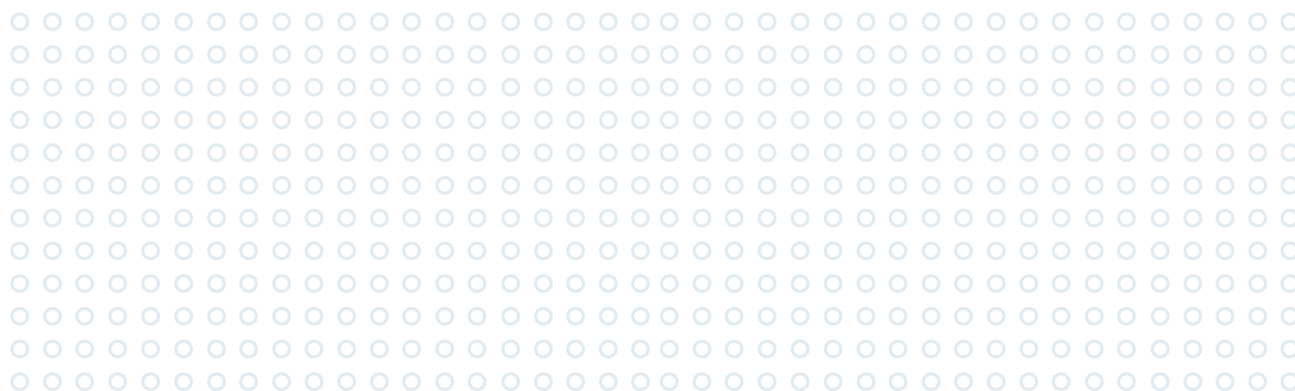


Business
Council of
Australia



Submission to the Victorian VET Funding Review

AUGUST 2015

*Working to achieve
economic, social
and environmental
goals that will benefit
Australians now and
into the future*

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The Business Council of Australia (Business Council) is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

EXECUTIVE SUMMARY

VET is essential for Australian businesses

This is the Business Council's submission to the Victorian Vocational Education and Training Funding Review issues paper (issues paper).

The Business Council has previously called for a renewed focus on vocational education and training (VET) and welcomes the Victorian Government's review.

The VET sector has primary responsibility for providing a pipeline of skilled workers for Australian businesses and retraining existing workers. It is instrumental in ensuring Australia's workforce can respond to the challenges of digitisation, globalisation and demographic change.

Maintaining adequate funding for the sector, ensuring high-quality training, and offering qualifications relevant to business needs is crucially important to the Victorian and national economies. A well-funded, high-quality VET system can also be a source of competitive advantage.

Any reforms in Victoria should create a foundation for a broad tertiary model

The Business Council has been, and will continue to be, a strong advocate for the development of a broad tertiary education model.

Over the last 40 years governments have expanded access and increased their investment in education. Unfortunately, this has not been accompanied by a systematic rethink of how we should design our tertiary system to best deliver to the majority.

This is partly because VET and higher education operate as silos. There are exceptions, and institutions that work across both sectors are growing. But they are still the minority. Each sector has its own funding, regulatory and governance arrangements with a mixture of Commonwealth and state government responsibilities. These are usually based on history, rather than a coherent policy vision.

The Business Council believes it is now time to undertake a comprehensive review of VET and higher education, and design a broad tertiary system with an entitlement to government support to up-skilling as its centrepiece.

A broad tertiary system should be a quality and fit for purpose model that delivers skills development to people across all stages of their lives – ranging from literacy and numeracy through to higher-level research qualifications.

The model should also include government-subsidised access for students across both VET and higher education, with a single entitlement model.

Students should make a personal contribution to their education that can be deferred. This personal contribution should reflect a person's ability to pay in the future, based on their earning capacity.

Government assistance, in the form of an income contingent loan, should be available to students to help them make their personal contribution. This would ensure people are able to participate in education, regardless of their background.

Students should have choice about what they study and where they study. Extensive market information should be available about the quality and cost of delivering their training and potential labour market outcomes.

