

Creating Futures



# Submission to Productivity Commission Study into VET workforce development

## July 2010

The Australian Council for Private Education and Training (ACPET) welcomes the opportunity to provide input into the Productivity Commission's study into Vocational Education and Training (VET) workforce development.

ACPET is the peak, national industry association for independent providers of post-compulsory education and training. ACPET members represent a diverse range of private education providers from schools to higher education institutes, delivering a full range of education, training and English language courses to both domestic and international students. Of ACPET's members almost 850 provide VET.

While there are approximately 5,000 training providers (public, private, enterprise, and others in the VET sector) a recent national survey of 500 private training providers shows that private providers deliver 74% of all VET in Australia. The research also shows that within the private training sector, ACPET members deliver approximately 85 per cent of the training effort. Furthermore, within the private VET sector 80 per cent of training is delivered to domestic students, of which the vast majority is provided on a fee for service basis.

Private training institutions are the 'engine room' of the Australian training sector and deliver over 4,000 accredited and non-accredited courses to 1.4 million<sup>1</sup> equivalent full time (EFT) VET students annually (By contrast, data collected by the National Centre for Vocational Education Research shows that TAFE Institutes deliver to approximately 511,000 thousands EFT students each year<sup>2</sup>). The private sector includes 95,800 full-time equivalent staff: trainers and assessors, administrators, and others directly involved in supporting VET delivery.

Contrary to claims by some commentators that private training provision is focussed primarily on short courses of only a few hours duration, over 700,000 students are undertaking AQF qualifications at Certificate III level and above. This compares with only 370,000 in TAFE Institutes. Another important area of difference between the private training sector and TAFE provision is the amount of training focussed on meeting employer needs – through the delivery of training in different 'skill sets'. These courses are typically used by employers to upskill their workers. Twenty one per cent of private training provision is in these skill set courses, compared to 10 per cent in TAFE.

This submission establishes:

- Who the stakeholders within the VET workforce are;
- Who should be considered part of the workforce;

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<sup>1</sup> WHK Horwath Education Industry Study, 2010

<sup>2</sup> NCVET, Data extract from *Australian vocational education and training statistics: Students and courses 2009*

- How the capacity of the VET workforce can be expanded; and
- How regulation influences and affects the VET workforce.

Investment in the VET workforce is a responsibility of the VET sector – that is training providers, government, individuals, industry and business. ACPET asserts that increased levels of investment will lead to an increased capacity of the VET system and provide the mechanism to deliver skills to Australia’s workforce.

ACPET is uniquely placed to partner with stakeholders in the delivery of VET workforce capacity development programs. ACPET has a track record of successful partnerships with stakeholders in the delivery of professional development, industrial relations, skills for sustainability and Government programs to ACPET members and others involved in the vocational training sector.

#### Defining the VET workforce

The Productivity Commission discussion paper has identified that the VET sector is extremely diverse. ACPET concurs with this position. Accordingly it is essential that in its findings and recommendations the Commission explicitly recognise and take into account that what is appropriate for one element of the VET workforce will not be appropriate for another area.

ACPET broadly agrees with the definitions proposed by the Commission for the VET workforce. However assigning definition to trainers and assessors, teaching staff, administrative staff, marketing staff and management and leadership staff must be done with caution as there is a divergence of opinion amongst many stakeholders.

One important area for the Commission to reflect in its report is the specialist role general staff play within the VET sector. For example receptionist and administrative staff require a high level of knowledge of the VET system in order to effectively carry out their job roles, many of them have day-to-day dealings with students, providing direct advice to them on a range of complex matters relating to their study. So while administrative roles may be common across various industries the knowledge that these staff must possess within the VET workforce is critical. Accordingly many of their employers will send these staff to professional development and training sessions. Therefore any recommendations surrounding VET workforce development should include the full range of staff involved in the delivery of VET.

Policy makers and programme administrators within Government should also be included as part of the VET workforce. These stakeholders have an influential role within the VET system and their decisions have far reaching consequences to the VET landscape. In

providing advice to Ministers, government officials analyse and make determinations on complex issues that include:

- How much training the Federal and State Governments purchase;
- What qualifications the Federal and State Governments will be purchase;
- Which RTOs the Government will purchase training from;
- The quality requirements that RTOs must meet eg AQTF 2010;
- The regulatory requirements that RTOs will be required to meet eg Quality Indicators, AVETMISS;
- The development of training packages; and
- Industrial Relations requirements.

