

TAFE Queensland Pre-Budget Submission to the Australian Government



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Purpose

The Commonwealth Budget is a key event on the Australian political calendar and represents an opportunity for government to clearly signal its policy and investment direction. TAFE Queensland welcomes the Honourable Alex Hawke MP, Assistant Minister to the Treasurer's invitation for pre-budget submissions to inform the budget process. This submission seeks to provide TAFE Queensland's views on a range of issues that are currently confronting the further education and training sector.

TAFE Queensland's Strategic Plan includes the objective of becoming a key influencer of further education and training policy. As an independent and large provider of education and training, TAFE Queensland can offer a key insight into the current regulatory and investment environment of the sector and the key issues that need to be carefully considered in the coming year. It is hoped that the ideas and recommendations identified in this submission are considered and utilised in the development of the 2016-17 budget and other key decision-making processes throughout the course of the coming year.

TAFE Queensland Overview

TAFE Queensland is the largest provider of education and training in Queensland and in 2014-15 delivered training to more than 125,294 students across more than 600 programs. TAFE Queensland has state-wide reach with 56 service delivery locations throughout Queensland and prides itself on being a high quality provider of education and training, within an increasingly diverse and competitive market. This quality is exhibited by the outcomes TAFE Queensland achieves for its students and clients, including industry and employers:

- Competency completion rates of more than 89%;
- Transition rates to employment or further education at more than 87%;
- Student satisfaction at nearly 88%; and
- Employer satisfaction at nearly 90%

TAFE Queensland has been established as an independent, commercially focused statutory body and continues to diversify its approach to delivering education and training. This approach is embedding sustainability within TAFE Queensland and is aimed at ensuring it continues to contribute to both Queensland and Australian economic growth and prosperity into the future.

Executive Summary

Australia's future economic prosperity is inextricably linked with the presence of a high quality and internationally renowned education and training system. This system is now, more than ever, critical as the Australian economy undertakes a transformation from its historical foundation of resources and associated construction to more diverse and rapidly changing service, knowledge and innovation industries. These industries are driven by technological change and Australians are increasingly being asked to be more agile and adaptive with their skills and employment. As the Honourable Simon Birmingham MP noted in his first speech as Minister for Education and Training, when referring to Australians taking advantage of technological change "...*Central to securing that agility and those smarts are systems of world class education and training, including an adaptive, innovative and high quality higher education sector...*"

A major component of Australia's tertiary education system is vocational education and training (VET), which in 2014 saw 3.9 million students undertaking some form of accredited training. When compared to the 1.3 million students studying at universities in Australia in 2014 the reach and importance of Australia's VET sector is clearly exhibited.

Collectively governments invested more than \$6.8 billion in VET nationally in 2014 to skill Australia's workforce, increase productivity and grow the economy. The sector is currently at a crossroads following a deluge of quality concerns on the back of hasty market based reforms and deregulation which were implemented inconsistently across Australia leading to reducing public confidence in the sector.

Notwithstanding the challenges, there is a once in a generation opportunity to take stock and set a clear direction for the sector nationally with the convergence of major evaluations and public policy reviews due for finalisation in 2016-17, including the evaluation of the National Partnership Agreement on Skills Reform (NPA), Reform of the Federation discussions, the review of VET FEE-HELP, reform of Australia's Higher Education system and implementation of the Government's response to the Competition Policy Review (Harper Review). Through these policy reviews it is recommended that the Australian Government seek to address the following key issues:

- **Increasing investment in VET** (from a range of sources) to increase economic growth
- **Creating a stable policy and funding environment** for VET that supports longer term development of the sector and a market for quality training in Australia
- **A staged approach to higher education de-regulation**, using the capacity of long established, government owned and not for profit organisations to drive efficiency and improve quality in the higher education sector.
- Redesigning **VET FEE-HELP to achieve high quality student outcomes** off quality providers
- True and **meaningful engagement with the sector** and in particular providers through reforms.

The Organisation for Economic Cooperation and Development's (OECD) data shows Australia's investment in tertiary education and training on a per student basis is lagging well behind other OECD countries and recent work by the Victoria University's Mitchell Institute shows that comparative investment in VET in Australia has been well below other educational sectors over the last ten years. In this context ongoing and increasing investment in VET from a range of sources is paramount to Australia's economic future.

