

Mr Ewen Jones MP
Chair
Standing Committee of Education and Employment
House of Representatives
Parliament House
CANBERRA ACT 2600

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Dear Mr Jones

RE: TDA RESPONSE TO THE INQUIRY INTO THE ROLE OF TECHNICAL AND FURTHER EDUCATION (TAFE) SYSTEM AND ITS OPERATION.

Thank you once again for the opportunity to respond to this important House of Representatives Inquiry into the role of the public provider (TAFE). The TDA Executive also appreciated the opportunity of meeting members of the Standing Committee on Education and Employment, on 19th March in Canberra.

The 40th anniversary of the Kangan Inquiry, which articulated the vision for the formation of technical and further education as a public provider (TAFE) network in Australia, makes the House of Representatives Inquiry into TAFE a poignant opportunity to assess the contribution of TAFE to skills as a key component of productivity. The former Chair of the Productivity Commission, Gary Banks, told a 'TAFE Meets Parliament' forum some years ago (2010) that the next step for micro economic reform was a focus on skills. He welcomed TDA's policy to devolve TAFEs from state departments of education and training into more accountable self-governing public entities – a task that will be complete by the close of 2014.

In March 2013, the Australian Workforce Productivity Agency released Future Focus on Skills, describing TAFE institutes as the 'bedrock' of the national vocational education and training (VET) system. A key issue nominated by AWPA was the effectiveness of TAFE in offering pathways from school to high education for diverse cohorts of students across most industry areas and geographical locations across Australia.

TDA reiterates the opportunity the Government has, under referral of powers, to address issues impacting on quality across the VET system. Ahead of the referral of registration and regulatory powers from the states and territories to the Commonwealth to form the Australian Skills Quality Authority (ASQA), the numbers of private RTOs grew from almost 1,500 (2010) to almost 5,000 (2014). ASQA has subsequently identified relatively widespread practices of poor and sometimes unethical conduct in parts of the VET sector, and published a report on marketing 'orts' late in 2013.

Attempts to regulate the system have resulted in an overly burdensome and costly 'one-size fits all' system designed to regulate the 'high risk' providers at the expense of 'low risk' providers such as TAFE.

Accordingly, TDA recommends reforms to Commonwealth policy through:

- A risk framework that recognises high quality, 'low risk' TAFE and RTOs. The risk framework would also address the issue of visa streamlining for TAFE which has impacted on international students enrolments;
- New rules that allocate Australia's \$9 billion a year VET tertiary funding to accredited 'low risk' providers only, including TAFE which operates under long established state and territory legislation;
- Providing access to Commonwealth Supported Places (CSP) funding for higher education students in TAFE Institutes and other non-university providers registered as higher education providers. This would address industry seeking more technological 'work ready' degrees, with 23 TAFEs now offering over 100 higher education courses.

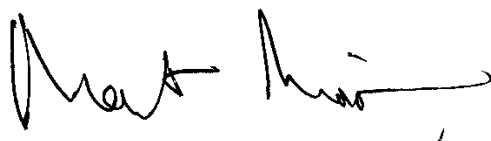
TDA welcomes the broad reforms agreed by the COAG Industry and Skills Council on the 3 April 2014 with a stronger focus on quality through a risk -management approach, clarification of the roles of the Commonwealth and states and territories in a national VET system and reforms to both funding arrangements and apprenticeship regulations.

TDA has consistently argued for these changes to ensure successful outcomes for VET reforms across Australia and a robust public provider (TAFE) network into the future.

Please find attached a brief update to the four terms of reference guiding this inquiry.

I look forward to the final report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Martin Riordan', with a stylized flourish at the end.

MARTIN RIORDAN

Chief Executive Officer
TAFE Directors Australia

TDA Response to the HofR Inquiry terms of reference

As background

'TDA' is the incorporated peak body for Australia's 61 public providers (TAFE Institutes) of vocational education and training (VET). Its members include the TAFE Directors responsible for the operation of these Institutes under State and Territory legislation.

The House of Representatives (HofR) Inquiry into the role of technical and further education systems and its operation is timely. The Inquiry brings the public policy focus to the important role of the public provider (TAFE) network and how it operates in the remodelled Australian VET sector.

