

Inquiry into Vocational Education and Training in New South Wales

Supplementary questions on notice – hearing 22 September 2015

ACPET submission

October 2015

1. *What level of contestability of the VET market do you see as desirable in the long run?*

ACPET believes that the level of government-funded VET contestability should be determined by governments taking into account a number of considerations.

These considerations would include an assessment that there are the requirements for contestable markets – including the size of the market (student/industry demand) for the particular training program/s and the availability of sufficient RTOs (including regional delivery considerations) to provide real choice for students/industry and governments as purchaser.

Where student/industry demand for particular programs is limited and there are few providers (for example for very specialized programs) it may not be appropriate to use a contestable purchasing strategy. In such cases more limited market engagement may be appropriate.

By contrast, for those programs where there is relatively large student/industry demand and a number of RTOs able to provide competitive ‘tension’ contestable strategies provide the opportunity to identify RTOs that will best meet the needs of students and industry and provide enhanced value-for-money for governments.

ACPET does not believe that any particular category of training should be exempt from an assessment of its suitability for contestable purchasing strategies. For example, ACPET does not believe there were sufficient grounds to exclude of foundation skills from the Smart and Skilled contestable program. As the ACPET hearing with the Committee noted there are a large number of private providers that have the expertise and capacity to deliver these programs.

Similarly, ACPET believes that the ability of community service obligations to be met by the market through contestable means should also be tested.

Of course, no matter what the level of contestability it is important that governments have in place mechanisms to assess the quality of providers and only engage those who will deliver the required outcomes for students, industry and governments.

2. *The new Federal Minister for Education, Simon Birmingham has flagged an increased role for the federal government in TAFE and VET, including the possibility of a complete takeover.*

a. Do you support this and if so to what extent?

The possibility of a greater role for the federal government arises, in part, from the concern from many stakeholders that the VET sector has become increasingly fragmented, particularly as a result of state and territory decisions in regard to funding priorities and purchasing processes. Importantly much of the concern is in regard to rapid/short notice changes in priorities, purchasing strategies and available funding. For many stakeholders, including ACPET, there is a desire for greater certainty and consistency. Federal responsibility for the sector may, at least, bring greater consistency.

A single agency responsible for policy, practice and funding is attractive but is unlikely to be a panacea and hard reforms will still be required.

Of course the strength of the current ‘model’ is the capacity for states and territories to understand the particular skill and labour force needs of regions and communities and to develop and purchase (including through TAFE /public provider grants) training programs that respond to those needs. It is not clear that the federal government would be better equipped to identify and respond to these needs.

Accordingly ACPET supports a VET system that provides greater certainty and consistency for all stakeholders, including students, industry and providers whilst preserving the ability to address regional and local skill needs. This may be achieved by a National Partnership Agreement (or similar) that provides greater specificity on key parameters like funding contributions.

At the same time ACPET believes there would be merit in states and territories and the Commonwealth considering opportunities to share expertise and align purchasing strategies and priorities, where appropriate, to achieve greater consistency. This would also help identify good practice across contestable VET strategies.

b. What do you see as the impact for your members of federal ownership?

The impact on ACPET members (and other RTOs) would depend on the extent of federal responsibility and associated funding arrangements.

To the extent that the State Training Authority responsibilities are transferred to the federal government there should be more consistent regulatory arrangements that would benefit RTOs operating in multiple jurisdictions. This would be particularly the case in relation to the apprenticeship and traineeship system where states and territories maintain significant regulatory powers.

It is worth noting that the establishment of the national VET regulator, the Australian Skills Quality Authority, sought to address the need for consistency in RTO regulation across the country. A first step may be to consider the transfer of the RTO regulatory powers still held by Victoria and Western Australia.

As noted above, a major concern of ACPET members has been the way in which states and territories have sought to control their entitlement and other contestable VET expenditure by implementing, often at very short notice, significant changes in priorities, eligibility, funding levels and contractual arrangements. These constant changes and new 'rules' across states and territories (and more recently with the federal government's VET FEE-HELP initiative) create greater uncertainty and lesser outcomes for students, industry, RTOs and governments.

As with regulatory arrangements, simplified and consistent purchasing arrangements would benefit RTOs seeking to deliver government-funded programs across the country.

To the extent that the federal government has greater financial capacity to sensibly manage a demand-led VET system and avoid the present erratic funding arrangements in some jurisdictions RTOs, industries and students would benefit.

