what is seen as VET. It will position the Cwlth as taking funding/financing control of (part of) VET without formal constitutional referral of power but by funding. If it covers Cert II/III and above, this is full control. If its covers Cert IV and above, this is a broadening of the boundaries of HE (see Noonan Review and the new proposed AQF below).</p> <p>(i) This also has flow on implications for institutional structures and reforms e.g. per Coaldrake Review and now acute funding pressures on Universities. It may positively lead to a greater number of dual-sector institutions as seen in Vic and Qld (e.g. Swinburne Uni and RMIT offer VET but dominantly in Cert IV and above). Moving ICLs down to Cert. IV may largely free dual sector institutions from the need of any State funding). Non research HE/VET institutions e.g. many TAFEs may also take strong advantage of generally available ICLs if say Cert IVs and above become the 'new normal' of any national Cwlth. financed ICL system.</p> <p>(j) The AQF system and the boundary between HE and VET is also subject of recent national review (see below) post the Noonan Review; so any change in ICL policy needs to take close account of future AQF change as well.</p> <p>It is for <i>all</i> these reasons that primary, intended and unintended consequences need to be meticulously considered in mooted and implementing wider use of loans and ICLs in the VET sector (also see AQF reforms below).</p>
--	--

Text extract from Interim Report (with page ref.)	Response and comment
<p>'existing NASWD principles' pp15,</p> <p><i>including</i></p> <p>'quality training delivery and teaching'</p>	<p>All Agreed</p> <p>A note on quality with reference to Clause 15 of NASWD</p> <p>Funding to support the National Training System 15. <i>All parties to the Agreement agreed to the quarantining of the National Training System Commonwealth Own Purpose Expenditure (NTS COPE) from</i></p>

	<p>the NSPP each year. The amount is specified in the relevant Commonwealth Government Portfolio Budget Statement which in 2011-12 was \$47.201 million, and is <u>indexed annually</u>.</p> <p>The historic purpose of Ministers was to ‘top-slice’ some of the NA/NSPP for specific functions and projects to benefit the ‘national training system’ e.g. Ministerial company like the NCVET on data collection and reporting and research.</p> <p>The NTS-COPE was capable of funding national projects in support of quality training and professional practice in teaching. There is no nationally supported program to raise the teaching quality, practice and standing of VET professionals (Victoria has their own).</p> <p>It has never been indexed (present NTS-COPE over 2019/20 \$34,907 million and similar in budget out years). Had it been indexed over the life of the NA it would now be worth ~\$60 million p.a.</p> <p>Legally it <u>is</u> a COPE i.e. the appropriation of the relevant Commonwealth agencies. But increasingly (it is suspected) it has funded their own initiatives and also covering various agency internal efficiency dividends.</p> <p>The historic purpose of Ministers in framing the NTS-COPE in Clause 15 of NASWD has therefore dissolved over time to the detriment of VET quality and ‘cooperative federalism’.</p> <p><u>Summary</u></p> <p>Any new NA/NASWD needs to re-visit the need, purpose, distribution and sustainability of any NTS-COPE funds to avoid such issues; and avoid it being treated as COPE only.</p>
<i>[PC notes as missing principles]</i>	
‘centred on customers (students <i>and</i> employers)’ pp16. A student-centric approach would resolve these problems (elements of student centric listed in Box 2). Pp17. The latter means that the supply of services for nationally recognised training is restricted to RTOs pp 16.	<p>Whilst a worthy principle to include, the 7 elements of a customer-centric approach (Box 2) are already pursued by quality RTOs and are evident in the current VET policy and market. All elements exist, however all to greater or lesser degree can be <i>more effectively implemented</i>. The NVET Act 2011 legislates nationally recognised training <u>is</u> only restricted to RTOs.</p>
‘subsidiarity — implicit in federation’ pp17	<p>This should be a better balanced principle worded ‘subsidiarity with accountability’. If a cooperative federated model is to prevail for VET, it needs to impose fiscal sustainability (below) and directly remedy excessive variations on individual course pricing (costing) as proposed above.</p>

Text extract from Interim Report (with page ref.)	Response and comment
'fiscal sustainability' pp17	<p>Whilst Australian Governments have consistently indexed the NA funds annually since the start of the NASWD (to now be ~\$1.6bn), fiscal sustainability has been wrecked by State Treasuries by not maintaining their proportionate share of the funding nor indexing funds. This was never included in the NA. The present NA is an 'agreement' not an enforceable 'contract'.</p> <p>Any new NA must be structured such that participants maintain proportionate mutual investment. States and Territories would be funded under specific bilateral agreements proportionate to what they invest. Run on an annualised basis, if States don't keep up with the Commonwealth's indexed funding, others States where they exceed their agreed share could get more from the NA. This might discourage and expose those State Treasuries disinvesting in VET.</p>