Certainty of funding for VET is of paramount importance to national and state economies as well as business confidence. Uncertainty of funding in transition between the Productivity Places National Partnership Agreement and the Skills Reform NPA in 2012-13 led to a reduction of 135,000 students participating in training between 2012 and 2014. While it is acknowledged that the National Agreement for Skills and Workforce Development and the associated Specific Purpose Payment provides certainty in the out-years for a component of sector funding there is a need for the current NPA and associated funding to be replaced in the short term.

Policy and funding certainty for VET therefore needs to be addressed through the evaluation of the NPA. Policy certainty should be achieved by way of a long term vision and plan for vocational education and training consistently implemented across the country. Long term funding certainty and year on year stable investment is needed to allow providers to plan for the development of longer term and sustainable markets. Funding of the sector needs to be balanced by sound market design and regulation to ensure that governments' investment alongside third party investment is targeted to the areas needed to grow productivity and build the economy.

The review of VET FEE-HELP and the Government's planned higher education reforms provide an opportunity to better integrate VET and higher education policy and investment. Fundamental to market based reforms is creating an environment where experienced, high quality and reputable providers are delivering services in a way which encourages continual improvement and quality outcomes. A staged approach to both deregulation of higher education and a reformed VET FEE-HELP program that ensures only quality providers are selected to deliver government funded services is critical to longer term sustainability and viability. There are a number of high quality, not for profit, government owned providers in the VET and University sectors which can be leveraged to build an open market founded on quality and sustainable competition.

TAFE Queensland support the government's increased focus on innovation, most notably through its National Innovation and Science Agenda. With its close ties with industry and skills that support economic development, TAFE Queensland can see significant opportunity for the VET sector to support this agenda into the future in a myriad of ways.

Engagement with the vocational education and training sector and stakeholders is critical in continuing the development of the sector. TAFE Queensland appreciates the opportunity to make a submission to the Commonwealth Budget process for 2016-17 and offers the following recommendations for consideration through the budget development process.

Key Recommendations

TAFE Queensland recommendations:

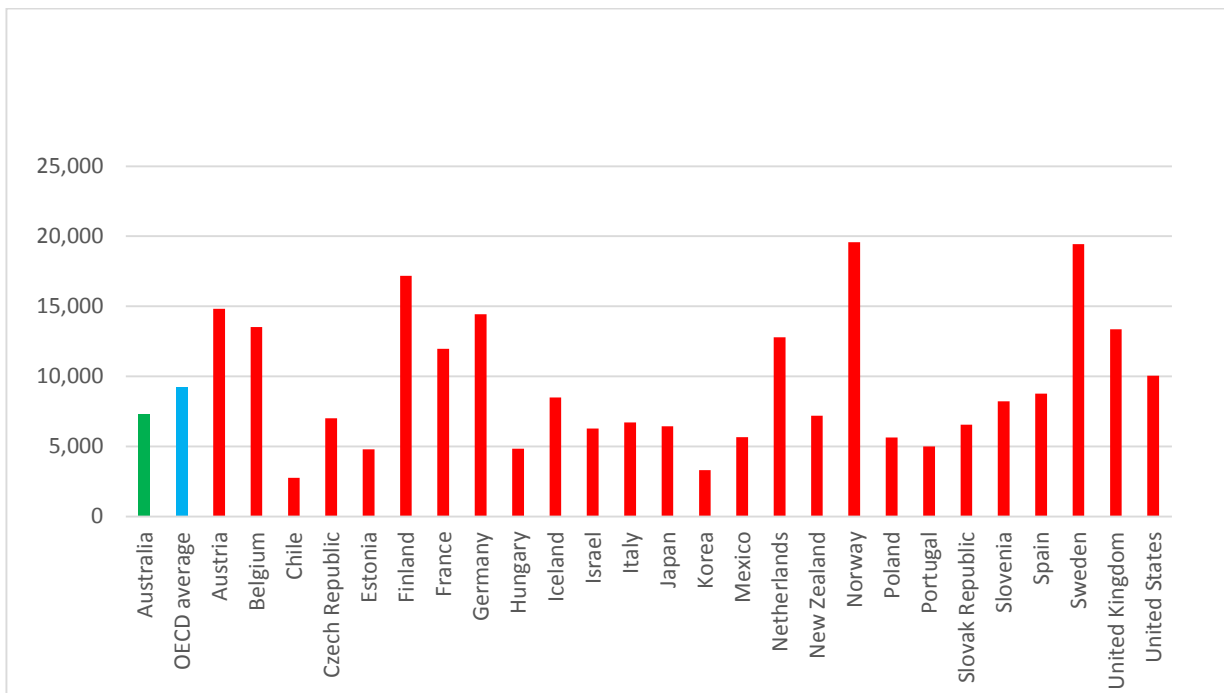
- 1. The 2016-17 budget include a commitment to ongoing and increasing funding for VET to reverse the \$517 million decline from 1 July 2017 shown in the 2015-16 budget.**
- 2. The Australian Government prioritise high quality, not for profit and government owned providers as quality benchmarks and preferred suppliers to develop and mature open markets through VET FEE-HELP and Higher Education reforms.**
- 3. The Australian Government review and urgently address unintended consequences of capping VET FEE-HELP loans at the provider level.**
- 4. The Australian Government considers the key role and value of the VET sector in driving its innovation agenda, particularly during the development of future strategies.**
- 5. That higher education reform incorporates the extension of Commonwealth supported places to high quality non-university providers.**
- 6. That TAFE Queensland and, where appropriate, other not-for-profit public providers of VET be funded at the same rate as public universities within any future higher education funding framework.**
- 7. That the Productivity Commission consult TAFE Queensland and other key stakeholders from within the VET sector during its review of choice, competition and contestability in human services.**