A risk of a centrally driven VET system with generic purchasing strategies across the country is that the capacity to identify and assess local skill and labour market needs may be reduced along with the ability to assess the capability of RTOs to respond to those needs. As the ACPET presentation to the Committee noted, many of its members have strong and long-standing relationships with the industries and communities they serve. They understand their local or sectoral labour markets and have the experience, resources and networks that enable them to respond effectively to the particular skill needs.

Whatever arrangements are proposed, there must remain the strong 'on the ground' capacity to assess local and sectoral skill needs and the ability of quality RTOs to respond to them.

3. *On what basis do you believe that contestable allocation of VET funding will produce superior outcomes?*

As outlined in the ACPET written submission contestable funding has been a feature of the VET sector for more than 20 years. Apprenticeship and traineeship training is successfully delivered by contestable means. A range of other VET programs is delivered by contestable programs. Across the country some 1,700 RTOs are responding to the needs of students and industry through government-funded programs.

That these are programs are producing “superior outcomes” is evidenced by the feedback of those who the VET system is meant to support – students and industry. Student and industry satisfaction is high and been so for many years.

In New South Wales, where a very limited approach to contestability has been adopted, there has certainly been no “superior outcomes”. Student satisfaction and outcomes are not materially any different or better. As the New South Wales Auditor-General highlighted, training has simply been delivered to fewer students at a higher cost to taxpayers than would otherwise have been the case had a less restricted approach to contestability been adopted.

a. Has this been the experience in Victoria?

The implementation of the Victorian Training Guarantee (VTG) suffered from some fundamental program design flaws that led to rapid and unsustainable growth in student numbers, providers and expenditure and some unsatisfactory training delivery. As the ACPET submission noted there were insufficient program and budgetary controls - a ‘hands-off approach’ - that are now being addressed in line with recent program reviews.

A key message in the ACPET submission was that contestability does not mean governments can abrogate their broader stewardship role. It is ACPET’s view that implementation of the VTG suffered from a lack of stewardship rather than some fundamental problem with contestability.

Notwithstanding the delivery issues with the VTG, it is worth noting that enrolments of persons with a disability, unemployed persons and those from culturally and linguistically diverse background experienced enrolment growth greater than that overall, while those aged 15-19 years and indigenous persons experienced enrolment growth more in line with overall trends. It is also worth noting that a review of the VTG indicated that complex eligibility criteria and funding changes (program design issues) impacted participation by some student cohorts.

a. How many qualifications have been recalled or cancelled in the past three years in Victoria?

This data should be sought from the Victorian Department of Education and Training.

4. *What level of regulatory intervention would be necessary to protect students and public funds from unscrupulous profit-seeking private providers?*

As noted above, government’s need to put in place arrangements that support their broad stewardship role - they need to have the capacity and resources to support: assessing skill needs and priorities; being an astute and sophisticated purchaser who assesses and engages quality, proven providers; monitoring performance and outcomes; and taking action to sanction providers who do not deliver contracted services.

These requirements are not new and several jurisdictions have these in place now and have had so for many years. The “intervention” required, first and foremost, is to consider where they are absent and to take the necessary action. The recent quality review in Victoria identified where the government had not given sufficient attention to these requirements and made recommendations to address shortcomings. A key focus of that work, for example, were recommendations around market access, improved monitoring and audit – and not simply contract financial compliance.

With those elements in place, many of the concerns witnessed in Victoria and more recently with VET FEE-HELP could be avoided. Adding more regulation will not address poor program design and purchasing decisions. In fact unnecessary or misdirected regulation is likely to increase the costs for students, industry and RTOs which of course will be reflected in the price and/or quality of training delivered.

a. Can you estimate the cost?

ACPET does not have the information on the cost to governments of appropriate contestable funding regimes. Given its more recent reforms, consultation with the Victorian Department of Education and Training may assist.

5. *In response to a question about student choice, you suggested “No doubt some young smart person who can design an app can probably fix it for us but the information asymmetry, I agree with you, is an issue.”:*

a. Do you believe that a smart phone app would be a serious contribution to the challenges facing a young person in a contestable market?

ACPET’s comments about the use of an app to provide information to students highlighted the need for the consideration of a range of options, particularly for young people for whom smart phones are often their key communications tools.

They also highlighted that the apparent complexity of the VET sector does need to be addressed so that students can more readily access relevant, easy to digest information to inform better decisions.

b. If so, please describe the functionality of this app?

An app may build on that which is already provided through the federal government’s MySkills website that allows searches against a range of key parameters, including industries, providers, location and courses. The ability to ‘compare the market’ may also be beneficial.