These features would deliver a tertiary sector that is dynamic and diverse, where providers focus on their strengths to differentiate and specialise. It would value research and teaching equally and deliver both vocational and academic learning in a way that is relevant to students and the jobs of the future. It would also deliver products and services that are needed on a globally competitive basis and set people up to be successful in a global marketplace.

The debate about which level of government would run a tertiary sector, or how management of a tertiary sector could be shared, can be resolved through the COAG process. It is important however, that the next stage of Victoria's reforms facilitate, rather than impede, such a model.

Implementation challenges of the Victorian VET model need to be addressed

Over the last decade, Victoria has been a leader in VET reform. It recognised the importance of the sector, and pioneered the training entitlement model, supported by significantly increased funding.

The Business Council applauds successive Victorian governments for this focus. However, the implementation of the reforms has highlighted some design flaws which have resulted in problems, including the challenge of managing budget exposure that is inherent in any demand-driven funding model; the poor behaviour of a small group of providers who have focused on economic gain rather than educational outcomes; and the lack of information in the market.

The Business Council supports market reform and encourages the use of contestability in markets. Contestability drives innovation, a stronger customer focus, and efficiencies. But contestability in and of itself, should not be a reform objective.

To be effective, market reform and use of contestability require two pre-requisites. The first is that contestability and market reform will solve system problems. The second is that contestability is introduced into a properly designed market.

In the case of Victoria's reforms, the first pre-requisite was met. The introduction of a student entitlement model sought to solve the problem of stimulating poor demand from those who needed training. It also sought to incentivise a stronger focus on the needs of students by giving them greater power in the market through the introduction of contestability to facilitate choice.

However, the second pre-requisite was not met. The entitlement was introduced into a half-formed market, and the development of the market into a fully formed one did not keep pace with the implementation of the reforms. The VET market is still not fully formed, and this requires the urgent attention of the Victorian Government.

The Business Council believes the biggest problem in the Victorian (and national) VET market is the lack of market information available to support informed choice. This lack of information has limited the market power of the entitlement, and therefore the market power of the learner and business.

Potential learners and businesses have not been able to assess the quality of providers and make informed choices, allowing poor-quality providers to thrive. This was compounded for the funder (the Victorian Government) by the initial reliance on the quality framework to assess the suitability of providers to access entitlement funding.

At the same time, the latent demand for training was under-estimated. A proportion of the demand stemmed from poor-quality providers, however a good proportion was legitimate training. This is reflected in the increased enrolments and completions in higher-level qualifications. While this was a desired outcome of the reforms, the rate of enrolments was not anticipated and resulted in budget exposure.

The combination of these factors are the key reasons for the challenges Victoria is now facing, and it is these factors that need to be addressed in the reform agenda.

Improve the VET market but do not return to practices of the past

The inconsistent quality and poor training outcomes are threatening the reputation and viability of the VET sector. Additionally, the poor quality has resulted in some government funding being used inappropriately.

It is essential for the Victorian Government to overcome these challenges to ensure the VET sector continues to deliver quality training, and the Business Council supports the government in pursuing a cohesive reform agenda.

However, the Business Council is concerned that a number of the proposals contained within the issues paper are a return to old practices. Implementing these proposals (listed as 3, 5, 6 and 19 in the issues paper) would likely result in a VET market where there is minimal competition, limited student choice, and a 'central planning' model. This would be a significant backward step, and would not be supported by the Business Council.

This review provides an opportunity for the Victorian Government to put in place a cohesive framework for VET funding that:

- maintains the Victorian Training Guarantee (VTG) as a centrepiece
- significantly increases market information to support informed decision making
- establishes a higher bar for government funding than the minimum standards contained within the quality framework to ensure government funding is used appropriately

- clearly articulates the need for individual funding contributions that reflect private return.

Such a framework needs to be implemented in a way that does not establish different standards between public and private providers, reduce student choice in the market, or minimise contestability.

Business Council's response to options in the issues paper

The following table provides the full list of options outlined in the issues paper. However, we have regrouped and reordered the options so they reflect the flow and logic of this submission.

The Business Council's submission does not provide commentary on all of the options.