A New Long Term Policy and Funding Framework

The evaluation of the NPA represents a significant opportunity to establish a long term vision for VET and a stable funding framework that increases overall investment in VET.

The Organisation for Economic Cooperation and Development's (OECD) data shows Australia's investment in tertiary education and training on a per student basis is lagging well behind other OECD countries. As illustrated in Table 1 public expenditure per tertiary student in Australia stands at \$7,276, which is well below the OECD average of \$9,233.

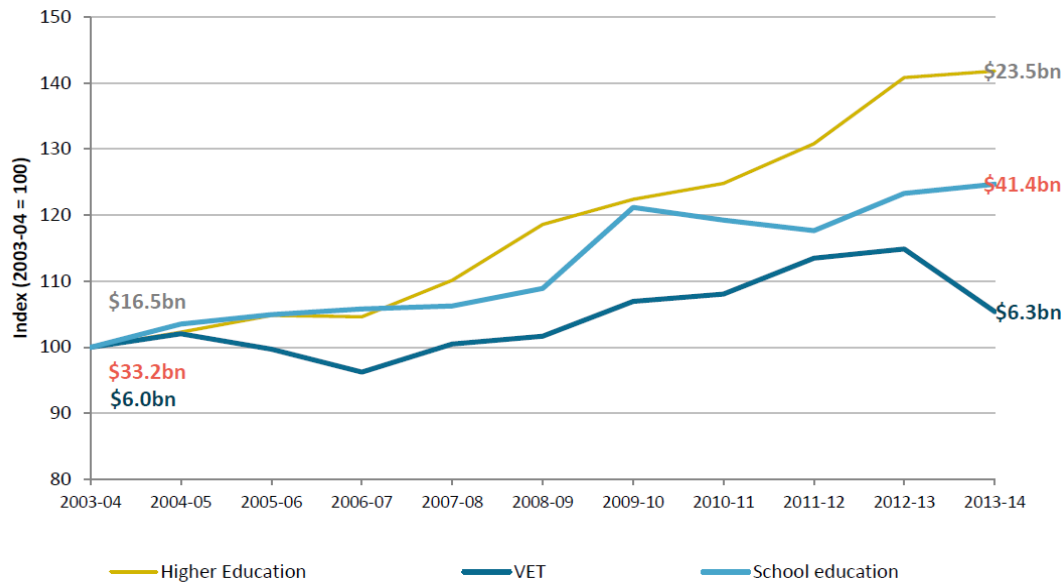
Table 1: Annual public expenditure on educational institutions per student, by type of institution (2012) – tertiary



Source: OECD, *Education at a Glance: OECD Indicators*, OECD, Table B3.3

In addition, the VET sector's importance to the Australian economy has not been reflected in government investment in the sector. This has been most clearly illustrated by the work of the Mitchell Institute, which contrasts the growth in funding over the last ten years in schools (25%) and higher education (40%) with VET at a significantly lower level of growth (5%). Table 2 shows the contrast in funding for the three components of the education system.

Table 2: Expenditure on education by sector: 2003-04 to 2013-14



ACIL Allen Consulting analysis based on Australian Bureau of Statistics data
 Note: School expenditure includes all expenditure on government schools (including private contributions) and

Certainty of funding for VET is of paramount importance to national and state economies as well as business confidence. Uncertainty of funding in transition between the Productivity Places National Partnership Agreement and the Skills Reform NPA in 2012-13 led to a reduction of 135,000 students participating in training between 2012 and 2014.

