Supplementary submission to the Queensland Skills and Training Taskforce

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For further information, contact Martin Riordan on 02 9217 3180 or at mrioirdan@tda.edu.au
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Introduction

As acknowledged in the Interim Report of the Queensland Skills and Training Taskforce, the provision of high quality education and training is fundamental to Queensland’s continuing economic and community development.

Education and training is also key to enabling individuals to effectively participate in and contribute to the economy and society. All Queenslanders, wherever they live and whatever their circumstances, require reasonable access to quality education and training, to achieve not only economic purposes of skills policy, but to enable Queenslanders to realise, as far as possible, a wide range of life opportunities.

Accordingly, it is a core responsibility of government to ensure, within areas of its own jurisdiction, an effective (quality), efficient (value for money) and accessible (equitable) vocational education and training system policy, through the quantum and distribution of funding and regulatory oversight.

As set out in TDA’s primary submission to the Taskforce:

….it is in the public interest that TAFE’s role as the primary VET provider in Queensland be properly sustained, through funding and regulatory mechanisms. TAFEs exist to provide broad, accessible and quality vocational education to citizens and businesses across the State. They play a key role in supporting their students, industry and communities by contributing to the achievement of local and broader economic and social objectives. TAFEs also play an active role in supporting planning for local economic development, and in developing the knowledge and skills needed for innovation.

The role of TAFE Institutes as public providers of Vocational Education and Training

In its interim report, the Taskforce proposes that “the role and purpose of TAFE Queensland into the future is to deliver skills and training that are responsive to the needs of industry and Queensland’s economy and, where identified, to deliver clearly defined Government priorities that cannot be otherwise delivered in a contestable market.” In accompanying comment, the Taskforce states:

….TAFE Queensland has not been able to articulate a clear distinct role for itself, other than in terms of factors such as Community Service Obligations (CSOs), services to target groups and an ability to deliver on Government priorities, all of which have been assumptions in previous reviews. Arguably, being a public provider is not a requirement to deliver these services. In such a scenario, without privileged and funded roles, TAFE would be operating in a fully contestable market where its success would be driven by performance and market satisfaction.¹

¹ Page 22
TDA observes, as the comment implicitly acknowledges, factors such as meeting CSOs, providing services to target groups and an ability to deliver on Government priorities, are **legitimate expectations** of the VET sector, in addition to meeting its primary vocational education and training purpose.

TDA acknowledges that, arguably, being a public provider is not a requirement to deliver such services. However, TDA makes two observations:

- As publicly owned and directed entities, TAFE institutes have at the core of their mission a commitment to “community service”, “public service”, “the community good” - however expressed - which a private, for-profit entity, no matter how publicly-spirited it might be, simply does not. The raison d’être of a private provider is return on equity (profit): to the extent that it delivers a community service, is incidental to that purpose and is delivered in expectation that it will contribute to profit. Any surplus generated by a TAFE institute is, by definition, reinvested in community service activities;
- In relation to the latter point, the surpluses generated by higher margin TAFE activities cross subsidise lower margin activities, and thus help fund community service obligations. To the extent that TAFE’s capacity to generate surpluses in some areas of delivery is diminished, then the direct cost to government of funding such services will rise or the services will be diminished or they will cease altogether. TDA submits that all possible outcomes need to be considered and balanced in deciding the architecture of the funding model.

A question for the Taskforce is whether areas of likely market failure can be anticipated, in the sure knowledge that they will occur, or be allowed to actually emerge, with attendant economic inefficiency, budget costs and social damage. TDA submits that TAFE serves as a bulwark against such failure, simply by being “in place”, but also through its capacity to anticipate and prepare for emerging needs.

TAFEs are directly agents of government policy in acting to meet specified public policy objectives in workforce development and training in ways that private RTOs are not.

This fundamental role of the public TAFE system is recognised in the National Partnership Agreement, to which Queensland is a signatory with all other Australian governments, which specifically provides for the

    ...development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities.

This fundamental role of TAFE has been recognised in other recent public inquiries into aspects of the VET system.