Option	Comment
Managing budget exposure	
Retain the student entitlement but ensure investment is targeted (option 3 in the issues paper)	The Business Council supports the proposal to retain the student entitlement and acknowledges that investment must be targeted.
Reduce the number of funded courses (option 5 in the issues paper)	
Fund courses based on labour market and industry priorities (option 6 in the issues paper)	However, rather than implementing the issues paper's options, the Business Council proposes the Victorian Government consider an alternative funding model that uses a cost reflective price, applies a personal contribution based on private return and reduces the government contribution for low priority courses (as outlined on page 8). The Business Council proposes the Victorian Government implement new tests for providers to determine if they are suitable to receive government funding.
Increase industry input into setting labour market priorities (option 19 in the issues paper)	
Reintroduce a compulsory or minimum student fee (option 19 in the issues paper)	Support. The Business Council's funding model establishes a contribution based on a cost reflective price and private return, which could be used as the minimum student fee. In areas of high-cost delivery, the minimum student contribution may require access to an income contingent loan.
Funding of Diploma level courses	
Limit funding of courses at Diploma level to skills shortage areas (option 22 in the issues paper)	Do not support. This option would result in a cost shift to the Commonwealth Government.
Market information	
Establish a training provider classification system (option 1 in the issues paper)	Do not support. An alternative funding model and additional market information are more appropriate policy responses.

Option	Comment
Provide more support for students to make training choices (option 8 in the issues paper)	Support. The Victorian Government should publish the subsidy and cost information, similar to the worked example in the Business Council's proposed funding model. It should publish a more inclusive data set.
Regulation	
New regulatory options for private providers (option 15 in the issues paper)	Do not support. This option would establish different standards for public and private providers. It would also send a market signal that private providers are less trustworthy than public providers.
Greater use of summative testing (option 14 in the issues paper)	Support.
Training products	
Establish a workforce training innovation fund (option 20 in the issues paper)	Do not support. The Business Council considers that training packages would be more innovative and produce better educational outcomes if the definition of competency was broadened to the four domains of cognitive, functional, personal and ethical competence.
Reform the funding of Certificate I and Certificate II (option 23 in the issues paper)	Support, noting the scope of skills and learning in the preparatory year should reflect the points raised by the Business Council in this submission.
Providers (including TAFE)	
Encourage specialisation in industry-training (option 21 in the issues paper)	In-principle support, noting that the contestable demand-driven funding model should encourage specialisation.
Clearly articulate the role of TAFE (option 16 in the issues paper)	Support, noting the Business Council's suggestions.
Fund TAFE fairly and sustainably (option 17 in the issues paper)	In-principle support, noting TAFE's broader community service obligations should be transparently funded.
Use TAFE to expand access to higher education (option 18 in the issues paper)	Do not support. The Business Council is unconvinced there is sufficient unmet demand for training to warrant the creation of a regional polytechnic university.
Options not discussed in the submission	
Clearly articulate to the market the role and objectives of VET (option 2 in the issues paper)	In-principle support.
Improve teacher training (option 4 in the issues paper)	No comment.
Tighten restrictions on the type of marketing activity a provider can use (option 14 in the issues paper)	In-principle support, noting that the national <i>Standards for Registered Training</i>

Option	Comment
Regulate or ban brokers or aggregators (option 10 in the issues paper)	<i>Organisations (RTOs) 2015</i> contain clauses which make providers responsible for all marketing related to the provider's services and requires providers to disclose the repayment of any VET-FEE HELP debt to be incurred and services which will be provided by a third party.
Tightly regulate subcontracting (option 11 in the issues paper)	
Introduce protocols for online learning (option 12 in the issues paper)	No comment.
Introduce protocols for work-based training (option 13 in the issues paper)	No comment.
Clearly articulate community service activities, and move to outcomes-based funding (option 24 in the issues paper)	No comment.
Consider reforming loadings and use other mechanisms to address areas of high need (option 25 in the issues paper)	No comment.
Consider changes to rural and regional training (option 26 in the issues paper)	No comment.
Consider changes to the administration of concessional programs (option 27 in the issues paper)	No comment.

