



ACPET Submission to the VET Funding Review State Government of Victoria

April 2015

Introduction

This submission to the independent review of VET funding has been prepared by the Australian Council for Private Education and Training (ACPET). Established in 1992, ACPET is the national industry association for private providers of post-compulsory education and training. ACPET represents 1,100 members comprising of institutions which offer a diverse range of delivery in vocational education, higher education, English language, foundation studies and primary/secondary school. Members range from large publically listed companies to small businesses that specialise in a particular industry (for further information visit www.acpet.edu.au).

ACPET appreciates the opportunity to provide contributions to the review, through meetings with the Chief and Deputy Reviewer on 11 March 2015 as well as consultation with a sample of metropolitan and regional ACPET members on 23 April 2015. In addition, ACPET has responded in general to the Review terms of reference outlined below.

The Government has asked the Review to inquire into and report on how to improve the quality, stability and sustainability of the Victorian training market, by recommending alternative VET funding models and settings that:

- a. match training delivery to the growing job opportunities in Victorian industries;
- b. ensure all government subsidised training is high quality;
- c. allow rural and regional communities to access training that meets their local needs;
- d. meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment;
- e. build a strong and responsive public Technical and Further Education (TAFE) sector;
- f. manage training expenditure within the existing vocational training budget while preserving a framework of student driven choices;
- g. recognise the public and private benefits of training and ensure fees and student costs are not a barrier to participation; and
- h. Ensure eligibility to access subsidised training is fair and well-targeted.
- i. The Review is also asked to comment as necessary on:
- j. How other government policy levers may be used to support the quality, stability and sustainability of the Victorian training market. This could include the regulation of training providers; requirements for government contracted training provision; information and decision support tools for students; and implications for national training policy.
- k. The implications of recommended reforms for other directly-related areas of education in Victoria (including secondary schooling and the roll out of new Tech Schools, and the higher education sector).

Overview

The Australian Government recently released the Competition Policy Review Final Report (Harper Review) on 31 March 2015. The report notes the potential benefits of competition in human services include lower prices, greater efficiency in service provision, greater innovation and improved customer choice.

The report indicates there is scope for greater competition in human services and recommends (Recommendation 2) the adoption of choice and competition with guiding principles that include:

- User choice should be placed at the heart of service delivery
- Government should retain a stewardship function, separating the interests of policy (and funding), regulation and service delivery
- Governments commissioning human services should do so carefully, with a clear focus on outcomes
- A diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services
- Innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services.

The report further states that, in putting user choice at the heart of service delivery, governments should:

- recognise that access to quality services will be a prerequisite for effective choice and that accessibility will be particularly important in remote and regional areas; and
- ensure that users have access to relevant information to help them exercise their choices, including, where appropriate, feedback from previous users of services¹

In many ways these guiding principles provide the foundation for refinement of Victoria's contestable VET market. ACPET would further contend that completion rates (achieved with acceptable volume of learning) and long term employment outcomes should drive the funding framework for government subsidised training.

Governments from all persuasions have adopted contestable funding models as the preferred approach under the National Agreement on Skills and Workforce Development, which has successfully increased participation rates. Refinement of funding and student loan mechanisms, regulations and other checks and balances should be the focus of further reforms, to ensure quality outcomes and information for students, industry and government.

ACPET supports a diverse and competitive sector to drive quality and innovation. The role of TAFE as a public service provider needs to be made clear and, ideally, aspects of its operation should be funded outside of the contestable market. Re-creating a government funded monopoly ignores the considerable progress the sector has made since the introduction of contestability. Community service obligations should be funded and supported from additional investment, and be provided by both public and private providers. TAFE broader operations should continue to be exposed to national and international VET competition to help it remain a viable and innovative contributor to the sector. TAFE has an important role to play, but this role needs to be shaped by student choice.

¹ Australian Government, Competition and Policy Review Final Report, page 36

It is interesting to note that under the Victorian Government funded student choice market conditions, students that would otherwise require support covered by TAFE community services obligations are in fact choosing private training providers. In terms of market share in 2014, the Victorian Training Market Report 2014 reveals that only 16 per cent of unemployed eligible persons are choosing TAFE. Similarly 14 per cent of culturally and linguistically diverse students and around 20 per cent of students with a disability were attending learn local or private training institutions. This demonstrates the need to balance the funding of community service obligations across the entire sector in a competitive market.