For example, in its report on the VET workforce, the Productivity Commission observed that if the market for VET services was left entirely to operate as a ‘free market’, it is likely that there would be a number of ‘market failures’, with outcomes being sub-optimal from a
community-wide perspective. Government intervention that addresses such market failures in a cost-effective manner will therefore, all things being equal, enhance efficiency. This is particularly relevant to provision in regional economies and for regional communities.

In its submission to the Productivity Commission, the NSW Department of Education and Training illustrated the role of public TAFEs in the context of “thin markets”, where the actual or potential number of learners is too small, relative to the cost of delivery, to sustain efficient provision:

[Technical and Further Education] services are available across the State, placing TAFE NSW in a unique position to support the longer term strategic objectives of Government in relation to economic, industry and community development. It is this strategic role that further distinguishes TAFE NSW from other providers [focused] primarily on returns to stakeholders. For example, in relation to:

- regional development — TAFE NSW does not avoid thin markets although the cost of delivery in newly developing or relatively remote areas is significant; and
- industry development — requiring substantial infrastructure investment in areas where enrolment numbers may be unpredictable.

Conversely, the Commission noted, the private VET sector is regarded by many as not engaging sufficiently with thin markets. Western Australia’s Polytechnic West, for example, argued that ‘private providers are notorious for selecting delivery areas that are high profile and high return, leaving the less profitable (i.e. thin markets) to [public providers].”

There is abundant evidence that this has certainly been the experience with unbridled market reform in Victoria. This has seen a well documented explosion in private provision in areas of low economic priority, predatory pricing practices, an apparent diminution in quality, and withdrawal of provision, in important vocational fields, across regional Victoria. In short, it has seen the wholesale disruption of Victoria’s formerly highly regarded training system.

TDA reiterates points made in its primary submission.

The Queensland Government needs to consider the substantial public investment through public funding, grants and endowments (as well as student contributions through fees and charges) that has accumulated in Queensland’s TAFE network. Over their many years of operation, Queensland’s TAFE institutes have developed capacity and understanding in the provision of training to meet the economic, social and cultural needs of the Queensland community, at State and regional level, the scale of which existing and new private RTOs would be unable to match (or replace).

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3 The Productivity Commission noted (p.64) that, while generally associated with relatively sparsely populated regional areas, urban areas with a high proportion of low socio-economic status households might be similarly not well catered for.

4 Productivity Commission, p.65.
Typically, private RTOs are small scale providers in terms of their scope of delivery (that is, they generally provide only a small number of courses in a limited number of areas) and in their enrolments. They simply lack the scale to replicate, in the short to medium term at least, the depth and breadth of provision of TAFE institutes in most areas of high economic priority.

Opening up the VET market to wholesale access to public funding, without a robust regulatory framework and a full appreciation of the long term implications for the training system in Queensland and therefore Queensland’s future economic development, would be a high risk undertaking as in Victoria, to dissipation of public investment, a diminution in overall quality, gaps in provision and a collapse of trust in provision offered by private providers.

It is also questionable as to what extent widening access to public funding actually leads to any substantial increase in participation in training. As the Victorian Essential Services Commission noted in its final report on VET fees and funding:

Data published by Skills Victoria show a 24 per cent increase in enrolments in government subsidised places in the first half of 2011 compared with enrolments in the first half of 2010...[But] It is not known if the increase in enrolments reported by Skills Victoria was offset by a reduction in full fee-for-service enrolments with non-TAFE providers. That is, the apparent growth in participation in VET in Victoria, driven by the explosion in publicly funded private RTO provision, may simply mask the substitution of public funding for hitherto private full fee funding (for which official data is not available) for courses in, for example, personal fitness training which increased by 3000%. This suggests that public funding has supported training which individuals, out of personal interest, were previously prepared to fund themselves.

As stated in TDA’s primary submission, it would be inimical to Queensland’s economic and community interests for the physical and intellectual assets of these institutions to be “wasted” in allowing unbridled competition to emerge.

Skills development requires long term investment to create capable institutions and fit for purpose infrastructure. It isn’t possible to create capacity in response to short term signals, then wind it down as conditions change, then wind it up again as conditions change again.