RESPONSE TO THEMES AND OPTIONS RAISED IN THE ISSUES PAPER

The success of the Victorian Training Guarantee (VTG) reforms should not be forgotten

The VTG and accompanying structural reforms were a significant and ambitious shift in the VET funding and delivery framework in Victoria.

It recognised the importance of the sector to the state's economy, using the entitlement to stimulate a large increase in the number of people undertaking higher-level training. Uncapping training places demonstrated the value of VET qualifications in their own right and resulted in a large injection of government funding into the system.

The pre-VTG system was ill-equipped to deal with the volume and type of demand that the VTG intended to deliver. The introduction of the market mechanisms of competition and student choice opened up the system to meet this demand. It also provided the consumer with greater power because providers were required to have a stronger focus on what the end-users of the skills system wanted. In many cases, this led to greater differentiation and specialisation among providers.

Since then, successive Victorian governments have continued to have a strong focus on VET. Real recurrent expenditure in training has increased by more than 40 per cent between 2007 and 2013.¹ The Business Council commends the Victorian Government for its ongoing commitment to VET.

The success of the VTG reforms in creating demand for training is clearly demonstrated by the data. Government-subsidised enrolments in higher-level qualifications grew by approximately 27 per cent between 2007 and 2014, and completions in higher-level qualifications more than doubled.²

The number of private providers offering training more than doubled, delivering more choice for learners and businesses.³

While the reforms have led to some unintended consequences, their successes should also be celebrated.

The following section responds to the issues identified in the issues paper and makes recommendations about how the Victorian Government should address them.

¹ Productivity Commission, *Report on Government Services*, Vocational Education and Training Chapter, 2015.

² NCVET, Historical time series of government-funded vocational education and training in Australia from 1981.

³ Victorian Government, *Next Steps for Refocusing Vocational Training in Victoria- Supporting a Modern Workplace*, Victorian Government, 2013, p. 8, <http://www.education.vic.gov.au/Documents/about/departments/modernworkforce.pdf>, accessed 30 July 2015.

Managing budget exposure

The paper proposes a range of options to manage budget exposure:

Retain the student entitlement but ensure investment is targeted (option 3 in the issues paper)
Reduce the number of funded courses (option 5 in the issues paper)
Fund courses based on labour market and industry priorities (option 6 in the issues paper)
Increase industry input into setting labour market priorities (option 19 in the issues paper)

Budget exposure remains a key implementation challenge

Although the VTG achieved the desired outcome of the reforms, the high rate of enrolments was not anticipated and resulted in budget exposure.

A proportion of the demand stemmed from poor-quality providers. However, increased enrolments and completions indicate poor-quality providers were only one factor in the budget overspend.

The risk of budget exposure is inherent in any demand-driven funding model and successive Victorian Governments have endeavoured to manage it through a range of levers.

While the options proposed in the paper appear to be reasonable approaches to managing budget exposure, the Business Council is concerned about how the market will be designed as a result of the implementation.

The Business Council considers that implementing these proposals would be likely to result in a VET market where there is minimal competition, limited student choice, and a 'central planning' model.

Previous experience also demonstrates these types of restrictions made Victoria's skills system inflexible and proved to be ineffective in allocating training places to reduce skills shortages.⁴

Implementing the proposals significantly moves away from the policy of choice and contestability and would not be supported by the Business Council.

Alternative options to manage budget exposure

The Business Council recognises the need to manage budget exposure. Additionally, it recognises that the movement to a mass tertiary education system is inherent in an entitlement model and requires a personal contribution from individuals to the cost of their training.

In place of the options outlined above, the Business Council proposes the Victorian Government consider an alternative funding model that:

⁴ S Richardson & Y Tan, *Forecasting Future Demands: What We Can and Cannot Know*, National Institute of Labour Studies, Flinders University, 2007, cited in Victorian Government *Response to Skills Victoria Consultation, Creating a New Direction for Australian Vocational Education and Training*, Victorian Government, 2011, p. 13.

1. starts with the cost of delivery, e.g. using a 'cost reflective price'
2. applies a personal contribution based on private return
3. reduces or increases the government contribution to reflect government priorities.