Australia’s evolving VET market is hampered by consistent and persistent funding and policy changes, often made quickly and without proper communication to the market. These changes impact on providers’ ability to build and develop markets for particular qualifications and skills by way of complicating the system for clients and impeding the consistent supply of skills to labour markets.

In order to provide certainty in the transition from the NPA which concludes on 30 June 2017 TAFE Queensland recommends establishing a clear long term public policy for VET in Australia (as a replacement to the NPA) and supporting the policy with a transparent and long term funding framework that provides confidence about the level and mechanisms of government investment in the sector. Details of the policy and funding framework should be made available to the market by December 2016 so that communication to support implementation from 1 July 2017 can be made available to sector clients, providers and stakeholders. Implementation of the policy and framework should be consistent between jurisdictions.

It is recommended that any new funding framework consider and clearly articulate the arrangements for state and commonwealth joint investment in the sector and ensure that the investment from the two levels of government are coordinated. In this regard, there is a clear opportunity to bring the VET and higher education sectors closer together through the proposed higher education reforms, a new policy and funding framework for VET and the review of VET FEE-HELP. This is discussed in more detail in other sections of this submission.

Key considerations in relation to consistency between jurisdictions include market based approaches to purchasing government subsidised training, the level of qualifications funded by governments the role and purpose of public providers and the reducing restrictions for public providers operating across jurisdictional borders. TAFE Queensland acknowledge that fiscally responsible policy decisions must be taken by government. These decisions should be outcome focused and be a driver of Australia’s long term economic prosperity.

Recommendation 1: The 2016-17 budget include a commitment to ongoing and increasing funding for VET to reverse the \$517 million decline from 1 July 2017 shown in the 2015-16 budget.

VET FEE-HELP Reform

TAFE Queensland support the principle behind legislative changes progressed through the Australian Parliament in late 2015. TAFE Queensland acknowledge that the intent of these changes was to address the misuse of the VET FEE-HELP program and is particularly supportive of measures to protect students from unscrupulous providers. There are however concerns within the VET sector about capping of VET FEE-HELP loans at the provider level within the 2015 funding envelope. This measure has the potential to entrench and encourage poor behaviour and stifle sustainable growth within high quality providers.

Capping at the provider level disadvantages high quality providers that have focused on building sustainable markets over a long period in areas of priority for the economy. At the same time, provider caps advantage providers that have artificially created exponential growth over the last 12–24 months for the purpose of profit.

By way of demonstration, TAFE Queensland has sustainably built growth in VET FEE-HELP over the last five years with its offerings directly aligned to labour market needs and in many cases attracting state government subsidies, illustrating our alignment to local economic needs. Our outcomes include VET FEE-HELP competency completion rates of more than 70 percent (and nearly 90 percent for all students), student satisfaction rates of 88 percent and employer satisfaction rates of 89 percent. These outcomes exceed the industry average and demonstrate our commitment to quality training and employment outcomes for our students and clients.

The introduction of provider level caps coincides with recent changes that enable certain New Zealand citizens to access VET FEE-HELP. This places additional pressure on available spaces and reduces students' ability to access training through high quality providers. By way of example, TAFE Queensland has close to 1,000 New Zealand citizens enrolled in VET FEE-HELP eligible courses and this change when considered in concert with capping will limit opportunities for these and other students to study with us throughout 2016 and beyond.

For these reasons TAFE Queensland is seeking to engage with the Australian Government to consider alternative approaches to provider level capping and to provide input on the longer term policy approach to VET FEE-HELP.

In the short term, there are some practical short term solutions that the government can implement to address some of the unintended consequences associated with the decision to cap expenditure at a provider level. Specifically, established, high quality public and private providers should be prioritised for any reallocated credits. This would ensure that any students impacted by the changes would have access to quality training providers.

In the longer term TAFE Queensland recommends that there is an opportunity for established and high quality VET providers to be prioritised as preferred suppliers for government funded programs, including VET FEE-HELP to build an open market based on quality and focused on student outcomes.

Recommendation 2: The Australian Government prioritise high quality, not for profit and government owned providers as quality benchmarks and preferred suppliers to develop and mature open markets through VET FEE-HELP and Higher Education reforms.

Recommendation 3: The Australian Government review and urgently address unintended consequences of capping VET FEE-HELP loans at the provider level.

Supporting and Driving the Innovation Agenda – TAFE's Contribution

TAFE Queensland welcome the Australian Government's increased focus on equipping Australians with the necessary skills to drive innovation through the National Innovation and Science Agenda and are

seeking to engage with the Government to increase awareness of VET's significant contribution to innovation and to support roll out of the National Innovation and Science Agenda.