**Industry and community perceptions of TAFE and training**

“It is time to bring back TAFE as the leader in tertiary skills training with all the rigour and auditing necessary...Competition is not what training needs; this only leads to profit being the desired outcome, not trained Queenslanders. TAFE had such a standing in the community in the past. It is time to revitalise this with the active involvement of industry, community and government”.

As an aspect of its contribution to this review, TDA commissioned research into public perceptions of the Queensland TAFE system, its role, capability and performance. A survey

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5 Victorian Essential Services Commission, p.47.
was administered online to over 1,000 people across Queensland in September 2012, comprising 43 questions, including a range of single choice, multiple options, multiple choice, ranking, satisfaction and open text (qualitative questions).

Overall, the results show that almost 85% of Queenslanders – including employers – regard TAFE as an extremely important and valuable community asset, that ought to be preserved and appropriately funded.

The clear message from the survey is that Queensland TAFE is considered to be a trusted provider of high quality vocational education and training: some 81% of respondents strongly agreed or agreed that qualifications delivered by TAFE are reliable and of high quality, valued by employers and well recognised nationally.

Other key findings include:

- 83% of Queenslanders strongly agreed or agreed that TAFE plays an essential role in developing a highly skilled and productive workforce in Queensland;
- 84% agreed that TAFE contributes particularly to the economic development and social cohesion of regional communities;
- 74% of respondents agreed that TAFE plays a key role in training members of equity groups, who might otherwise be economically marginalised, and assisting into the world of work and/or preparing them for further education.

Notably, given the focus of the Taskforce’s inquiry, the overall satisfaction with TAFE is actually higher among employers than the general community. Almost two thirds of employer respondents agreed that TAFE has the capability to address the skills needs of their businesses.

Quite clearly, employers value the quality of training and the innovative programs TAFE offers, the work TAFE undertakes with local industries and the skills TAFE graduates bring to the workplace.

On the reverse side of the issue, almost half of employer respondents disagreed that they would prefer to engage a private RTO for skill development needs in preference to a TAFE and a further 34% were unsure. The majority indicated they preferred to employ a person with a TAFE qualification over a person with a qualification from a private college.

There are widespread concerns about the consistency of quality of delivery by private RTOs. While just over half of Queenslanders agree that private colleges provide high quality vocational courses, only 17% agreed that you can get a better education at a private college.

Almost 80% of the community agree that the State Government should commit funds to ensure TAFE is retained at current levels and that the sector be sustained across all regions in Queensland. While 46% agreed that there should be more competition between TAFE and private colleges, 74% agreed that reducing funding to TAFE will reduce the overall quality of vocational training in Queensland.

**Setting out expectations of all VET providers**

TDA submits that in a broadly competitive environment, as envisaged by both national and Queensland reform proposals and consistent with the Taskforce’s own commentary, the
expectations of public providers and private providers seeking public funding would be broadly similar. These expectations could include, for example:

- the demonstrated ability to deliver quality assured training, consistent with the specifications of particular National Training Packages and consistent with the requirements of the Australian Qualifications Framework for the level of qualification;
- responsiveness to contemporary and emerging skills needs of business and industry, the community and individuals;
- value for money – that is delivery of qualifications to the requisite standard
- capacity – including expertise, facilities and balance sheet – to meet a suitable range of industry, community and individual needs.

Formally articulating the role of TAFE in the Queensland training system

In light of the foregoing and the Taskforce’s interim report, TDA suggests that the role of TAFE can be articulated as:

1. Providing quality assured, vocationally oriented training and education to meet the skills needs of business and industry, thereby contributing to improved productivity and community welfare.

2. Insulating the Queensland economy from skills market failures, by ensuring the availability of skills training across all industry sectors and throughout Queensland, and by developing training programs to meet emerging needs.

3. Contributing to local, state and national innovation and economic efficiency through developing practical approaches to improving industrial and business processes and practices.

4. Ensuring reasonable access for all Queenslanders to relatively comprehensive training and education opportunities, for the benefit of both economic development and personal development.

5. Providing strong, credible and seamless pathways from one level of training and education to another.

Funding and sustainability

TDA notes that the Taskforce, as expressed in the commentary and recommendations of its Interim Report, is attuned to the variety of issues facing the TAFE sector. In particular, the Taskforce has recognised the need for an orderly transition process towards the introduction of greater contestability for funding and the need to ensure the capacity of the TAFE be “quarantined” from sudden, volatile changes in funding parameters.

