Competitive VET - a case study

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States and territories will approach funding of VET in different ways, with varying degrees of competitive funding for the government dollars. The following commentary is based on the Victorian model, where from January 1, 2011 all government funding for VET will be open to competition. The Victorian TAFE Association (VTA), with members comprising Victoria’s 14 stand alone TAFE Institutes and 4 Dual Sector Universities has endorsed the four goals described in the 2009 Victorian Government policy statement Securing Jobs for Your Future - Skills for Victoria and recognises the social and economic imperative of lifting the skills profile of the state and targeting those who have no, or low level, post-school qualifications. The overall State Government objective is heavily focussed on providing VET opportunities for in the order of one and a half Victorians without post school qualifications.

The VTA acknowledges the State Government’s substantially increased investment in VET of $316 million over 4 years including $139 million for additional delivery and $10 million reserved for exemptions in the first two years. TAFEs as ‘whole of service’ providers do receive a Student Contact Hour funding loading.

The policy is underpinned by the notion of a training guarantee but access is determined by eligibility criteria extending beyond citizenship and residency to age and prior qualifications. The eligibility criteria in Victoria is a very significant issue to some potential students such as mature age applicants for apprenticeships holding prior qualifications higher than Certificate III, career changers and those without current qualifications seeking to re-enter the workforce and re-skill.

The VTA’s primary concerns are:
- ensuring the maintenance of quality provision;
- market reaction to new eligibility criteria; and
- advancing social inclusion in VET student cohorts.

In July 2009, courses at Diploma level and above were open to full contestability. From January 2011 all Certificate I to IV courses will be included in the open contestable market approach.

The partial implementation of contestability for government funding thus far has had substantial impact on TAFE operations. This will only increase as full contestability comes on stream in another 3 months.

Three key messages emerged from VTA interviews with 7 CEOs representing Regional and Metropolitan TAFEs and 2 Dual Sector Universities:

Firstly massive and difficult change processes for business systems to ensure quality data collection and compliant reporting arrangements. Integrity of student data delivered on time is now linked to cash flow. The substantial financial investment of financial and human resources by the State Government must be acknowledged. Changes to student management and finance systems, compliance reporting requirements and VET FEE-HELP implementation into the TAFE context have been extremely complex and perhaps have at times diverted TAFEs from growing their businesses. The changes in relatively short timeframes were a huge challenge requiring early, strong cross-organisation project planning for the changes.
Secondly understanding the value proposition that puts TAFE front and centre in the client’s mind and changing the focus of marketing accordingly to position TAFE. A task compounded by the fact that fees for diplomas have increased from $877 with concessions, at the start of 2009 to $2000 this year with access to VET FEE-HELP. The full fee paying equivalent course costs around $8,000 to $10,000 per year. It is a real challenge to convince students ineligible for a government supported places of the value proposition in paying full fees at these levels and accessing VET FEE-HELP when other arguably more affordable options are available. Internally, this has required changing mindsets and substantial increases in marketing investment, in some instances greater than a 200% increase. TAFE must market itself as the quality brand, the secure and superior provider for high quality training and employment outcomes and be prepared to market directly to more finely segmented markets.

Finally the need to direct substantial resources to nurture and build sustainable brand relationships including re-engineering customer services behaviours of front line staff and all staff who interface generally with employers and the local community. This is requiring cultural and behavioural changes and is seen as a very positive benefit of being in a competitive VET environment. Staff need to be more pro active and entrepreneurial to ensure students enrolled enjoy and value their participation and remain as enrolled students. As one CEO pointed out ‘in 2011 every dollar is a commercial dollar’. Staff are becoming aware that we can’t rely on the regular fortnightly government payment but instead Institutes are paid in arrears for participating students only with less surety about who will attend and what they will enrol in.

What TAFEs need to ensure is that they have great products, great relationships and a great reputation. This also requires the capacity to make the tough decision. Some program areas have become or will become unviable. In other instances new opportunities have arisen leading to projected growth.

There is no consistent pattern of the impact of competition for government funding across Victoria as the markets vary according to the Institute, the local demographics and level of competition amongst Providers. Some areas in Regional Victoria have seen drops in enrolments of in the order of 60 to 70% in Diploma programs and above. In some large Metropolitan providers in the order of 20%. Some Dual sectors Universities are maintaining their 2009 enrolment levels. In many instances the overall enrolment numbers have remained static or slightly grown with the profile shifting to lower level qualifications and there has been an accelerated shift to workplace delivery, renovated delivery models and innovation in program design.

Next year when we move to full contestability across all program levels we have an unknown picture of enrolments and will be competing against known and unknown competitors. This will mean that TAFEs need to be more nimble and will need a loosening of public sector approaches within the central bureaucracy if they are to be able to compete “without having one hand tied behind their back”.

We also have major public sector imposed impediments to competing in an open market such as compliance with reporting and accountability requirements, public sector Executive Remuneration policies, government wages frameworks and industrial relations policies, and government investment and marketing policies. These are areas that need review and action.

The challenges ahead are not insurmountable. TAFEs competiveness will be determined by price, quality, convenience and the integrity of the outcome.