Such a model would be successful only if the government provided this information to the market. A worked example of such a model with three different courses is in the box below.

Cost and fees	Certificate I (foundation topic)	Certificate II (high priority industry)	Diploma (low priority industry)
'Cost reflective' price	\$1,000	\$10,000	\$5,000
Government percentage contribution based on private return	90%	80%	60%
Government funding contribution based on private return	\$900	\$8,000	\$3,000
Charge per student Note: the government could pursue two options with this. The first would be to set this as the minimum contribution and thereby build the minimum contribution into the funding formula. Alternatively, the government could pursue the minimum contribution through another means.	\$100	\$2,000	\$2,000
Government percentage static, reduced, or increased to reflect government priorities.	90%	80%	40%
Final government funding contribution	\$900	\$8,000	\$2,000
Maximum charge per student (based on 'cost reflective' price) Note: providers could charge less or more than the 'cost reflective' price, but the 'cost reflective' allows students and businesses to make informed decisions.	\$100	\$2,000	\$3,000

This model allows the government to manage budget exposure, while keeping true to the principles of student choice and contestability.

The Business Council supports the proposal to reintroduce a compulsory or minimum student fee.

Minimum student fee

The paper proposes to:

Reintroduce a compulsory or minimum student fee (option 19 in the issues paper)

The model proposed by the Business Council establishes a student contribution based on a 'cost reflective' price and private returns. This contribution could be used as the minimum student fee.

Using this contribution would encourage students to give greater consideration to their training choices. Additionally, it would prevent providers undercutting each other to the point where quality delivery is compromised, thereby providing greater confidence in the system.

The Business Council notes that in areas of high-cost delivery, the minimum student contribution may need to be accompanied by access to an income contingent loan to ensure there are no financial barriers to a students enrolling in a course of their choice.

Funding of Diploma level courses

The issues paper proposes to:

Limit funding of courses at Diploma level to skills shortage areas (option 22 in the issues paper)

The option to limit funding of Diploma level courses to skills shortage areas will result in a direct cost shift to the Commonwealth Government, as students would likely defer the additional cost via VET FEE-HELP.⁵ The Business Council does not support cost-shifting and does not support this proposal.

The quality framework is not the appropriate mechanism to stop poor-quality providers from accessing government funding

Inconsistent quality and poor training outcomes are threatening the reputation and viability of the VET sector.

The experience in Victoria has reinforced the fact that the quality framework is about minimum standards and should not be relied upon to determine eligibility for government funding.

In addition, the lack of provider-level information meant the market did not have arrangements in place to support consumers to provide public feedback on poor provider behaviour. The Business Council's recommendation to increase the range of market information will help ameliorate this situation.

However, the Business Council believes another mechanism is needed to ensure the government funding is allocated and used appropriately. The government should establish new tests for providers to determine if they will be eligible to receive government funds.

⁵ Victorian Government, *Securing Jobs For Your Future*, Victorian Government, 2008, p. 11, accessed 27 July 2015 <http://www.education.vic.gov.au/Documents/training/providers/rto/securjobsfuture.pdf>.

The new test will reduce the risk to the Victorian Government of inappropriate provider behaviour through a higher threshold for access to government funds. This should lift community and employer confidence in the quality of providers.

There is a risk that new tests may drive quality providers out of the system. This proposal needs to be implemented in a way that does not result in the regulatory burden falling disproportionately on small not-for-profit providers.

Market information

The issues paper proposes to:

Establish a training provider classification system (option 1 in the issues paper)
Provide more support for students to make training choices (option 8 in the issues paper)

The lack of market information is hampering student choice

The biggest weakness of the Victorian VET system is the lack of market information available to support student choice.

The VTG gives consumers full power to determine what type of training or which provider is likely to create the best post-school opportunities for them. However, the capacity of students to make good training decisions is dependent on them having access to a wide range of labour market information and course-level data.

The information currently available does not provide the detail or breadth of information required. Students are unable to get a true indication of the value of training or compare courses or providers on price, training quality and labour market outcomes. This has limited the market power of the entitlement, and therefore the market power of the learner and business.

