Title
How has the competitive market place played out across the States and Territories for TAFE?


Issues:
Have the various Australian states and territories achieved the ‘benefits of competition’ in their implementation of national entitlement and competition policy?

Competition reform and opportunity for TAFE

Introduction
The Australian Government’s Competition Policy Review Final Report (Harper Review) calls for structural policy reform to encourage greater competition and the removal of barriers that currently restrict this. The report focusses on industries that have traditionally been provided by government or government owned entities, this includes health and education services. The key point for TAFE that is also made in this report is the acknowledgement that government providers bring different strengths to a competitive market place in sectors such as education.

The challenge, which is currently confronting TAFE is identifying what it brings to a competitive market and how it can leverage these strengths to provide a point of difference in a market place that is increasingly competitive. To understand this, recent developments in the sector need to be examined and the shape that future reform should take considered.

Competition outcomes – participation and sector funding shifts
Competition in the vocational education and training (VET) sector has been implemented in a progressive and inconsistent manner by states and territories. This has been driven by differing funding and political environments and the level of priority that VET has in each of the jurisdictions.

That aside, the case can clearly be made that increased competition has resulted in both additional providers entering the market and an increasing diversity of offering and choice for consumers. This has subsequently reduced the market share of the public provider, which has been more significant in the jurisdictions which have introduced full contestability (Victoria, South Australia and Queensland).

Participation over this period of increased competition is worth examining as this is one of the key focuses of the document that is widely identified as the vehicle that has driven increased competition in the VET sector – the National Partnership Agreement on Skills Reform (NPA), which was entered into in 2012.
Based on NCVER data government-funded participation experienced significant increases in the period leading up to 2012, before a sharp decline between 2012 and 2014, which saw a reduction of 135,000 students.

Interestingly participation fluctuations have aligned with variability in the level of governmental investment in the VET sector. In Queensland this has largely been driven by declines in state government funding in recent years (excluding the recently handed down 2015-16 state budget).

This correlation can lead one to the conclusion that there is not in fact a traditional market for the provision of VET and instead the market, including consumers and providers respond to changes in government policy and funding. The secondary point to make here is the important role that government needs to play in investing in the VET sector into the future.

The other key development during this period is the increasing role that VET FEE-HELP is playing in driving participation and for that matter funding of the sector. Commonwealth budget papers illustrate an increase of 160,200 VET FEE-HELP loans between 2012-13 and 2014-15.

This growth demonstrates a clear shift in the funding source for VET participation from government to users. Tables 1 and 2 clearly illustrate this change.

![Tabel 1 - Government Funded Participation](image1)

Source: NCVER – Government funded students and courses 2014

![Table 2 - Number of VET FEE-HELP Places](image2)

Source: Commonwealth Budget Portfolio Statements
Emergence of Quality as Concern and Opportunity for TAFE

The other key development within the VET sector in recent years has been an increasing focus and concern in relation to the quality and relevance of the qualifications being provided by the VET sector. There has been particular concern in relation to the safeguards that are in place for vulnerable students against opportunistic providers operating within a rapidly expanding VET FEE-HELP model. In addition to this, length of training has been an ongoing concern, as highlighted most recently by the ASQA report into training for early childhood education and care.

These issues have, in the main, been addressed by increasing market regulation, which it is hoped, will go some way toward addressing these concerns. However, future reform needs to be shaped by these issues and TAFE as the public provider needs to be a key contributor to this direction.

In Queensland there is an increasing price sensitivity. The response by providers to competition in many cases has been to base their product offering solely around pricing, while ignoring other key elements. There are a range of reasons for this including the policy framework implemented, the maturity of the market and its providers as well as clients understanding of the market and what they are purchasing.

In a civilised world, competition should not only be occurring within the pricing sphere but on a much broader front. Specifically, the focus of competitive reforms should be on providing students with a return on their investment, through employment or access to further education. This also has significant benefits for industry and national economic growth more generally.

This is the opportunity that TAFE is presented with through the ongoing competitive reforms. Take the positive elements that have been borne out of competition, such as consumer choice and diversity and combine these with improved students outcomes and industry responsiveness.

It is through this approach that TAFE will ensure that it plays a key role in the reform process and that the sector more generally increasingly benefits from competition, while reducing some of the negative elements that have been prevalent in recent years. This also will illustrate, as the Harper Review alludes, the strengths that public providers can bring to a competitive market.

So what does a competitive future hold for TAFE?

Looking to the federal and future landscape, competition and deregulation will continue to be part of our vocational education and training sector – hopefully as our sector moves closer to better integrating with higher education. In the (many) years since there has been a single national strategy for VET, disparity – or uniqueness/‘boutiqueness’ taking the positive view - between the federated jurisdictions has increased. This has created different markets functioning on different rules and scales. Whenever reform is mentioned – be it at the COAG table or at a business leaders’ summit – the discussion quickly moves to VET and the problems within the sector rather than celebrating the significant contribution the sector makes to the economy.

With discussion about shifting responsibility for VET (policy, funding and regulation) to the Commonwealth intensifying the question for TAFE is how will we compete in an increasingly contestable national market? Will we collectively continue to focus on our own backyards and compete in the markets we know and against each other or could there be a higher calling – to lead the sector back to the outcomes that should be delivered from this sector and should be the focus, that is, building the skills that meet workforce demand that improves productivity and innovation to the benefit of the nation.

Note