It is vital for effective public policy making that government officials fully understand the industry that they are a part of and have significant influence over. They have the ability to affect how training is delivered and who has access to it. Accordingly it is essential that government officials working in the VET sector have access to workforce development opportunities and should be part of any workforce development strategy.

The Commission's issues paper asks if there are any particular issues affecting the VET workforce that arise due to the increasing overlaps between the various education sectors. ACPET can report that there are issues arising in regard to how some Higher Education providers/institutions view VET trainers and assessors, within the sphere of competency based delivery versus merit based delivery. Articulation and credit transfer from VET to Higher Education is gaining more prominence from a policy perspective and there is a drive to articulate students from VET to Higher Education. It should be noted by the Commission that VET and Higher Education are two unique sectors and technically the two sectors are not converging, they still have different registration, course accreditation and audit standards.

This difference between sectors presents an opportunity for both VET and Higher Education workforce development. A key area of concern revolves around graduate attributes and employability skills. The challenge that is present is how the VET and Higher Education workforces can understand the attributes and skills that they are each trying to deliver to their students. Work is being undertaken by the Australian Qualification Framework Council to bring some clarity to this issue. However it must be noted that for the work of the AQF Council to be successful, a significant emphasis on professional development strategies will be needed to ensure the work of the AQF Council permeates through the VET and Higher Education workforces.

### Implications for the VET workforce

The VET workforce delivers skills and qualifications to job seekers and/or existing workers looking for skills that will allow them to improve their earnings and productivity, and in doing so make a contribution to industry and business. Often they are seeking training that will allow them to enter the job market and/or move to a higher position. The delivery of skills and qualifications must be done in a manner that is flexible and timely and meets the needs of their clients.

The ability of the VET workforce to meet its objectives in developing the skills of learners is measured through feedback from individuals, industry and business. This feedback measures a range of factors, but specifically seeks to determine whether learners have developed the skills in line with the qualifications obtained.

The national VET system uses a variety of mechanisms to ensure training providers are able to respond to the needs of industry and employers. Formal links between industry and businesses, through Industry Skills Councils (ISCs), Industry Training Boards (ITBs) and Industry Training Advisory Bodies (ITABs) allow industry to define the training they need and to give feedback on the skill levels of people entering the workforce having completed formal training with a VET provider. In turn, organisations like the ISCs are able to provide advice to RTOs, either indirectly or directly, on vocational training, skills and workforce development needs. The advice of these organisations in conjunction with the national quality standards administered by State and Territory registration bodies ensure that RTOs are able to meet the needs of industry and business. Most private providers also rely heavily on the feedback they receive from their own clients – that is the employers they deliver training to. In developing their training plans for different client groups and establishing the needs of employers in their local area (or indeed across a wider geographic area), most private training providers know that the best way to ensure the relevance and quality of their training is to have regular and ongoing contact with a range of employers to establish and meet their training needs.

Ensuring trainers and assessors have relevant industry knowledge plays a critical role in ensuring that private providers are delivering knowledge that meets the needs of industry and business. This poses the questions as to whether trainers and assessors that have spent an extended period of time outside of the industry of specialisation are able to effectively prepare students and learners for entry into the workforce or higher duties if they are already employed. Recent changes to the national quality standards (the Australian Quality Training Framework) would indicate this is an area for ongoing attention and it is one ACPET is currently considering how it can best support its members in ensuring their trainers and assessors have current industry knowledge.

The success of the VET workforce is measured through demand and supply. The delivery of low quality training or training that is not in sync with the needs of industry and business leads to a loss of market share (low quality training can occur for a number of reasons such as lack of investment in training infrastructure, inflexible internal policies and inexperienced trainers and assessors). Conversely, RTOs that provide high quality training that is both accessible and relevant to industry will gain market share. In 1992 the implementation of National Framework for the Recognition of Training provided the mechanism for the registration of private providers. Since that time the ability of private providers to deliver high quality training which is responsive to employer needs has seen them become the dominant suppliers of VET in Australia, with two-thirds of all training provision being undertaken in a private training provider.