This lack of information has also enabled poor-quality providers to flourish, which has resulted in some government funding being used inappropriately. This threatens the reputation and viability of the VET sector as a whole. It is therefore critical that the market information be improved so it can identify areas of market failure and drive quality improvements.

Currently, courses receive a subsidy rate per scheduled hour of training. The percentage of government subsidy is not published so there is no way for a potential student to determine the total cost of the course. This means students are unable to compare the relative merits of courses or providers.

Adopting the Business Council's proposed funding model would be the first step in providing much needed information to the market. It would send a strong price signal to consumers about what is a reasonable amount to pay for a course.

However, that would be just the first step in creating an informed market. The Victorian Government has a key role to play in improving the available market information. As the starting point, the Business Council recommends the Victorian Government greatly expand the range of data available to students to include:

1. Course-level market information

- Funding information (as per the Business Council funding model)
- Average length of time a course takes to complete
- Careers the course leads to
- Average graduate pay and longer-term potential earnings
- Employment/unemployment rate and job vacancy rate by field

2. Course-level provider information

- Course eligibility for VET FEE-HELP
- Course duration
- Delivery mode
- Number of students in the course
- Module completion rates
- Course completion rates
- Employment outcome rate for the course
- Number of students at the provider
- Provider's overall completion rate

The issues paper proposes the establishment of a provider classification system to classify providers based on their financial stability and educational capability.

The Business Council does not support this option because it would not provide enough data or information to address the list of questions outlined above. The proposed funding model, combined with the market information above, would be a better option than a provider classification system to inform choice.

Regulation

The issues paper proposes:

New regulatory options for private providers (option 15 in the issues paper)
Greater use of summative testing (option 14 in the issues paper)

Regulation should be targeted to areas of risk and poor performance

The issues paper proposes to strengthen the quality framework by creating a separate regulatory regime for private providers.

The Business Council does not support the proposal, as it would establish different standards for public and private providers and is likely to increase the regulatory burden on providers.

The proposal is also inconsistent with recent reform directions to make regulation more targeted and use a risk-based model that recognises providers that consistently meet or exceed standards with a level of earned autonomy.⁶

While the Business Council acknowledges there has been some poor provider behaviour in the Victorian market, a response that targets all private providers is inappropriate.

A separate regulation regime suggests that public providers operate with a higher level of integrity than private providers. This sends a clear market signal that private providers are less trustworthy than public providers. This is not appropriate and should not be supported by the Victorian Government.

Regulation should be targeted to areas of risk and poor performance, regardless of whether the provider is a TAFE, not-for-profit or private provider.

Third party validation of assessment would strengthen the quality framework

Inconsistent training outcomes are undermining confidence in VET.

The Business Council supports the option to have greater use of external testing of assessments because it would help guarantee employers and students that the quality of the training is adequate and that the skills taught reflect the standards expected on-the-job.

Training products

The issues paper proposes:

Establish a workforce training innovation fund (option 20 in the issues paper)
Reform the funding of Certificate I and Certificate II (option 23 in the issues paper)

Encouraging providers to develop innovative products

The competition and choice present in a contestable market give the consumer greater power, and requires institutions to be more responsive and flexible. To be successful, institutions need to focus on their strengths, which should lead to greater differentiation, specialisation, and drive providers to develop innovative training products that respond to labour market skills needs.

In this context, the Business Council does not support the issues paper's proposal to establish a workforce training innovation fund, as the competition present in the market should be sufficient to drive innovation.

⁶ <http://www.education.vic.gov.au/Documents/about/department/modernworkforce.pdf>.

Lower-level qualifications should be reformed

The Business Council acknowledges that Certificate II qualifications are an entry point for employment in some occupations.

However, lower-level qualifications are often taken up by students who need a more intensive approach to personal and skill development, such as early school leavers and people who are outside the workforce.

In this context, the Business Council supports the proposal to target Certificate I and Certificate II funding as a VET preparatory course because this type of course will respond better to the skill development needs of this group of students. The proposal would also strengthen VET's role in improving the foundations of tertiary education.