TDA generally endorses the Taskforce’s recommendations with regard to funding over both the short term and longer term:

2.2.1 Base funding requirements be identified as a priority.
2.3 Adequate funding needs to be provided to TAFE through the transition period to a more competitive VET market for a definite period, separate to base funding and contestable funds.

3.3 Upfront investment in TAFE will be required in order to realise longer term efficiencies and increases in productivity.

TDA acknowledges the need for an asset management strategy that ensures the utilisation of TAFE facilities to best effect and notes the Taskforce’s recommendation that this be undertaken in consultation with stakeholders. TDA submits that:

- Any program of rationalisation and divestment of existing TAFE assets needs to have regard to the role of TAFE, as the public provider, in ensuring reasonable access by all Queenslanders to relatively comprehensive training and education;
- The proceeds of any divestment of assets should accrue entirely to the divesting institution, rather than any portion reverting to consolidated funds, for reinvestment in TAFE facilities. This would recognise that the purpose of the original investment was for vocational education and training for the benefit of Queensland industry and the Queensland community and that the demands on the training system are increasing, not diminishing.

As implied by the Taskforce’s funding recommendations, TDA submits that funding for Queensland TAFE must be sufficient to enable TAFE to efficiently meet its purposes as the public provider, including:

- Providing high quality training and education across a breadth of areas relevant to industry and community needs; and
- Maintaining a network across Queensland to ensure reasonable access for all Queenslanders to relatively comprehensive training and training opportunities.

In line with the second point, any funding model needs to allow for institutional diversity and the different costs institutions face and opportunities available to them. This includes recognising the higher costs facing regional institutes as against metro institutes and their more limited ability to tap alternative income streams.

An effective funding model must also support medium term sustainability in accommodating economic, budget and labour force change and volatility, smoothing troughs as well as allowing peaks. Institutes need a reasonable degree of certainty as to their funding to enable orderly planning and flexibility to meet changing needs.

**The emergence of a linked tertiary sector: the role of TAFE in further and higher education**

TAFE institutes play an obvious and fundamentally important role in trades training, which is well understood. Despite the emergence of private RTOs in trades training, Queensland’s TAFE institutes, principally though SkillsTech Australia, remain the primary providers of trades training.

Yet that is not its only role.

In the creation of Australia’s TAFE sector in the mid-70s, it was envisaged that the sector would be active in further education, with the name Technical and Further Education
encapsulating that role. TAFE’s interdependent purposes were – and, TDA suggests, remain – to “prepare people for work, develop the individual and provide second chance education”.  

In fact, some 80% of education and training undertaken by TAFE institutes is in other than trades training, with some 50% of completions in the areas of business, community services, tourism and hospitality, retail and training and education.  

Such training and education is of benefit to industry and the community in three main ways.  

First, it adds to the stock of skills and capability in the workforce, thereby enhancing productivity and efficiency, including key sectors of the Queensland economy such as tourism. It also increases workforce participation with recent research showing that completing a VET qualification assists around 98% of students who want a job after training (and 99.9% of students who want to go on to further study).  

Secondly, it contributes to community welfare through the generally positive social impact of increased education attainments but also by training para-professionals and trained workers in areas of existing shortage and growing need, such as health care and aged care.  

Finally, it provides a “second chance education opportunity” – a ladder of opportunity - for people to undertake higher learning, which has previously not been available to them or not taken up, for one reason or another.  

In recent years, TAFE institutes throughout Australia have had a small but growing role in the delivery of higher education qualifications.  

This in no way diminishes TAFE’s distinctive mission but both supplements and complements it. Nor does it directly consume State provided funding or resources, except to the extent that it involves the use of (often underutilised) TAFE facilities. Higher education delivered directly by TAFE institutes is provided on a full fee basis.  

Higher education, with its focus on applied learning, usually involving a strong component of workplace integrated learning, adds to the attractiveness of the TAFE offer and therefore TAFE viability. It provides students from a “non-traditional” higher education background and strong student engagement and adaptable, flexible programs, with multiple entry and exit points, which is particularly suited to the needs of older learners.  