Text extract from Interim Report (with page ref.)	Response and comment
'neutral, but not equivalent treatment of higher education (VET and universities), with policy settings that minimise distortions in students' choice pp17	<p>This is a crucial principle and present wording of 'neutral but not equivalent' seems not to be conceptually right as it is expressing characteristics of different and separate sectors.</p> <p>What needs to be expressed is that <i>VET is part of a national tertiary system within a funding/financing framework that connects and integrates the (differing yet complementary) HE and VET sectors and gives students fair and equitable access to post school education and training, and opportunity to move across sectors based on merit and equity, so eliminating funding as a major determinant of student choice.</i></p> <p>This educationally is expressed by Professor Braithwaite in her report "All eyes on quality: Review of the National Vocational Education and Training Regulator Act 2011" as (pp 39):</p> <p>"A blurring education and training environment</p> <p><i>In the past a sharp line has been drawn between education and training, teachers and trainers, and students and learners. The divide is captured by universities at one extreme with a quest to discover new knowledge, and vocational education at the other extreme with a quest to apply knowledge and develop practical skills. The distance between institutions that</i></p>

	<p><i>deliver academic and applied skills, however, is being fast whittled away. In part this is due to the technological revolution that requires everyone to sharpen and broaden problem-solving capacities. The traditional university agenda of discovery in a new age requires practical and operational skills.</i></p> <p><i>The traditional VET agenda of skill acquisition must deal with problem solving for skill transferability and skill adaptation. National productivity is seen today as dependent on synergy between the sectors. The other part of the story of the shrinking gap between higher education and VET is the explosion of jobs at the knowledge-skill interface. Childcare educators today aspire to a deeper knowledge of child development as well as having the skills to care for infants and young children. Three-dimensional printing of metal parts for traditional and as yet unknown uses is another example of where theory and application, university-based knowledge, and VET based knowledge, collide”.</i></p> <p>It is reinforced by the recommendations for AQF reform.</p>
<p><u>Further detail and comment</u></p> <p>Integrated AQF and tertiary-system funding/financing reform is the needed</p> <p>The core issue all governments need to address is the lack of a coherent, federally supported and nationally operating tertiary funding framework that spans the AQF.</p> <p>Australia needs to conceptualise and build a nationally operating post school ETS funding and financing (i.e. loans) framework that is federally agreed by all governments and that spans all AQF levels (as may be amended) that supports both school leavers and existing workers, fully covering their ‘work-life’ learning needs.</p> <p>All students must have fair and equitable access to course funding. Any new design must future proof a higher skilled workforce providing funding/financing for both ‘new entrant’ workers to further raise workforce participation and well as support existing workers for ‘up and re-skilling’.</p> <p>It should publicly fund/finance both VET/HE level full qualifications and ‘short-form’ courses/credentials, taking consideration of course quality and relevance, student equity, as well as relative public vs private (student/employer) investment and benefit.</p> <p>Late in 2019, the Australian Government, by announcement of <i>both</i> relevant Commonwealth Ministers, accepted in full the recommendations² of the Review of the AQF.</p> <p>The current AQF is defining of HE/VET sectors and in setting levels, differences and specific overlaps between all HE and VET qualifications.</p> <p>The Review proposed the present ten ‘level’ AQF be replaced by a new AQF with eight ‘bands’ representing complexity of knowledge, six bands representing skills and a third category of application,</p>	

² The wording was precise “The...Government today accepted all recommendations of the review in relation to higher education and accepted the aims of recommendations of the review in relation to vocational education *contingent on further discussions* with state and territory governments”.

which recognises that there are different ways learners can demonstrate acquired knowledge and skills.

It's a richer way of describing qualifications accommodating greater flexibility in design (e.g. micro-credentials and skills sets) and in promoting enhanced sectoral pathways opportunities.

It is an imaginatively crafted modernisation of the AQF. "Under a revised AQF, it would therefore be less meaningful to represent qualification types as directly aligned to bands.

This reduces the need to show the AQF as a hierarchy of qualifications aligned to rigid and locked levels, and allows it to be shown as a spectrum of qualifications" [Review of the AQF](#) pp. 41.