At the Committee for Economic Development Australia (CEDA) State of the Nation Forum held in June 2010 Heather Ridout, CEO of the Australian Industry Group said “so many of our members go to private providers because they have more of the flexibility to actually come and deliver the way companies want it (training) delivered.”<sup>3</sup>

Heather Ridout’s comments highlight the importance to industry of training providers that will respond flexibly to their training needs. It is therefore critical that the VET workforce can be measured on its ability to deliver vocational education and training services that meet the needs of industry and business. This is clearly one of the key factors behind the dominance of the private sector in the delivery of VET in Australia.

### Characteristics of the VET workforce

Over the last 20 years the provision of VET in Australia has undergone significant growth. This growth has been fuelled by changes in government funding to encourage greater provision of training by the private sector and stimulate individual demand for training, as well as increased employee mobility and investment from industry and business in their workforces to drive efficiencies. In line with the aging of the Australian population, there has been a natural aging of the VET workforce. In 2010 those that were 30-40 when they entered the VET workforce are now approaching retirement age.

The aging of the VET workforce is being somewhat accelerated because the workforce attracts older recruits. ACPET members report that many of their staff take up a career as a trainer when, due to their age or injuries they no longer have the capacity to work full time in their trade or area of specialisation. They therefore take on work as a trainer and assessor in a part time capacity in order to supplement their income.

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<sup>3</sup> Committee for Economic Development Australia (CEDA) State of the Nation Forum Transcript from panel session: Driving education, skills and workforce to ensure future growth, 22 June 2010, [www.ceda.com.au](http://www.ceda.com.au)

Many trainers and assessors within private providers are employed on a part time or casual basis. This also allows trainers and assessors to remain engaged in their industry of specialisation, keeping their skills current, and for many of them also provides them with an appropriate work life balance. These arrangements are attractive to both employers and employees. This arrangement also ensures that these trainers and assessors also have an intrinsic understanding of the attributes that industry is seeking from VET graduates.

While the VET workforce is female dominated there is substantial diversity across gender lines due to breadth of the qualifications delivered by the VET workforce. ACPET would therefore caution the Commission from characterising it by gender. Some areas, particular the traditional trades are male dominated. Upper management within ACPET member organisations is generally dominated by males.

The Commission's issues paper seeks information on subsets of the workforce. The VET sector is a highly regulated industry, with constant government changes made to the regulatory regimes in place for providers delivering to both domestic and international students. Compliance management issues impact on all RTOs and their clients. An opportunity therefore exists to direct professional development funding to advance the skills and capabilities of managers and compliance personnel within the VET sector. The end user would ultimately benefit from increased efficiency and effectiveness of RTOs to meet their compliance and regulatory requirements.

### Data issues

ACPET has recently commissioned a study to determine private providers' contribution to Australia's tertiary education industry. Data from that survey is used in this submission and identifies that private providers employ 95,800 equivalent full time staff. ACPET has recently also undertaken a survey of 226 of its members to ascertain their thoughts on a range of issues impacting on VET Professionals. Key issues identified in that survey include:

- The establishment of a VET Institute for Professionals would increase the focus on professional development;
- That professional development opportunities need to be within the financial reach of individuals; and
- An independent body of VET professionals could help attract more people to the profession by delivering a profile to the VET workforce.

ACPET would be pleased to brief the Productivity Commission on more detailed findings from these pieces of research.

When seeking data from and about the VET workforce it is essential that government officials recognise that private training providers are subject to continual data reporting requirements. Often they see little or no value in the reporting that they are forced to undertake. While there is limited data available currently on the VET sector workforce, a clear rationale and public benefit statement on why data is required, what purposes its collection would serve and how it would be used to benefit and improve the quality of training provision needs to be made before any steps are taken to collect data from private training providers on the size and characteristics of their workforce.

### Demographic and Economic Change

The health of the Australian economy has a direct impact on private training providers. During the recent economic downturn, ACPET members saw many of their trainers and assessors seeking extended hours of employment. Throughout this period there was also a downturn in demand from companies seeking to purchase training. Yet conversely, demand from individuals looking to fund their own training increased, typically this increased demand was as a result of individuals wanting to up skill as a type of insurance against what was projected to be a prolonged economic recession.