The Private VET sector plays a significant role in contributing to the Victorian economy; through the development of the workforce and as well as supporting VET as a major export industry.

Research by ACPET has estimated private tertiary education providers in Australia contribute \$5.8 billion per year to the national economy, employ almost 100,000 (equivalent full-time) people and provide training for more than 1.4 million (equivalent full-time) students².

In terms of contributing to VET as a major export industry, private VET providers have achieved an 85 per cent market share of international student enrolments in Victoria. Australian Education International AEI Year to Date Data, December 2014 reveals that Victorian TAFEs 6,887 international student enrolments in 2014 compared to 37,452 enrolments in private institutions.

Research commissioned by ACPET through Access Economics has estimated that each international student (when including their associated visitors) contributes an average of \$28,921 in value added to the Australian economy and generates 0.29 in full-time equivalent workers³. On this basis, the attraction of international students to private VET providers in Victoria contributed \$1.08 billion to the Victorian economy and created almost 11,000 jobs in 2014.

² ACPET, ACPET At A Glance, 2012

³ ACPET, The Australian education sector and the economic contribution of international students, Access Economics April 2009 page i

Response to the Terms of Reference

The following response is presented by ACPET on behalf of its members to inform the interim report by the reviewers to government, under broad headings to address the terms of reference.

Participation and Funding

The latest 2014 data from the Department of Education and Training (Vic) (DET) revealed that Victorian Training Guarantee (VTG) funded private RTOs account for a majority of training related to critical occupations. Since 2011 the responsibility being assumed by private RTOs for critical occupations training has risen from 33 per cent to 59 per cent in 2014. This illustrates the importance of well supported and regulated private training providers for the State economy.⁴

Public funding of training delivery by private VET providers is also an efficient and attractive investment for governments. In 2013 Victoria spent \$2.56 billion in TAFE operating expenses to deliver training to 306,700 students at TAFE. This equates to a cost of \$8,347 per student. Victoria contracted \$799.2 million of training delivery to non TAFE providers in 2013 to service 328,500 students (including 76,800 community education students). This equates to a cost of only \$2,433 per student, some \$5,914 less per student or only 29 per cent of the cost of the TAFE equivalent, for the same student outcomes as reflected in NCVET student outcomes surveys⁵.

Research confirms that is not at the expense of quality outcomes. The NCVET 2014 student outcomes survey for domestic students for the publically funded VET sector reported 86 per cent of students were satisfied with their overall quality of training compared to 89 per cent for TAFE. In addition, government funded private providers were more likely to be employed after training compared to TAFE graduates (79% versus 74%) and were also more likely to gain employment after training (47% compared to 42%).

A major contributor to private provider efficiency is the ability to provide flexible and tailored training facilities and delivery.

This efficiency and flexibility was highlighted in an article in *The Conversation* in August 2014. Peter Noonan, Professional Fellow at Victoria University, considered the competitive fees of private VET providers in the context of the loss of market share experienced by TAFE in a contestable market:

'In any new market existing long-standing providers often lose market share to new providers who are able to pick and choose what areas of the market they wish to enter and design their business models around the new rather than the old system. Private providers have more flexible and lower-cost delivery models – many with minimal infrastructure and facilities, and high levels of casual and contract staff.

Most TAFEs operate as “full service” providers seeking to maintain broad subject areas and a more intensive delivery and student support model. (For this reason) low cost providers (can) opt to not charge student fees at all, placing TAFE at a price disadvantage.'

This would explain the variability of price for courses in the training market and that high cost does not necessarily mean quality nor does low cost necessarily mean lack of quality. ACPET believes what

⁴ Department of Education and Training (Vic), Victorian Training Market Report 2014, pages 69, 70

⁵ ACPET estimates based on NCVET Australian Vocational Education and Training Statistics: financial information 2013 and NCVET, Students and Courses, publicly funded training providers 2013 data

is crucial is that the student receives a quality training outcome. When any provider, private or public, exploits weaknesses in government entitlement funding models, this leads to excessive delivery of possibly substandard training in low priority skills areas. Government must focus on quality measures for provider access to government funding for national training entitlement as well as information to ensure well informed student choice.