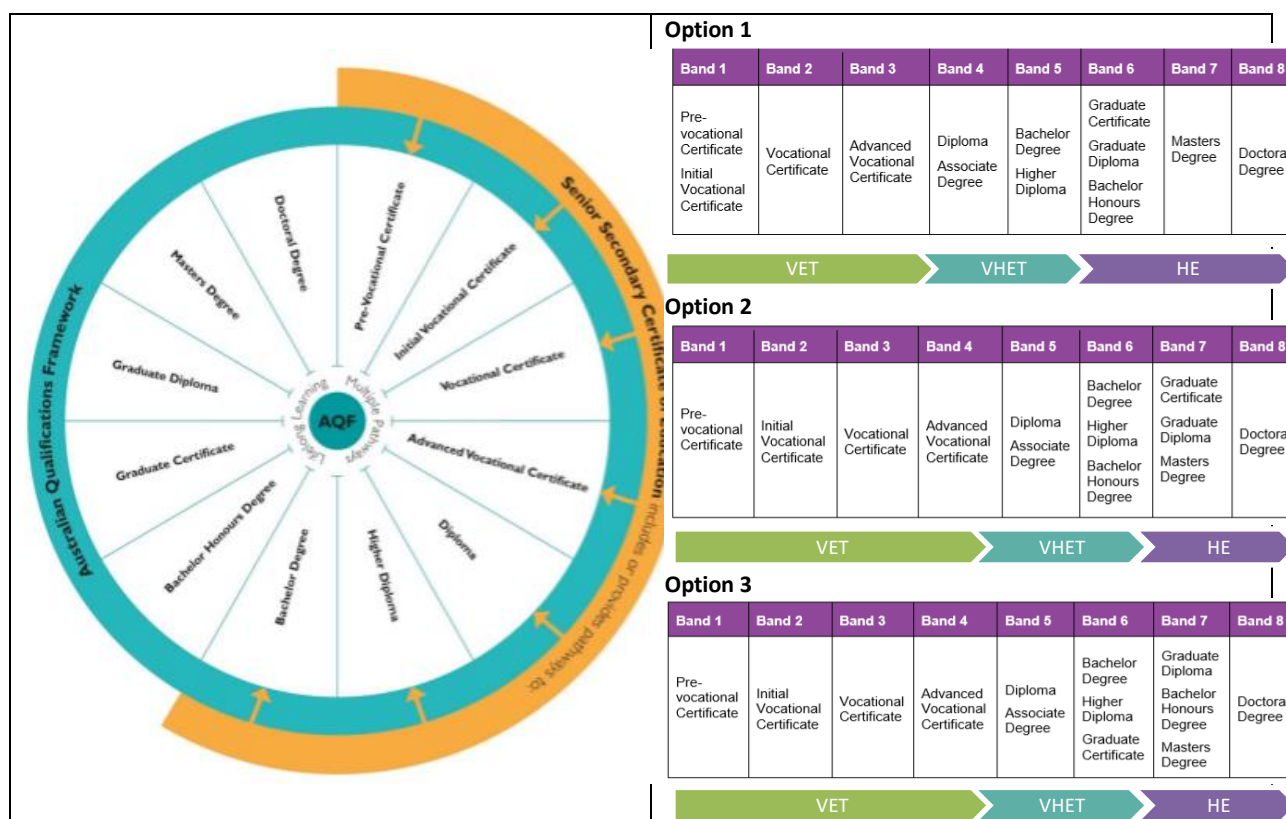
The Review did not decide but offered three options for best translation of 10 AQF 'levels' into 8 AQF 'bands' (Figure 1).

In doing so it specifically considered the contextual research and concerns about current AQF levels 5 and 6 and concluded the present VET/HE distinction at AQF 5/6 levels be eliminated so

"combining current AQF Levels 5 and 6 could lead to the current Diploma, Associate Degree and Advanced Diploma being co-located (as the) Panel believes it would be undesirable to have two different diplomas at the same level (and also) proposes creating a (new) Higher Diploma in both VET and higher education at the same band as the Bachelor Degree" [Review of the AQF](#) pp. 43.

Lastly a new governance body, accountable to the relevant Council of Australian Governments (COAG) is to sort through all implementation details.

Figure 1: The revised AQF qualifications and 3 options for flexibly positioning qualifications in 'bands'



Source: Adapted from Fig.15 and pp 42 & Tables 5, 6 and 7 pp 43, 44 [Review of the AQF](#). The acronym 'VHET' is created here to indicate 'continuum'

So - if governments have in the past based their funding/financing on the qualification levels in the current AQF, what then if the revised flexible qualification banding of either Options 1, or 2 or 3, or some other, is adopted? Where then are the cooperative funding boundaries/continuums?

On what basis are State Premiers going to understand future long term State funding commitments to VET if the definitional basis of VET and HE qualifications, long anchored to the 10 level AQF, is reformed and details reset.

And also, if there is to be no longer distinction between HE and VET at AQF 5/6 (i.e. they are all in Band 4 in Option 1, or Band 5, in both Option 2 and 3 as per Figure 1); what is the future ongoing purpose of the Commonwealth running [two discrete and inequitable funding programs](#); VET Student Loans and all its policy and program costs, and the HE institutional [sub-bachelor courses](#)?

Pandemic inspired short course funding intervention and future AQF HE vs VET implications

The motive of governments to quickly put in place suitable education and up-skilling of workers displaced by the pandemic crisis is not in question.

It is how this is done and the permanency of such crisis policy that will, in time, be up for question, specifically the Commonwealth's intervention in [funding online 'short-courses' at higher education levels](#).

The initiative is for some 20,000 places in national priority areas such as nursing, teaching, health, IT and science. The costs have been discounted for students and the universities have been required to offer and commence courses by May 2020 to initially run for six months.

The offerings by universities have been prompt and extensive as listed on [course seeker](#)³. It has given new opportunities for students as well as potential revenue to universities/HE providers (although discounted and perhaps temporary).

The issues of interest are that the 'undergraduate certificate' did not exist in the AQF and as [explained by](#) Professor Andrew Norton it was [hastily legitimated](#) by an AQF addendum, presumably by jurisdictional agreement.

As Norton points out, not only is the AQF and its qualification levels embedded in legislative, policy, administrative, professional accreditation and industrial governance, it is also sectoral defining and so relevant to public funding and financing of the entire tertiary system, both VET and HE.

The second observation is that a high proportion of the short courses (both undergraduate and graduate certificate) are in areas of current highest enrolments and outputs in VET at higher level Certificate III/IV and Diplomas e.g. aged care, child care, nursing as well as many high demand areas offered in VET e.g. IT/cyber etc.