At the same time as demand from individuals for VET increased, some ACPET members reported that during the economic downturn they experienced higher defaults on fees from their student cohort. Around 80 per cent of training that private providers deliver is on a fee for service basis, this leaves them exposed when times are difficult and employers reduce their demand for training and those in training default on their fee payments.

There are challenges ahead for the VET workforce in being able to meet the demand for their services. There are high levels of government intervention within the VET workforce and wider VET sector. Government intervention has in many instances created barriers to efficiency. RTOs are subject to high levels of regulation and auditing, which is administered in an inconsistent manner. The development and implementation of the AQTF2010 completely contradict the *COAG Best Practice Guide for Ministerial Councils and National Standards Setting Bodies*.

ACPET Members who see changes in the economy and wish to position themselves accordingly are continually slowed by regulatory agencies that do not act in a manner that allows RTOs to deliver to the needs of industry and training. This includes ability of RTOs to extend their scope of application or to attract experts in a fledgling industry to join an RTO as trainers and assessors so that they can pass on their knowledge.



The planning for and responding to technological developments and training for new technologies is one of the biggest VET challenges. Keeping abreast of new technology changes can be costly in terms of the salaries demanded by those with the most up-to-date skills and in purchasing the equipment for students to learn their skills on. Typically, only a handful of very large and very successful training providers are able to source the new technology as it comes in and to recruit the trainers with appropriate expertise. For other providers their links with industry are vital – delivering training in the workplace and working with the employer to train employees in how to use it. Greater support for these collaborative partnerships is essential in ensuring the training sector can support industry in adapting to and benefiting from technological change.

### Sector Specific Influences

Government policy is increasingly targeting learners from disadvantaged backgrounds. The explicit purpose is to provide this cohort of learners with skills which are currently in short supply and in doing so provide them with a pathway to employment and to reduce the level of skill shortages in the Australian economy. This policy intent presents significant challenges for the VET sector. Learners from disadvantaged backgrounds typically also have low levels of prior education and training. As such they often require significant additional support services in addition to just training and assessment. Contrary to perceptions that TAFE Institutes as the public provider are best placed to support learners from disadvantaged backgrounds, in reality more private training providers provide training at lower level qualification levels (Certificates I and II) than does TAFE. In 2009 TAFE delivered training to 85,200 full-time equivalent students compared with 108,200 in the private training sector.

To support its members delivering training to people from disadvantaged backgrounds, ACPET appointed an expert from the disability sector as its 'Executive in Residence'. Ms Donna McDonald provides support to ACPET staff and members on socially inclusive practices to support them in delivering services to people from disadvantaged backgrounds. ACPET's *Statement on Social Inclusion and Diversity* and *The creativity of success: Disability in the classroom and the workplace. A guide for private training organisations* are examples of the resources ACPET is now producing to support its members. ACPET believes increased levels of government support and partnerships are needed as a priority to provide the professional development trainers and assessors and other VET professionals need, so that they have the skills to provide a supportive, learning environment for disadvantaged clients.

The Commission's issues paper has asked questions in relation to the trend towards higher level qualifications and the workforce. Private providers delivered training to more than 300,600 full-time equivalent students in courses at Diploma level and above. ACPET

therefore asserts that with such a large quantum of training occurring in higher level qualifications, and the increasing level of technological change in the economy, that there is an increasing level of complexity within job roles in the VET sector. Preparing learners for these complexities requires trainers and assessors with high level skills and currency in the VET area that they are delivering, as well as the ability of the overall VET sector to provide learners with skills for employment.

### Maintain workforce capacity

Anecdotally it appears that many trainers working in the sector do not view themselves as ‘trainers’. Instead, it appears that many industry specialists see VET as a part-time or casual job that is an extension of their main occupation. As stated previously, others see VET as the option available to them when they are semi-retired or physically injured. Other trainers have worked in the sector for a long period of time with an evident passion for their craft; many are now nearing retirement. The different backgrounds, the variety of skills and prior experiences people bring to the VET sector, and the careers paths they are on are typically much more varied than is the case in the schools and university sectors. This presents a substantial public policy challenge in developing an appropriate framework for the professional development of the sector. Trainers and assessors do not enter the sector from the same point, nor is it typically a full-time career option. A framework to support VET professionals in expanding their skills while recognising that their role as a trainer or assessor is likely to be part of a ‘portfolio’ career will be critical to the success of any future interventions.