In 2014 the training participation rates declined in all DET defined regions across Victoria, with the 15 to 19 years old declining by 18 per cent. All provider types, with the exception of private RTOs, experienced a decline in government subsidised enrolments in 2014 with private RTOs having a 56 per cent market share compared to TAFE 25 per cent. Despite this decline, there was a 9 per cent increase in specialised and shortage occupations over this period.⁶

With the efficiency, market share of critical occupations and stable participation rates achieved by private RTOs under VTG, ACPET advocates for recognition of these achievements in the current market conditions for future policy decisions.

ACPET equally shares the government concerns at the recent decreasing level of engagement and employment for young people between the ages of 15-19. The investment decision in training by government needs to prioritise between upskilling existing employees, those between jobs, those seeking a career change, and those experiencing underemployment.

Under current arrangements students that are already employed receive the same funding for a monthly visit by a provider to up-skill as a student attending daily on campus for a year of studies. This has replaced the training cost for the employee and, in some instances, created situations where the employer shares the funding. This arrangement is at a cost of rising youth unemployment and employer dissatisfaction against training received.

Reduction of hourly funding rates for subsidised training has encouraged bad practices such as shortened course durations and other shortcuts which hinder quality provision. A smaller list of trusted and fully audited RTOs needs to be put in place for future Government funding. This select group must be governed with real checks and balances and funded at workable hourly funding rates to deliver real training.

ACPET believes the decision by government to remove minimum fees for students has resulted in an expectation by the general public that courses must be free. This has been further complicated by the introduction and exploitation of income contingent loans for VET (VET FEE HELP). This can create a relaxed attitude by the potential student, negating the need for due diligence in selecting a good course and discontinuing with any perceived consequences, including deferred liabilities and squandering of national training entitlement.

ACPET recommends that all students should be required to make some contribution to course fees to encourage meaningful consideration to the commitment required as well as the type of training they will undertake. In terms of meaningful outcome focused training, workplace components of courses to the Certificate IV level should become compulsory.

Quality

ACPET believes the value of VET qualifications are devalued with employers and the community when qualifications are recalled as a result of short cuts being taken to issue qualifications without appropriate training and assessment. Existing quality assurance measures have failed to respond in a

⁶ Ibid, page 35

timely manner to non-compliance and limitations by regulator effectiveness to address non-compliant RTO behaviour.

Regulation does not necessarily drive quality service provision when it merely enforces minimum standards. RTO regulation should become student outcome focused, rather than the administrative approach as is currently the situation. Industry moderation reforms aimed at raising the quality of assessments are still an administrative, paper based process. Under this arrangement, an RTO can appear to have the appropriately moderated assessments but, potentially, choose to deliver courses in short time periods and even supply the answers for every student assessment without being detected.

ACPET advocates for outcome based moderation where students and trainers are independently assessed. If independently sampled and assessed in person, this would highlight non-compliant RTO delivery and allow the relevant government bodies to respond to inappropriate behaviour in a timely manner. To further support this, trends in course delivery and student enrolments need to be closely monitored by government so sanctions against, removal or substitution of providers that are behaving inappropriately can occur. Under this system, ACPET recommends automatic audits for any VTG funded providers where funding claims increase by more than 10 per cent during a year.

In addition, the barriers to entry for VTG funding should be sufficient to ensure only experienced, quality providers are contracted to deliver subsidised training. ACPET recommends physical visits should be made to potential VTG providers to assess facilities, training staff, RTO experience and the appropriateness to deliver training.

Categorisation of all providers based in this type of assessment could also be considered. As part of assessing applicants for VTG funding and risk assessment of RTOs for categorisation purposes, the DET should also consider RTO membership of relevant industry associations as well as licensing / approval to deliver training in certain occupations (for example Victoria Police for security training, VicRoads for heavy vehicle training). It is interesting to note that of the 411 private providers that were government funded in 2014, less than 20 per cent were ACPET members.

Acknowledging that it is a responsibility outside of the Victorian Government jurisdiction, ACPET would support similar improved scrutiny by the Commonwealth Department of Education when determining VET FEE HELP RTO providers nationally.

There is potential for ACPET to assist in this process as part of its peer review requirements under the ACPET Code of Ethics for Members. The ACPET Code recognises that excellence in tertiary education and training is more than a determination of compliance against standards. For ACPET members, self-assessment is a continuous improvement process involves staff, trainers, students and industry and peers.

Given the scrutiny on private providers to gain and retain ACPET membership, engage education agents, and have appropriate tuition assurance, it is recommended that ACPET membership should be considered as part of the selection process for private providers to access VTG. ACPET could also play a role in assisting with the physical assessment of all private RTOs that have applied for subsidised training funding.