Norton also [points out](#) risks of student and employer confusion in certification. Lastly from a quality and regulatory perspective the content of such university 'certificates' are overseen by speedy self-accrediting governance, unlike rigid VET processes where the [AISC](#) has been charged with [driving rapid and flexible development of training packages](#) during the crisis.

The historic divide of HE and VET sectors, whilst true and enduring at extreme ends, is increasingly blurred and being treated less so.

The national Education Minister's rhetoric on [university graduates needing to be 'job ready'](#) is akin to VET's long held purpose.

[Jobs Ready Graduates Package](#)

The Australian Government's Job-ready Graduates Package, subject to Senate agreement, focuses public investment in HE on national priorities and is intended to align funding to future jobs and skills needs. It

³ As at 18 May 2020 some 373 short courses are offered by universities/HE providers with 159 titled under the new Undergraduate Certificate.

makes major adjustments to mix of funding in FoE or discipline areas.

[In summary changes to numbers of Cwlth. support places (CSPs) by adjusting the quantum and mix of Cwlth. grant scheme (CGS) funding [in FoE funding clusters] + student IC loans [HECS-HELP]].

The PC has access to all this information and the fast expanding public critique and criticism e.g. 'vocationalisation of HE' and the emerging examples of unintended consequences.

Subject to Senate approval, universities will be able to transfer places within their 'funding envelopes' on a cost neutral basis between disciplines (excluding medical) and course levels (sub-bachelor, bachelor and postgraduate).

Universities will also be able to trade places with other universities on a cost neutral basis. Universities will *not* be allowed to transfer their allocated CSPs to enabling courses.

The Government is also 'investing \$4.3 million over three years to develop a new national online marketplace for micro-credentials and

....also undertake essential work to progress the recommendations of the Australian Qualifications Framework (AQF) Review....to create better pathways into and through tertiary education, develop guidelines to improve credit recognition of micro-credentials and prior learning, and ensure the importance of 'soft skills' such as critical thinking and conflict resolution are recognised in the design of Australian tertiary qualifications'.

There is also significant new funding for university/industry engagement to 'expand the innovative Industry 4.0 Advanced Apprenticeship Pilot into a two-year qualification that allows learners to progress from a one-year Diploma to a two-year Associate Degree'.

Collectively, this Package if it is implemented (as is, or as amended) cannot be ignored by the PC as it has direct bearing on meaningful achievement of the draft Principle presently stated by the PC as:

'neutral, but not equivalent treatment of higher education (VET and universities), with policy settings that minimise distortions in students' choice'.

HE 'Policy settings' have been re-set ever since the historic 'demand driven' Bradley Reforms, and all subsequent changes since to now the [Jobs Ready Graduates Package](#) – and VET has barely responded.

It is why argument herein emphasises that any renewal of NASWD and the NA, if isolated from comprehensive consideration of its place and connection within the tertiary education system, including the now new [Jobs Ready Graduates Package](#), will not address the much needed policy changes to lift Australia's human capital skills development, nor better future proof the nation as a competitive economy (even more so post COVID).

VET will further decay over time as a 'residual' sitting between schools and HE if matters are left as now.

Part Two – Options for structuring a renewed NA

The following are brief explanation of Options for any renewed NA

Option One - Commonwealth takeover of VET and control of entire tertiary system

At risk of oversimplification, the Commonwealth alone control, manage, fund and finance Australia's HE sector by dint of constitutional interpretation and weight of public resourcing.

By contrast, the States own, manage and fund Australia's VET sector on a basis of '[cooperative federalism](#)' by multiparty agreement with the Commonwealth, with the latter both funding/financing training as well as related training costs e.g. apprentice subsidies. The party's [roles and responsibilities](#) (both joint and separate) are outlined in the now 10 year old NASWD, with annual grants provided under the [Intergovernmental Agreement on Federal Financial Relations](#) to part support State and Territory costs of training.

One option is for one level of government to control, manage, operate and resource the whole ETS system i.e. a Commonwealth takeover of VET. The boundary point will then sit at VET in Schools where jurisdictions would have to freshly define funding responsibility.

As noted above, even if this takeover was agreed, it would not include the State's ownership and responsibility for TAFE's.

A Commonwealth takeover of VET was *rejected* by First Minister's at COAG, so the national ETS system *has and will* retain a *cross over junction* from one (HE) to multiple (VET) resource provider(s) and stakeholders. Any new deal and hence redrafted NA must accommodate this.

Option Two – A new Agreement based on distinct jurisdictional roles and no transfer of funds to States

This scenario is that the Commonwealth corrals all its present outlays: the NASWD, SAF levy, VET Student Loans, industry assistance and Skills Package funding and starts again. This could transpire as an AQF divide where the Commonwealth takes control of funding/financing all AQF 4/5/6 VET Cert IV and above courses (with exacting 'entry standards') and sharply divides the rest, leaving States and Territories to fund VET Certificate III and less (AQF 3 and lower), with specific exceptions.

These exceptional interventions might be in foundational language/(digital)literacy and numeracy skills by direct contracting with RTOs targeting all students who are (or are deemed to be) supported by specific Commonwealth welfare payments supporting VET 'access for disadvantaged Australians'.