Delivery of higher education also creates an additional and potentially valuable revenue stream.  

Both factors – attractiveness and revenue - contribute to maintaining the sustainability of TAFE, which is relevant to balancing the State’s substantial investment in TAFE, its interests in ensuring a capable public provider and the policy objective of opening the VET market to greater competition.  

The sustainability of the TAFE sector is a critical consideration for the Taskforce.  

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A number of tertiary sector analysts have postulated that moving into higher education delivery is not only a rational and reasonable evolution of TAFE but necessary to its sustainability.

Notably, many non-TAFE Registered Training Organisations (RTO) operate across both the VET and higher education sectors and the majority of Australian universities have their own RTOs and/or affiliations with RTOs. According to the National Centre for Vocational Research, demand for qualifications at AQF 5-6 level (Diploma and Advanced Diploma) has begun to decline:

Diplomas from the vocational education and training sector are rapidly losing their currency in a labour market looking for ever higher qualifications which risks a narrowing of the VET sector’s appeal. The diploma and advanced diploma are under threat. There is nothing wrong with these qualifications, but they lead to lower level jobs than in earlier generations.

The declining usefulness of the diploma for entry-level employment means that TAFE institutes in particular face pressure to diversify to maintain their position in a competitive market. Karmel argues that, given the declining role of the diploma, TAFE has no choice but to offer degrees. He argues that TAFE will lose its role as a trainer of upper- and middle-skilled jobs as degrees increasingly become the entry-level qualification. As a result, TAFE would be left as a residual provider of lower-level VET training, trades training, and a feeder for universities. If TAFE offers higher-level qualifications it may be able to ‘become a provider of high-quality vocational training across a broad range of professional and sub-professional occupations’. That is, it will continue its traditional role, but do this by offering higher education qualifications.

There is a strong, and perhaps not widely understood, rationale for the expansion of TAFE provision in higher education.

As noted above, degree programs in TAFE institutes differ in some significant ways from those delivered in universities, which creates a distinctive offering from most university degree programs. With their strong industry focus, TAFEs have a greater capacity to meet the needs of industry, enterprises and students through their blend of the practical and the theoretical. Because of their industry experience, TAFE teachers are able to demonstrate the relationship between theory and practice and may be able to leverage their industry contacts to provide opportunities for students in work placements.

There are also distinctions between the student cohorts and pedagogic approach of TAFEs and universities in teaching degrees courses that need to be considered: students taking higher education degrees at TAFEs tend to be older and in work. TAFE pedagogy is flexible, student-centred, based on adult learning principles and delivered in a mixed mode where students are expected to be independent learners, self-motivated and to draw on examples from their own workplaces rather than necessarily have teachers provide examples.

There is particularly the potential for greater collaboration in the delivery of higher education between TAFEs and universities in regional and outer urban areas, residents of which have not been particularly well served by higher education in the past.

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Driven by reform challenges in both higher education and VET, viable models of such collaboration are now beginning to emerge, including in Queensland:

- The Gold Coast Institute of TAFE is involved in collaborative enterprise with University of Southern Cross for which the Commonwealth Government has committed $32.1 million in structural adjustment funding. In partnership with North Coast TAFE and the Gold Coast Institute of TAFE, SCU College will deliver transition programs from the new building at the Gold Coast campus, and across the University’s catchment area, targeting high growth, high need communities;
- South Metropolitan Institute of TAFE is developing delivery of higher education programs in collaboration with Holmesglen Institute of TAFE, which has now established a partnership with the University of Canberra, for which Commonwealth structural adjustment funding $26 million has been sought;
- The potential for the development of vocationally oriented degrees can be illustrated by the success of South Bank Institute of TAFE’s Associate Degree in Engineering, a program founded on a strong relationship with industry, which has over 400 full fee paying students. Southbank Institute of Technology (SBIT) has strong links, including articulation programs with a number of universities, including Griffith University;
- The Queensland Government has provided “in principle” approval for a merger between Central Queensland University and Central Queensland Institute of TAFE, to create Queensland’s first dual sector university. Should the merger proceed, it will attract $74 million in Commonwealth structural adjustment funding.