The Business Council considers that the preparatory year should:

- improve students' foundation skills in language, literacy, numeracy and information technology
- include a focus on generic capabilities, such as problem solving, teamwork and communication skills
- allow students with a stronger idea of their vocational direction to learn in broad industry areas to enable them to gain greater familiarity with the industry.

Training products should respond to individual and employer needs

A responsive system indicates that end-users (and governments) should have confidence that the education outcomes gained through training will align with employer expectations and needs. However, the issues paper notes employers have concerns that graduates are not 'job-ready' and that qualifications do not necessarily teach the broader skill sets they are looking for.

Business Council members have indicated they want workers to have a broad set of skills including: occupation-specific skills, foundation skills, digital literacy skills, and cognitive skills such as problem solving and collaboration, to support high-performing workplaces and allow workers to maximise the value of technologies.

Having a workforce with a broad base of skills means workers are able to learn quickly and have transferable skills that respond better to changing labour market and technology conditions.

The Business Council considers the structure of training packages is too rigid and prescriptive to deliver these educational outcomes. As such, it recommends broadening the definition of 'competency' across all VET qualifications to include four domains of competence – cognitive, functional, personal and ethical. This will rebalance generic and technical skills in training packages and help ensure students gain a broad-based qualification.

While the Victorian Government cannot create this change on its own, the Business Council supports such an approach.

Providers (including TAFEs)

The issues paper proposes:

Encourage specialisation in industry-training (option 21 in the issues paper)
Clearly articulate the role of TAFE (option 16 in the issues paper)
Fund TAFE fairly and sustainably (option 17 in the issues paper)
Use TAFE to expand access to higher education (option 18 in the issues paper)

Clarifying the role of TAFE as the public provider

The Business Council has repeatedly called for an end to the policy confusion with regard to TAFE, and therefore supports the proposal to clearly articulate its role in a contestable market.

The VTG reforms recognised that a largely government-funded private training market was not going to be able to provide the depth, breadth or ongoing capacity required to meet Victoria's skills needs. The reforms placed all government subsidies into the market, thus requiring TAFEs to compete with private providers.

Many TAFE institutes were slow to plan for the new system and did not capitalise on the growth opportunities created by the entitlement model. As a result, although TAFE enrolments grew under the VTG, TAFE's market share of government-subsidised training places reduced from 48 per cent in 2008 to 25 per cent in 2014.

Concerns about TAFE's position in the contestable market have led the issues paper to conclude that *'the current system threatens the viability of TAFE'*. While the Business Council is concerned about the ongoing lack of clarity about the future of TAFE, it believes a purposeful long-term role for it is possible within the existing contestable market.

The Business Council proposes TAFE's role include:

- an expectation that it compete in a contestable market
- the delivery of skills that are critical to the Victorian economy
- the management of an efficient and effective network of institutions to provide training across Victoria, particularly in thin markets and high-cost areas such as regional communities
- the provision of inclusive services that support skills development, higher-level qualifications, further study and employment for people who face disadvantage
- broader community service obligations that are transparently funded.

Some TAFEs have already reformed their business models to compete in the current market. Others will be unlikely to fulfil this role unless they adjust their business and delivery models to be more strongly aligned with the needs of individuals and business.

The Victorian Government has a role to play in helping to ensure public providers are not left with the residual elements of the market that private providers do not want to operate in.

Regional and remote delivery will not be improved by the creation of a polytechnic

The Business Council does not support the proposal to expand access to higher education by creating a TAFE regional polytechnic institute because it is unconvinced there is sufficient unmet demand for training to support the model.

The *On Track* survey found that around 20 per cent of Year 12 graduates indicated they did not participate in further education because the courses they were interested in were not available locally.⁷ This alone does not indicate there is enough demand for training to enable the polytechnic to be sustainable and profitable.

⁷ Victorian Government, *On Track 2014 Destinations of School Leavers in Victoria – 2014 – Statewide Report*, 2014, p.22 (figure 4), <http://www.education.vic.gov.au/Documents/about/research/2014%20OnTrack%20statewide%20report.pdf> accessed 28 July 2015.

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