The second exception could be the Commonwealth offering or taking control of specific 'nationally designated' courses, the target here being all trade and non-trade apprentices. The NSC could advise and the Commonwealth decide which of the present declared (about) 110 trades and 1100 non-trades apprentices are to be funded at what level. These comprise [less than 8 percent](#) of *all* VET students or [about 25%](#) of government funded students (but more by way of training costs).

This approach addresses long held concerns by peak industry bodies to make national the apprentice system with one level of government fully accountable for an area that constantly falls into sharpest concern and dispute about skills shortages.

There is at least a potentially untested constitutional argument for such as takeover, that being the Commonwealth funding of wage subsidies to employers of apprentices are grants to employer

companies that are (in the vast majority of cases but not all) ‘constitutional corporations’ and on that basis it may argued the Commonwealth right to also control apprenticed training in such corporations, and also therefore pay for it, [about 25%](#) of government funded students.

The States and Territories would then fund all remaining VET outside the above.

An alternative is a ‘conditional’ use whereby States and Territories can only access the Commonwealth funded NA if they agree to the Commonwealth determining specific courses and places (and prices) under which the present \$1.6 billion (or increased amount as a COVID training stimulus) can only be spent.

Option Three – A new Agreement based on renewed Principles - Accountable Cooperative Federalism

The core advice from the PC must be centred on best options in policy mechanics of public funding/financing of the VET sector that optimally serves the interests of both students and employers and by which all governments of the Federation can pragmatically agree, can sustainably implement and can also be held accountable, all working together in shared endeavour.

The PC is expected to present its advice founded on revised Principles per its Interim Report.

Such a considered process is now urgent with regards to recovery of Australia’s post-schooling tertiary system, given the massive and still uncertain scale of disruption caused by the COVID-19 pandemic.

Option Four – A VET ‘activity based’ funding model modelled on Cwlth./State hospital funding

[“Public hospital services in Australia are jointly funded by the federal and state and territory governments under a national agreement](#), complemented by payments from non-government sources such as private health insurers.

State and territory governments manage and operate public hospital services (a small number are operated by charitable organisations on behalf of state governments). Services are provided free to public patients, but waiting lists may apply. Patients can elect to be treated as either a public or private patient.

Until recently, the federal Government provided recurrent funding for public hospitals as specific purpose payments to the states and territories under a series of bilateral agreements, which were generally indexed to population growth and other factors. The signing of the National Health Reform Agreement (NHRA) in 2011 signalled a shift in how public hospitals were funded that was based on growth in activity levels, known as [activity based funding](#) (ABF)—‘a way of funding hospitals whereby they get paid for the number and mix of patients they treat’.

There is highly complex determination of what constitutes a National Efficient Price (NEP) for public hospital services for each financial year. The [NEP underpins Activity Based Funding](#) across Australia.

A key component is that the Commonwealth and the States and Territories ‘pool funding’ for public hospitals through the National Health Funding Pool.

Whilst health patients are not like students (the latter may leave before their ‘training treatments’ are complete), the principles at first glance appear transferable. Nor is this ‘treatment’ based on a ‘one unit’ patient, as student class sizes can span from one to many when teaching courses by different modes.

The PC is familiar with all these matters of health related ‘activity based’ funding models having advised and reviewed such areas of Federal policy and financing.

These arrangements have taken years of knowledge and experience to reach current state.

Example of complexity and calculation: [National Efficient Pricing Determination 2020/21](#)

2.3 Price of an activity based funding activity

The price of an activity based funding (ABF) activity is calculated using the following formula, with adjustments applied as applicable:

Price of an admitted acute ABF activity =

$$\{[PW \times A_{Paed} \times (1 + A_{SPA} + A_{Ind} + A_{Res} + A_{RT} + A_{Dia}) \times (1 + A_{Treat}) + (A_{ICU} \times ICU \text{ hours})] - [(PW + A_{ICU} \times ICU \text{ hours}) \times A_{PPS} + LOS \times A_{Acc}] - PW \times A_{HAC}\} \times NEP$$

Price of an admitted subacute ABF activity =

$$\{[PW \times (1 + A_{Ind} + A_{Res} + A_{RT} + A_{Dia}) \times (1 + A_{Treat})] - [PW \times A_{PPS} + LOS \times A_{Acc}]\} \times NEP$$

Price of a non-admitted ABF activity =

$$\{PW \times A_{Paed} \times (1 + A_{Ind} + A_{Res} + A_{NMC}) \times (1 + A_{Treat})\} \times NEP$$

Price of an emergency department or emergency service ABF activity =

$$\{PW \times (1 + A_{Ind} + A_{Res} + A_{ECA}) \times (1 + A_{Treat})\} \times NEP$$

Where:

A_{Paed}	means the paediatric adjustment
A_{SPA}	means the specialist psychiatric age adjustment
A_{Res}	means each or any patient residential remoteness area adjustment
A_{Ind}	means the Indigenous adjustment
A_{RT}	means the radiotherapy adjustment
A_{Dia}	means the dialysis adjustment
A_{Treat}	means each or any patient treatment remoteness area adjustment
A_{ICU}	means the intensive care unit adjustment
A_{PPS}	means the private patient service adjustment
A_{Acc}	means the private patient accommodation adjustment applicable to the state of hospitalisation and length of stay
A_{NMC}	means the multidisciplinary clinic adjustment
A_{ECA}	means the emergency care age adjustment
A_{HAC}	means the hospital acquired complications adjustment
ICU hours	means the number of hours spent by a person within a specified intensive care unit
LOS	means length of stay in hospital (in days)
NEP	means National Efficient Price 2020–21
PW	means the price weight for an ABF activity as set out in Appendix H (for admitted acute), Appendices I and J (for admitted subacute and non-acute), Appendix K (for non-admitted), Appendix L (for emergency department) or Appendix M (for emergency services)

In the event that the application of the private patient accommodation adjustment and the private patient service adjustment returns a negative NWAU(20) value for a particular patient, the NWAU(20) value is held to be zero – that is, negative NWAU(20) values are not permitted for any patients under the national pricing model.

Ground up estimates of ‘activity based costings’ that accurately describe VET services and costs will likewise take a long time to be calculated, negotiated and agreed.

The pragmatic approach as proposed above of collecting existing costings and prices for VET services is more doable in the short term and will arrive at costing/pricing data for VET services that is market-specific and could form the basis of faster refinement of ground up ‘activity based costing’. The recent experience of the difficulties of getting discipline based HE costs in universities appears to be a source of reference, experience and advice if any VET ‘activity based costings’ are ever attempted.

TAFEs in Australia – Mastering the Multi-Dimensions of Their Public PurposeThe challenge for TAFEs

As a principle of business strategy in any competitive market, success is typically built on knowing what you are good at and succeeding in one, or at most two, of three dimensions; be it high volume low margin efficiency; or customer intimacy in persuasive differentiated services; or innovative high quality product leadership. By virtue of their history and public purpose, TAFEs however have a multidimensional challenge. The expectation of their role as a ‘public provider’ is to be excellent in all these dimensions, whilst being ‘arms-length’ yet (part) tied to objectives, resourcing and desired outcomes as maybe directed by their public-ownership.

TAFEs’ performance is then expected to be multi-faceted and equally excellent in all dimensions. Here are illustrative examples: delivering training in the remote outback to indigenous communities; English language and culture for migrants; job and life skills through training of city kids from families with intergenerational unemployment; winning private revenue by contracted training with firms across a wide array of industry sectors; attracting and delivering high quality programs and ensuring welfare of fee paying international students; getting best utilisation of aging sprawling campuses whilst being increasingly competitive in high volume lower margin courses by on-line delivery; and for the majority of their domestic students delivering quality VET and career-customised support all linked to school and university pathways and employers.

Public provision thus spans all of public and social good in helping less prepared vulnerable students, in running courses in regions or in niche skills not otherwise viable, as well as being in the vanguard of state and regional economic development in advanced technology in curricula and teaching tools like virtual or augmented reality. One consequence is TAFEs’ registered scope of qualifications is typically far larger (than private Registered Training Organisations (RTOs)). This raises the regulatory bar in sustaining TAFEs’ branding and reputation as a benchmark for quality.

Given the [present set up of VET](#) in Australia’s ‘tertiary education system’ (with universities and multiple private RTOs), is this view of TAFEs being ‘comprehensive and excellent in all dimensions’ operationally and financially sustainable? Given global disruption to traditional ‘business models’ of educational services, and with student/industry demand steering towards ‘just in time, just what’s needed now’, how can TAFEs win even more prominent part of any future ‘tertiary system’ landscape. Not just because of their size, public purpose and tradition, but by building on their history in farsighted leadership in course content and delivery modes that best meet needs of ‘future jobs’, employers and students.

Similarity and Diversity Among TAFEs

Following ‘structural adjustment’ incentives in the *National Partnership for Skills Reform*, with the exception of Victoria, governments moved to aggregate colleges under typically State-enacted Statutory Corporations⁴. In the view of some, TAFEs have been subject of protracted and major adjustments and distractions from their core purpose - quality training and education - in the name of ‘markets, competition, contestability and corporatisation’.

Major aspects of commonality of all TAFEs include the Australian Qualifications Framework (AQF), international student visa rules, competency and training package qualifications (with some differences in

⁴ Based on [TDA membership](#) there is: one TAFE in Tas., ACT, NT (a dual sector university), SA, Qld (plus one dual sector university) and NSW; 4 in WA and 12 in Vic (plus four dual sector universities).

accredited qualifications with Victoria and Western Australia retaining local regulatory rights), common/like regulatory legislation and like access to Commonwealth financed VET Student Loans at Diploma/Advanced Diploma levels. All States and Territories are funded under the *National Agreement for Skills and Workforce Development*, and all but Victoria and Queensland having contracts under the *Skilling Australians Fund* (only South Australia and Western Australia have multi-year agreements).

By contrast the major differences across TAFEs relate to prevailing economic, social and operational context. They cover vast geographies with sprawling campuses in cities and sometimes shared (e.g. with schools and universities) facilities in regions, often seen as community assets, all with maintenance costs that might be better spent in a 'digital-delivery' world. They serve very different state and regional economies and communities. TAFEs are subject to differing State/Territory VET contestable policies and funding, much dependent on a government's view point and jurisdictional resource capacity.