To ensure ongoing quality of service provision, random independent assessments of students, trainers, facilities / workplace training conditions should occur annually for RTOs categorised as high risk providers and every 3 years for RTOs categorised as low risk providers.

At present most unethical behaviour by providers is not illegal. As part of the funding review, consideration should be given to legislated fines and exclusion from future VTG funding for 3 years for serious non-compliance.

Volume of Learning Requirements

ACPET members consistently report 'long weekend diplomas' being offered by both private and public providers, quite often with little or no justification for the shorter duration of the course apparent from marketing materials. There is also evidence of free incentives or inducements for such courses that also contribute to inflated course costs.

ACPET supports the new Standards for RTOs requirement for the Australia Qualifications Framework (AQF) Volume of Learning that were fully implemented from 1 January 2015. ACPET believes closer scrutiny of how the 'amount of learning' is determined, advertised and delivered for courses will help ensure learners acquire the skills of a certification. The AQF minimum hours of volume of learning should be mandatory rather than observed.

ACPET acknowledges that it is challenging for government to regulate how long a qualification should take, as there are many variables within each type of training scenario, such as Language, Literacy and Numeracy issues, Disabilities and location of delivery. RTOs will have to be diligent in recording how a certain learner cohort can gain the knowledge and skills described in a training package in a shorter time frame. As indicated previously, improved regulatory focus on governance and outcomes may address any concerning trends.

While the improved standards relating to marketing and advertising have been enhanced, through the review of the promotion of excessively short courses, it will be beneficial to all RTOs for regulators and DET to provide additional advice and support in understanding the requirements of volume of learning. In the longer term all outsourcing and third party arrangements for recruiting students should be banned for government subsidised training.

Legitimate circumstances for targeting students to achieve qualifications in a short duration are cited by ASQA, including: seeking to up-skill when already holding a qualification or having extensive experience, intensive training and assessment through a mixture of face to face and work outside of training sessions, the need for a single unit, skill sets and/or mandatory units for particular industries. ACPET supports the intention of the new standards to provide more clarity around volume of learning requirements and appropriate documentation to support shorter course delivery.

However, all students should be required to make some contribution to course fees to encourage meaningful consideration to the commitment required as well as the type of training they will undertake. In addition, workplace components of courses to the Certificate IV level should become compulsory to not only ensure reasonable course duration but also encourage work ready students.

National Training Ombudsman Scheme

As the government is considering referral of RTO regulatory powers to the Commonwealth, ACPET advocates for a national consumer-focused complaint handling process for students and providers, as existing ombudsman arrangements focus either on government owned providers or international student issues.

ACPET believes such a scheme would result in a number of major benefits: maintenance of consumer protection for Victorian consumers in the event VRQA is dissolved, improved industry image, cost

effective resolution option, improved communication, early warnings to regulators and market research for the sector.

To date, VET regulators (ASQA, VRQA, and TAC) have had limited capacity to focus on complaints and responses are limited to formal processes such as audits, informing risk assessments and strategic reviews for the sector, thus not directly resolving the complaint. The new National Complaints hotline will not investigate complaints; as it is a referral service to other agencies for their consideration.

In 2013-14 there were around 1500 quality of training/assessment issues complaints to ASQA, TAC and VRQA. There are also numerous contractual disputes handled by consumer affairs agencies in each jurisdiction (numbers not reported), the combination of these activities demonstrating the potential demand and need for a nationally coordinated ombudsman.

Tribunal and court processes are high cost and time consuming for students and providers. As a cost effective alternative, funding for the industry ombudsman scheme would be derived through mandatory membership for all RTOs. This would mean that services are provided to consumers at no cost.

The purpose of the ombudsman is to provide an external avenue to resolve complaints between customers and providers in an informal and timely manner. Therefore, the independence of the ombudsman would be critical to its success which would be assured through appropriate governance arrangements. To ensure the independence of the ombudsman there are a number of options. It could be attached to the Office of the International Student Ombudsman, or if industry based through the creation of a company limited by guarantee, with a board appointed to oversee the scheme, consisting of industry and consumer representation.

The scope of the role of the ombudsman would include complaints relating to the quality of training and assessment, contractual arrangements such as fee refunds, and complaints about public and private providers. Contractual disputes between providers and government would be out of scope, as alternative channels exist and the focus of the ombudsman is on consumers.

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