In regional and remote areas it can be difficult to retain and attract VET professionals, particularly if their skills are already in high demand from local industry sector. This unfortunately often impacts on whether a VET provider delivers training in a locality. There may be demand for the training and education but without the skilled staff to deliver it, the provider is unable to respond to that demand. Support for more innovative partnerships between industry and private training providers, particularly in regional areas, will reduce the need for workers to travel long distances for training, or miss out on training.

The Commission is seeking information in regards to what influence does pay have in attracting people into the VET workforce. ACPET members report that pay is a influential factor however a number of other factors also exist, which include:

- Conditions of employment
- Flexibility of hours
- The professionalism of the organisation (management and particularly staff management practices)

- Attitudes to and investment in skill development for employees, and

ACPET members report that while they cannot always meet the pay that is available to a trainer or assessor in their trade or area of specialisation, they attract and retain staff by ensuring the working environment is enjoyable and is able to accommodate the lifestyle needs of their employees.

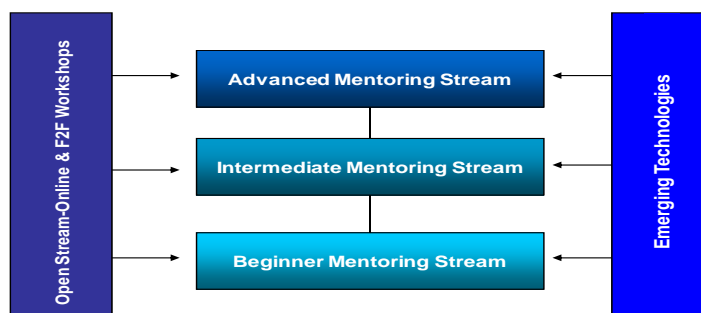
### Enhancing Capability

The commission is seeking advice on the trade off between technical skills and teaching skills required in the VET workforce. ACPET would argue strongly that the provision of quality vocational education and training does not allow for a trade off to occur. In fact, ACPET believes that the quality of training delivered by the sector would be compromised if one skill set were prioritised over the other. Skilled trainers and assessors must be both technically proficient and have strong teaching skills. Professional development provides an opportunity to skill and up skill potential trainers and assessors in both their technical and teaching skills. Supervision and mentoring arrangements are enshrined in the national quality standards for the sector and provide a more than adequate measure that allows highly skilled technical people to develop their training and assessment skills while they work towards formal training qualifications.

### Technology and VET

ACPET has a long history in engaging private providers in e-learning through its involvement in the Australian Flexible Learning Framework. Below is a model that demonstrates in simple terms ACPET's philosophy to e-learning. ACPET employs an e-learning project officer and would be pleased to provide a briefing to the Productivity Commission on the e-learning professional development initiatives that it carries out.

### **ACPET e-Learning Model**



**ACPET Aim:** To keep RTO's engaged and to provide opportunities to advance in knowledge.

The national training system's annual E-learning Benchmarking Survey<sup>4</sup> shows that for many VET clients it is no longer a question of 'if' their training involves e-learning; it is 'how' they use e-learning that matters.

The survey of more than 3,600 VET students revealed that:

- 90% of VET students say that they would like at least 'a little' e-learning in their course;
- 42% of VET students said that e-learning was a factor in their choice of training provider; and
- 47% saying that e-learning influenced their choice of course to some degree.

Depending on the 2010 election results, if it continues to be rolled out, the National Broadband Network will provide significant opportunities for increased use of e-learning over the next decade. It will provide increased opportunities for the use of technology to support training and assessment, but will also create a demand for trainers and assessors who can fully utilise its potential. Opportunities exist for the stakeholders including all levels of government, industry and business to invest in up skilling trainers and assessors so that they can make effective use of technology.