Some jurisdictions have both the political will and capacity to inject funds to help rebuild TAFE infrastructure e.g. in Victoria and fund some TAFE fee-free courses/apprentice programs, e.g. Victoria, New South Wales, Queensland.

By way of comparison with private RTOs, TAFE's industrial agreements are seen as a major reason for TAFE training being more expensive than the equivalent private training. TAFE's students and course profiles⁵ do differ from private RTOs, the latter tending to provide less resource intensive courses with TAFE dominating in more resource intensive programs needing complex facilities and infrastructure.

Pragmatic voices hold highest an uncompromising VET quality agenda, regardless of provider. Student and industry surveys do not, in the broad, show differences in training quality, completions, nor job benefits between TAFEs vs private RTOs. The VET sector needs an unrelenting quest for quality and relevance, with TAFEs as public providers to set highest benchmarks for quality beyond just compliance.

TAFEs also compete with universities for students at a significant policy and financing disadvantage. Students are easier enticed into universities. TAFEs must then build articulation and credit transfer arrangements with 'competitors' across sometimes awkward [sectoral boundaries](#), or more valuably work dual sector, and/or seek advantages from a 'shared-campus' in regional settings. Such partnerships between universities and TAFEs or TAFEs and industry are locally negotiated. Finally TAFEs are urged to ride the revenue wave of international students, on and off shore, again linking with university partners.

Consistent demonstration of TAFE's public benefit and financial sustainability

To their great credit many TAFEs do consistently achieve in *all* these dimensions. But they are under immense challenge to deliver on their multi-dimensionally public benefit with economic, social and regional value and impact, as well as being financially sustainable. A number of TAFEs have recently reported operational (accounting) deficits including major cost overruns in information management.

The risk is some TAFEs in time may flounder much like an old fashioned department store struggling to be 'all things to all people'. An alternate positive vision is a dynamically operating and widely partnered entity, having a multi-skilled educational and training services warehouse with super-smart logistics, packed with customised high quality contemporary products, all delivered to almost anywhere as needed. If the latter vision is one road to the future, there is need for each TAFE to create and drive a renewed strategy, structure and culture. Essential to this is deep understanding of all parts of its business in integrated data and business analytics, with informative benchmarks to suitable peers.

⁵ In [Total VET Students and Courses 2017](#) NCVER reported: Data from 41 TAFEs (with 4193 total reporting training providers including 3,953 RTOs); with TAFEs having: estimated 680,000 (16%) of estimated 4.263 million students in total; 884,000 program enrolments (32%) of 2.759 million total; 8.068 million subject enrolments (27.8%) of 29.038 million total.

Understanding about Skills Demand and Qualifications Used/Supplied**Demand**

In a functioning tertiary-system, both HE and VET sectors contribute to any State labour market and skills. Debating their relative worth and which sector has greater role in meeting education and future skills needs is futile. The guidance points that hold true in the best interests of any State are that (a) higher value jobs desired in a high productivity economy typically require higher level knowledge and skills (b) some people post schooling age need foundational educational, training and skills suited to their ability and interest to make them better able to get a job, or succeed at attaining higher training levels.

For Students:

The relative labour market turmoil plays out in the day to day experiences of students/employees who expect to both live and work longer, are globally more mobile and who may have multiple jobs (concurrent and increasingly self-created) over their working life. Such work and lifestyle drives greater 'just in time and only what's needed' modes of education and especially upskilling. Indeed, education providers themselves are competing in a swarm of disruption to their own business models.

For Employers:

Technology-driven change (eg digital disruption/Artificial intelligence/Industry 4.0 etc) is in early stages of driving redundancy of old and creation of new *job types*, shifting occupational shares in the labour market. Long range forecasts have widespread predictive differences in the extent and rate at which the 'jobs-sky will fall in' or rebuild.

Far more attention needs to be paid to impacts on uplifting skills and digital capability in *job tasks* across all ages in the present day workforce, in a nation chasing higher workplace productivity with employers under cost constraints yet expecting staff to have higher analytical, technical and enterprise skills.

Employers through their representative bodies have been largely responsible for the proliferation in number and ever greater technical complexity of so called Training Package qualifications with their pace of their development and amendment turgid. There is an competing expectation that training based on TPs and sector priorities will be funded by governments.

Forecasting Demand and Skills Matching Supply is Inexact:

'Skills matching' works best in circumstances where the economy and especially jobs are relatively stable in their defined scope. This allows the number and timing of job openings to be reasonably predictable (both in 'growth' and 'replacement' demand) and so 'matched' by training supply. This works better in jobs 'defined' by a *clear vocational purpose linked with either specific licensing or professional accreditation* eg. trades and engineering, nursing, teachers etc. with such graduates coming from both HE and VET sectors. Many factors go to make 'skills matching' models useful, but even more factors make it imperfect (even unreliable).