There is a clear role for training providers and the VET sector in supporting innovation. Innovation is critical to increasing workforce productivity and growing Australia's economy and there is a need for VET qualifications and skill sets to give workers the skills they need to innovate.

TAFE Queensland acknowledges the potential role it may play in supporting the incubator program and industry growth centres and as previously publically expressed by the TAFE Directors Australia, TAFE Queensland will continue to work with the Australian Government to examine opportunities for TAFE Queensland to support the agenda.

Recommendation 4: The Australian Government considers the key role and value of the VET sector in driving its innovation agenda, particularly the development of future strategies.

Higher Education Reform

TAFE Queensland support the Government's proposal to extend access to Commonwealth student subsidies to non-university higher education providers. This change will have clear benefits to students, in that it will greatly increase their choice and also provide the opportunity to access a subsidy while undertaking an alternate study experience with a non-university provider. Additionally, TAFE Queensland will be able to provide students with a number of advantages, such as strong links to industry/employers, increasing access for educational disadvantaged (including regional and low SES students) and providing a supportive and flexible learning environment. This equates to increased participation and accessibility to higher education for a range of individuals, who may currently not be undertaking further education and therefore reducing their long term participation in the labor market.

It is noted that the most recent reform package proposed the provision of 70 percent of Commonwealth Supported Places (CSP) to those providers that were not public universities (public universities receive 100 percent). As Queensland's public provider of VET, which provides more education and training in Queensland than any other educational provider in this state, TAFE Queensland would recommend it is funded at the same level as public universities.

While TAFE Queensland support increased competition in the higher education market, it would also counsel caution to the approach to contestability and for reasons stated above only open the market up to proven high quality providers. Benchmarking and the establishment of clear thresholds that providers must meet prior to accessing Commonwealth supported places is critical to the long term success of such a program and will ensure both the long term sustainability of funding and safeguard the quality of the higher education system in Australia into the future.

Recommendation 5: That higher education reform incorporate the extension of Commonwealth supported places to high quality non-university providers.

Recommendation 6: That TAFE Queensland and, where appropriate, other not-for-profit public providers of VET be funded at the same rate (100%) as public universities within any future higher education funding framework

Competition Policy – Learnings from the VET Sector

TAFE Queensland notes with interest the Australian Government's response to the Competition Policy Review (the Harper Review) and importantly the commitment to negotiate a new competition principles and reform agreement for COAG's consideration, noting that these principles should be flexible and reflect the challenges Australia faces. In relation to Human Services, which incorporates vocational education, a key recommendation that has been accepted by the government is to commission the Productivity Commission to undertake a review into the incorporation of choice, competition and contestability in human services. Importantly the government's response specifically refers to the review incorporating learnings from the VET sector. TAFE Queensland recommends that the review should consider the impacts of competition policy on the VET sector including quality concerns and the

consistency (i.e. inconsistency) of implementation across Australia. Core to the learning of the VET sector's experience with competition and contestability is the need to have a clear and long term plan to increase competition and associated strategies to provide timely and accurate information on the performance of the market. A well planned and executed competition policy implementation should avoid the unintended consequences of diminishing quality and public confidence at the same time as using established high quality providers to set service and quality benchmarks.

The VET FEE-HELP program is a recent example of the importance of considered and incremental approaches to contestability. It is important to note that TAFE Queensland continue to support user choice and contestability in the VET market, however these principles must be counterbalanced by student outcomes, quality and the need for the sector to provide the right skills to industry. It is this final point that is particularly important in the context of expenditure restraint. Specifically, it is critical that governments continue to get outcomes for their investment and poor market design and low levels of monitoring and effective regulation in particular markets is likely to lead to a low return on investment for government.

Recommendation 7: That the Productivity Commission consult TAFE Queensland and other key stakeholders from within the VET sector during its review of choice, competition and contestability in human services.

Reform of Federation

A number of the above issues may be significantly impacted by any outcomes of the ongoing Reform of the Federation process. TAFE Queensland notes that the White Paper is now due to be released and TAFE Queensland has been advised by the Reform of the Federation White Paper Taskforce that public submissions will be called for at some point in the process.

TAFE Queensland will provide a submission through this process and therefore will provide extended detail on its position, however in short TAFE Queensland would reiterate its view that future reform of the VET sector needs to move the sector further toward a consistent policy and funding approach nationally. This increased national consistency must contribute to national economic growth and deliver the skills that are needed to support future employment demands.

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