### Funding and its Influence on VET Workforce Planning

The Commission's issues paper raises questions regarding competitive neutrality. According to the Productivity Commission's website:

"Competitive neutrality policies aim to promote efficient competition between public and private businesses. Specifically, they seek to ensure that government businesses do not enjoy competitive advantages over their private sector competitors simply by virtue of their public sector ownership."<sup>5</sup>

Within the VET sector there are many examples of government policies which do not support competitive neutrality. Despite the private training sector delivering 74% of all training in Australia the private sector receives only 20% of government funding for VET. The inefficient use of taxpayer funded training becomes prevalent when analysing the split between government funded training and fee for service training. The 2010 National Centre for Vocational Educational Research data highlights that in 2009 70 per cent of students in TAFE

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<sup>4</sup> <http://e-learningindicators.flexiblelearning.net.au/docs/09results/2009BenchmarkingSurveyReport.pdf>

<sup>5</sup> <http://www.pc.gov.au/agcnco/competitiveneutrality>

and other public providers were a Government funded<sup>6</sup>. In the private sector almost the exact opposite occurs with only 20 per cent of revenue being Government funded<sup>7</sup>.

When considering capital investment in VET the lack of competitive neutrality is even more concerning.

Public and private providers operate in the same market place and deliver services to the same client base. Public providers receive a clear advantage in terms of government funding – yet the share of provision by the private sector is almost twice that of the TAFE sector, including in lower level courses typically accessed by people from disadvantaged backgrounds. The overwhelming majority of students will choose a private provider if they are or their employers are paying for their training. However, when Government intervenes in the market it directs its funding overwhelmingly to the public TAFE sector. Recent survey data would indicate that the extent of training being delivered by the private sector in terms of both the level and industry of training would make the private sector a better return for government, as it does now for individuals and employers.

Increased funding for the private sector would allow a greater investment in the professional development of its workforce. As such a change in Government policy to demand driven funding, allowing students to choose their providers according to quality factors, not Government intervention would in turn lead to greater investment in workforce development by providers as they seek to differentiate themselves against their competitors.

### Regulation in the VET sector

Regulation has a substantial impact on the training being delivered in the VET sector. ACPET is supportive of moves to a national VET regulator and supports many of the changes in the new quality standards for the training system (the AQTF Standards). ACPET has concerns though about the practice of regulation within the sector, the calibre of many of the VET quality auditors employed by the regulators, and the lack of clarity on how the new requirements relating to ongoing professional development for VET professionals in the new quality standards will be interpreted and enforced by the regulators.

ACPET advocates that the following fundamental principles should underpin VET regulation:

- **Equity:** the regulatory structure must treat all VET institutions equally regardless of whether they are a public or private Institutions;

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<sup>6</sup> <http://www.ncver.edu.au/statistic/publications/2264.html>

<sup>7</sup> WHK Horwath Education Industry Study, 2010

- **Proportionality:** the regulatory requirements imposed on institutions must be in proportion to the public benefit. Over burdensome regulation will, in the end, be detrimental to the consumer;
- **Efficiency:** the regulatory framework must be administered in an efficient manner. Administrative and compliance costs must be kept to a minimum in order to produce quality outcomes for consumers;
- **Enterprise:** the regulatory structure must encourage enterprise and investment in order to expand provision and meet industry and individual demand for quality education and training in line with government goals and targets;
- **Innovation:** the strategic framework should maximise the operating flexibility of those who are regulated. As industry evolves the VET sector will need to adapt to industry needs and at times be the leader in providing students with the skills that industry requires;
- **Consistency:** the regulatory framework must be applied in a consistent manner across all jurisdictions;
- **Accountability:** regulation and regulatory practice itself should be subject to continual improvement in the same way that successful institutions and industries are encouraged to operate;
- **Choice:** the regulatory framework should ensure that artificial barriers are not put in place that limit the capacity of consumers to choose the institution that will best deliver education and training in line with their needs and circumstances;
- **Sustainability:** the regulatory framework should provide a VET system that is sustainable. This will be achieved by ensuring providers are operating in a system that is both reactive and proactive and can adapt to changes in the market or in policy.

Ensuring the staff of the new national VET regulator and those in the current State and Territory regulatory agencies have the skills and capacities to regulate in a manner consistent with these principles is critical to a well-functioning sector and a clear priority focus for the professional development of the VET sector. The need to concurrently provide more professional development and support for compliance and quality managers working in private training providers has previously been raised in this submission.

The impacts on the VET sector and its workforce of the demand from international students

The international education sector in Australia is undergoing its most turbulent period in its 48 year history. Poor change management on the part of the Australian government in its policy development and implementation has given Australian training providers no effective lead time to adjust programs, to assist existing students, nor to communicate effectively with potential students, agents and intermediaries to cope with the changes that have occurred. This has imperilled one of Australia's most significant export industries which has served to develop Australian productivity through skill development.