The key driver of these reforms is the National Partnerships Agreement (NPA) on Skills, agreed by the Council of Australian Governments (COAG), in April 2012. The NPA committed all states and territories to a National Entitlement Scheme to Training, or student 'voucher' system. In return, the Commonwealth offered states and territories \$1.75 billion over four years, in reward payments for implementation. Since that time, fiscal constraints have intensified and continue to intensify into 2014 for the skill sector including TAFE.

TDA's argument for consistency in the NPA to insulate the economy from market skills failures is based on the following principles outlined in a National Charter for TAFE, developed by TDA in 2012 for how TAFE operate in a national entitlement system:

1. Funding that will maintain the viability and responsiveness of public provider;
2. Quality criteria to be substantially enhanced through risk-based regulatory frameworks;
3. Governance to enable flexibility, responsiveness and competitiveness;
4. Recognition of the innovation and leadership roles of TAFE, including its pivotal position in rural and regional Australia.

1. The role played by TAFE in the development of skills in the Australian economy

The Australian Industry Group (2013) cites significant shortages of technicians and trade workers impacting on employers and causing concerns about future skills supply. Core skills courses that meet this shortage, many in expensive areas of delivery, are largely provided by TAFE as the dominant provider across Australia working in close partnership with local employers in on and off-the-job training.

Some Institutes, such as Wodonga Institute for example, have up to 50% of their training delivery in this area with highly specialised courses designed for industry, funded largely by industry, and with competency signed off by employers.

TDA has long argued for an Apprenticeship system that serves the dual purposes of skilling young people and enhancing workforce productivity. A strong, resilient and adequately resourced TAFE system is essential to providing pathways from pre-apprenticeships, from which many employers recruit apprentices, to higher skills and qualifications with the extra support apprentices often need, particularly in language, literacy and numeracy skills.

TAFE's close work with industry to meet core skill needs is also highlighted in studies undertaken by Dr John Mitchell of innovative workforce development partnerships. Through these partnerships, TAFE supports the achievement of a range of business and government goals including increased productivity and global competitiveness, improved workforce flexibility and developing skills for new

economies and regional growth. Dr Mitchell's study, 'Reinventing Service Delivery' is available at http://www.tda.edu.au/resources/tda_reinventing_service_delivery.pdf

TAFE plays a unique role in meeting public policy objectives for skills training and industry skill needs in ways that private RTOs, with return on equity (profit) as the main priority, do not. This contribution is more pronounced in remote and regional areas where thin markets make training in critical skill areas unattractive and unprofitable for other providers.

2. The role played by TAFE in the provision of pathways for Australians to access employment

Since its inception, TAFE's purpose has been to "prepare people for work, develop the individual and provide second chance education"¹ from school to higher education. TAFE is also critical for pathways into work from pre-employment programs which develop foundation skills for work and higher, specialised qualifications.

The TAFE sector serves a disproportionate share of students with disabilities, is the main training provider outside metropolitan areas, provides more training towards skills in areas of shortage and provides costly training such as mining and construction skills in support of greater access for learners². TAFE is also Australia's dominant VET provider for indigenous enrolments with many regional TAFE institutes recording 50% or more indigenous student enrolments³.

TAFE has well established capability and support mechanisms in place to meet the needs of these learners as confirmed by three quarters of respondents to the TDA survey of community and industry in Queensland 2012, who highly value TAFE's role in supporting members of equity groups, who might otherwise be economically marginalised and who require assistance into work and/or further education.

TAFE's unparalleled geographical reach across Australia with institutes located in metropolitan, regional and rural areas providing access to educational pathways and employment for many diverse communities. This provision is critical, and is not to be underestimated, given the appreciable gap in participation and attainment levels between the populations of metropolitan areas, and that of regional and rural Australia. This distribution also makes TAFE an attractive partner for universities.

3. The role played by TAFE in the provision of pathways to university education

Further to the extensive range of VET qualifications provided by TAFE nationally, 10 TAFE institutes are registered as Higher Education Providers (HEPs) in their own right with 23 institutes delivering over 100 accredited specialist higher education qualifications. This small but growing sector is directly responding to industry calls for higher technical skills in the workplace and also increasing demand by students who may not otherwise attend a university.