The first is timing and matching economic cycles in 'bell weather' industries such as construction, manufacturing and resources; it takes years to train electricians, mining engineers, geologists etc. The

next less obvious is that people find a job(s) as and how they can and switch from their 'trained' vocation to other jobs relatively quickly, e.g. by pursuing promotion, more interesting jobs etc.

Next, a large proportion of jobs in the labour market, whilst 'definable' by [ANZSCO](#), have a route where clear 'line of sight' from 'named graduation title' to 'named job' is inherently too generalised to make 'skills matching' meaningful. These are typified by the majority of students (in both VET and HE) that graduate in Fields of Education (FoE) such as Management and Commerce, Society and Culture, and 'general sciences'.

The next confounding issue is that HE and VET are increasingly competing across the same FoE disciplines (albeit at different AQF level). The Commonwealth [Education Minister states](#) that 'over the five years to 2023 *more than half* of all new jobs will be taken by those with a bachelor or higher qualification'. As a consequence HE qualified graduates are part colonising VET's more traditional roles e.g. allied health and 'caring' professions. This makes 'skills matching' by trying to steer government funded supply of VET qualifications all the more problematic.

Lastly, jobs are not as stable or well defined in scope, increasingly the opposite with digital and other disruptive forces fast changing job tasks and removing old and creating new job types.

Forecasting Demand/Supply Works Best at High Level and Acceptably in Some Occupations:

None of the above undermines the need to track major trends in a shifting labour market and better workforce planning for initiatives such as the NDIS roll out.

Some industries, especially those with companies of national-span, have rightfully vocalised concerns about skill shortages in trade/engineering apprentices. Better forecast methods to improve understanding of [national apprentice skills needs](#), including impacts on immigration priorities, is a good initiative (and see student mobility below).

[Recent evidence](#) suggests too many students (mostly young males of lower ATAR-score) went to university for reasons of perceived prestige, lack of knowledge or opportunity of apprenticeships and perhaps costs (access to loans).

Evidence shows that their employment prospects and long term earnings would have been as good, or better, had they completed an apprenticeship. But this skills shortfall is more driven by distortion of HE/VET sectoral policy and funding than there being a systemic failure of the VET system to 'skills match' apprentice demand and supply.

Lastly, the examples in the recent [Jobs Ready Graduates Package](#) of teachers and nurses being in skills shortage and therefore of national training priority is more an issue of 'churn'. The employment conditions and perceived career prospects in these professions may not be conducive to retaining long term graduate employees in such professions, and so 'shortages' are less to do with training supply.

Message: *excessively high trust in the precision of 'skills matching' is a false road.*

Supply of Qualification Types – Their Uptake and Utility is Biased – Many Quals./Few Used

Whilst there are a large number of national qualifications (the majority are assigned to the ~70 national training packages, the remainder being accredited courses) there is major bias in what students actually enrol. There are an estimated 1500 active Training Package (TP) qualifications (not including accredited courses). Notably some [93% of TP student enrolments are in only 21% of these qualifications](#) and thus

only 9% of enrolments ate in some 79% lesser used TP qualifications. Niche qualifications can be left to niche providers

Graduates are differentially mobile in the labour market post qualification

Post their graduation students both get jobs as they can, and also win better or get different jobs after training. The jobs they get or have within a year of completing training is only modestly aligned with their qualifications

Looking at the [occupational destination](#) of non-trade apprentices (trainees) employed *after* training across surveys for each year 2009-2018, it shows some 45 percent are in the same occupation as training, 45 percent in a different occupation but say training was relevant, and 10 percent are in different occupations with training not relevant. Results are similar for each survey year.

It's similar for general VET students (many of whom have jobs while studying) with typically about half or fewer students surveyed six months after their graduation being in the same occupation as their training.

Analysis of trades over 2009-2018 shows in 2009 that 86 percent were in same occupation after training, this down to 71 percent by 2018. Some 10 percent were in different occupations in the 2009 survey, but say training was relevant, with this percentage rising to 20 percent by 2018.

So the tightest alignment, unsurprisingly, is between training and an occupation in licensed/regulated trades.

Message: Overall this tells a story of *transferable skills – making so called 'skills matching' way more complex than at first sight.*

A Comment on Course Accreditation

Universities have self-governance in course self-accreditation. Trust is placed in their academic governance to determine HE courses that best meet academic quality as well as employability and vocational needs.

With the referral of powers constitutionally that gave rise to the regulator ASQA, States including SA gave up rights to 'self-accredit' courses either at industry advisory level eg TASC or institutional level eg TAFE. Victoria and WA did not give up this right and have local accreditation that can be licensed nationally by agreements – hence the TAFE qualifications in cybersecurity came licensed from Box Hill TAFE.

Why this is important

The T shaped graduate: The nation's Chief Scientist explained the [benefits of the 'T-shaped graduate'](#) . He accepted graduates need deep discipline knowledge, education, training and skills (depth of I in T shape) as well as expansive enterprise or so-called 'softer' skills (breadth of "" in T shape). His strident warning was about balance between the two, and that enterprise skills (such as critical thinking, problem solving, emotional intelligence etc.) are not magical replacement for credible and assessed discipline knowledge and skills.

This is immensely relevant to curriculum content in developing contemporary qualifications and giving graduates the best outcomes to meet employer expectations.