Our submission emphasizes principles of quality, co-regulation, transparent governance, professional frameworks and the consequences of blunt and uncoordinated policy intervention upon demand in the international education sector. The private education sector with capital at risk in needing to mobilise around government policy shift is particularly disadvantaged by poor policy implementation and its impact upon international demand. ACPET will be pleased to provide further information to assist the Commission's considerations and would welcome the opportunity to make a presentation to the Commission.

*Customer satisfaction is high ...*

- independent international benchmarking analysis of Australian privately branded international education indicates high to very high levels of satisfaction among students in late 2009 and early 2010
- more than 8 out of every 10 students in an ACPET member College have reported sound satisfaction with their educational and living experience as an international student in Australia
- more than 3 out of four international students in ACPET member Colleges have recommended their College to potential students


*Trend data indicates a severe market relocation .*

- what may appear as a market contraction is in fact the market relocating to competitor nations: demand has not dropped, it has just gone away

	\$ loss	Jobs loss
Australia	160 million	1400

Source: AEI, Access Economics

- data available from AEI and analysed using modelling from the 2009 Report *The Australian Education Sector and the Economic Contribution of International Students* by Access Economics indicates the following current economic impacts:

All providers - National				
	Difference - April 2009 to April 2010		Economic Impact - April 2009 to April 2010	
	Commencements	%	Jobs Loss	\$\$ Loss
All Sectors	 -5,490	-3.30%	-1373	-\$158,776,290

Source: AEI, Access Economics

Lead data presents the most disturbing potential scenario for international education in Australia.

- trend data while valuable is not adequate as a planning tool especially for the private sector which needs to make investment decisions ahead of the curve in the business cycle; this requires lead data.
- with the possible exception of the ELICOS sector, where students can access either a student or a tourist visa, the most reasonable source of lead data for inbound international education is the rate of application for student visas
- an analysis of student visa applications shows

Student Visa Applications 2009 / 2012			
	Difference between March 2009 & March 2012	National Economic Impact	
		Jobs Loss	\$\$ Loss
All Sectors	- 131,954	- 32,988	- 3,816,228,708

Source: AEI, Access Economics

*Why is this happening?*

The factors that have changed, and will continue to do so in the medium term, the behaviour of students choosing Australia as an education destination include:

- customer satisfaction data has revealed that international students, their families and their advisors expect a stable policy environment, a reliable and transparent set of rules, and a firm understanding of their rights and obligations to have confidence in the educational market options
- stark shifts in Government policies and practices around student visas have therefore effectively driven the Australian market to competitors
  - student rejection rates are high



- assessment levels of countries have been varied
- Australia's unique competitive advantage in packaged programs has been compromised by student visa changes
- perception that Australia changes its rules arbitrarily
- failure of natural justice towards international students in the event of policy change

Those factors that influence but do not ultimately change students choosing Australia as an education destination include:

- Australian exchange rate: a \$10,000 course in 2009 costs \$13,500 in 2010 (offset by lower cost of living and travel)
- security: the perception that Australian authorities and media have concerns for student safety
- the global economic crisis: the 2009 Access Economics Report identified that education is generally counter cyclical to the economic cycle with investment in education increasing in times of economic contraction.

### *Implications*

Unless a mitigation strategy is implemented immediately the implications of the scenario presented in this paper which is based upon government data and proven projections by respected economic analysis is as follows:

- loss of capacity through providers departing the industry
- loss to competitor nations

ACPET submits for the consideration of the Commission that Government policy which impacts upon demand for international private education should be underpinned by five principles to ensure confidence in the policy environment:

- Efficiency – there is a clear priority by government to support businesses to be nimble in responding to individuals, students and employers through minimising red tape, complexity and compliance
- Equity and fairness– government intervention, regulation and policy value diversity and do not marginalise on the basis of abstract criteria, arbitrary executive decisions or selective service provision who or which institution provides them
- Transparency – the mechanism for government policy determination is transparent and open to scrutiny
- Choice – student choice is the fundamental principle of market and is the best means by which their education and training needs will be met and will ensure diversity and responsiveness in achieving government policy requirements

- Simplicity – objectives can be met without unnecessary administrative or compliance costs being imposed by government on providers.