The highly specialised higher education qualifications delivered by TAFE are developed in close consultation with industry and have a strong applied approach. This, along with smaller class sizes and academic support, is highly attractive to an increasing number of 'non-traditional' students seeking adaptable and flexible higher education programs, with multiple entry and exit points. Case

¹ Leesa Wheelahan, The fractured social settlement in VET in Australia (2012).

² C. Stone, Valuing skills: why vocational training matters (2012).

³ For example, in regional Australia, Bachelor Institute of Indigenous Tertiary Education, Charles Darwin University, Kimberley Training Institute, Tropical North Queensland Institute, and TAFE NSW (Western Institute).

studies undertaken by TDA demonstrate the value of highly specialised, vocational higher education qualifications in TAFE. [Pathways into Higher education in TAFE](#)

The emergence of TAFE institutes as 'integrated tertiary providers' is in line with developments internationally (UK, US, Canada and Hong Kong, for example) where the applied nature of learning, supportive learning environments and direct links with work and industry meet the needs of a diverse range of students; many of whom are first in family to undertake higher education.

Higher education qualifications delivered by TAFE are mostly provided on a full fee basis and, like all higher education providers, are regulated by the Tertiary Education Quality Standards Agency (TEQSA).

Unlike universities, however, TAFE has very limited access to Commonwealth subsidies to support students (Commonwealth Supported Places (CSP) funding) with only two TAFE institutes in Victoria currently in receipt. Further to delivering higher education in their own right, TAFE institutes also have well established partnerships with universities, particularly in regional areas.

4. The role played by TAFE in the operation of a competitive training market

While TAFE institutes have been operating in a competitive market for almost 15 years, the explosion of RTOs in many states and territories (to 4,700⁴) has seen fraudulent conduct by some private colleges and closures which have impacted on thousands of students in recent years. This crisis has had a dramatic impact on international education and the reputation of tertiary education in Australia.

NCVER data also reveals damage to employers' confidence in VET qualifications and ASQA recently uncovered a range of unethical and misleading communications by private providers to consumers.

The major concerns of TDA members are the burdensome costs of compliance as thousands of RTOs, a considerable percentage (30%) of which are 'high risk', require regulation by ASQA. While TAFE is regarded as a trusted and reliable 'low risk' provider due to robust governance arrangements, sound financial performance, high quality outcomes for students and community service contribution, it is regulated according to the same 'one size fits all' regulatory conditions.

A risk based framework that recognises TAFE's low risk status (and that of other providers) for both registration and eligibility for public funding would provide assurance for students that they will receive highly credible qualifications at the end of their studies and give employers confidence that the graduates they employ will have the knowledge and skills to do the job. TDA also advocates that the regulation of marketing practices in VET is brought under the remit of ASQA as part of regulation reforms.

TDA has noted that the introduction of contestable funding models has seen some ASX analysts indicate that even more providers may choose to enter the VET market to access public VET funding to service a growing body of students. One example was the ASX IPO listing of Vocation Limited, a consortia of eight RTOs which 'pooled' into one corporation to form a public company, with its Prospectus indicating it would target public VET funding. Vocation Ltd Chair for the IPO was former Hawke Government Education Minister, John Dawkins, who at the time was also Chair of the National Skills Standards Council (NSSC), a Commonwealth funded VET quality agency.

⁴ ASQA (2014). Provider Report, Regulatory Activity 1 July 2011 to 28 February 2014.

Contrary to COAG's intent, the introduction of a competitive training system based on entitlement, coupled with funding cuts, quality issues and changing policy environments has resulted in a number of factors impacting on the affordability and accessibility of VET for students and industry and the operations of public providers.

Yet TAFE, as the Australian Workforce Productivity Agency (AWPA) describes, is the 'bulwark' against market failure. Its geographical spread, broad community commitment and diverse specialisations and capability means the network well to anticipate and respond to emerging skill and community needs and 'pick up the pieces' when other provides fail.