ACPET has analysed the impact on the VET sector and its workforce of Government policy development upon international student demand and for the Australian economy.

Migration reforms from 8 Feb 2010 have reduced the effectiveness of many education providers to provide international educational services because the changes have created uncertainty in the market place. The introduction of this Bill will construct additional uncertainty because it provides many more variants to the dismissal and cancellation of applications for visas. ACPET is deeply concerned at the potential for this to politicize the branding of individuals by migration officials and / or the Minister

Current students recognising that their Training College or Higher Education provider cannot provide them with a course leading to outcomes undertaken on the basis of previous policy settings, will try to switch courses and / or Colleges, demand a refund of fees, or enter a class action that may not have any prospect of success but nevertheless it will aim their frustration at the changes on to the Providers and their Agents. This will result in considerable loss to Australia in terms of export economy, international reputation and cultural exchange as demonstrated in the Attachment.

Students will seek other countries to start or complete their studies and are already finding that countries such as Canada, USA, NZ and EU countries welcome them. Other countries have recognised that Australia has generated economic benefits of over \$17billionn annually from its international education exports and they will seek to capitalise from policies such as this Bill as proposed especially GFC affected Europe and north America.

ACPET has identified seven factors for the consideration of the Productivity Commission in considering demand for international education:

- Maturing international education markets** demand a stable policy environment in an increasingly competitive global market
- Private enterprise** investment, mobility and agility are essential to meeting public policy objectives in productivity, education and training, and international trade.
- Artificial barriers and regulatory impact** upon private provision in broader international markets need to be addressed by government if public policy objectives are to be achieved.
- Comprehensive, cohesive and strategic industry led change management frameworks** for international education will encourage confidence and investment by the private sector in international skill development markets.

- v. **Cohesion between quality and regulation improvement initiatives** must be implemented in a planned and consistent and transparent manner and allowed to take their effect
- vi. **Close employer and training industry links** require more business friendly options for linking international education and training to productivity outcomes
- vii. **Practitioner capability** in facilitating qualification outcomes for a more demanding and diverse international student cohort requires additional knowledge, competency and skill requirements

ACPET's position on the VET sector workforce and the demands that it faces in meeting the needs of an international education market can therefore be summarized as follows:

- ACPET supports industry based professional service frameworks that genuinely support the standards of education and training and productivity outcomes and seeks to engage with Government on ways this can be achieved that are both cost and outcome effective
- ACPET supports the linking of training with employment and productivity outcomes
- ACPET contends that changes to policy setting and practices by Government must be managed through effective transitioning arrangements developed in partnership with private international education to allow the international education industry and its workforce to make adjustments

The benefits of a broad, high quality international education program to Australia's international engagement have been well documented and published by ACPET as the leading network of international education providers across the schools, language, vocational and higher education sectors.

Our principal argument is that Government reform which impacts upon international student demand should be underpinned by sound principles giving rise to effective change management. This is not evident in migration and visa reform commensurate with the impact that these reforms will have upon international student demand and the Australian economy. Private providers of international education in Australia have a demonstrated track record of making the investment needed to attain government objectives. Experienced providers lament poor standards and are perplexed at how their high professional standards are compromised by the regulators and arbiters of the training system and by government agencies in not ensuring current requirements are adhered to. ACPET's position is that a mature market can operate most effectively under arrangements where quality, policy development, implementation and review are led by industry.

Private businesses active in the export of services recognise the value of reputation and recognition. Sudden shifts in the policies and practices of destination countries imperil sound trade relationships especially in increasingly competitive environments.

ACPET's position is that sound longer term relationships with established and developing international education markets will be essential to achieving the policy objectives of the Government

In conclusion ACPET asserts that investment in the VET workforce needs to be driven by Government, individuals, industry and business. ACPET asserts that increased investment will lead to an increased capacity of the VET system and provide the mechanism to deliver skills to Australia's workforce.

ACPET is uniquely placed to partner with stakeholders in the delivery of VET workforce capacity development programs. ACPET has a track record of successful partnerships with stakeholders in the delivery of professional development, industrial relations, skills for sustainability and Government programs.

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