

NORTHERN MELBOURNE INSTITUTE OF TAFE

Response to *Securing our Economic Future: Discussion Paper on Skills Reform*

June 2008

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EXECUTIVE SUMMARY

The Victorian Government released *Securing our future economic prosperity: Discussion paper on skills reform* on 30 April 2008.

NMIT supports thorough examination and sensible development of the VET sector in Victoria and endorses the Victorian Government's objectives for VET reform. However, NMIT has a range of concerns with the Discussion Paper, including the evidence base upon which substantial reforms are proposed, the unconvincing relationship between the reforms and the stated objectives, the ambiguity regarding reforms with critical implications, and the speed at which inadequately planned changes will be implemented.

Past national comparisons have consistently shown that the Victorian VET sector is by far the most cost effective and efficient in Australia. However, skills shortages, system complexities and the current funding model all warrant careful review and targeted reforms of the sector to ensure Victoria meets its future skills challenges. The Victorian Government's reform proposal represents extreme action:

- Introducing eligibility criteria for access to government-supported places in VET programs
- Increasing the student fees for government-supported courses
- Considering an income contingent loan scheme to assist students in meeting course fees
- Making a proportion of government-supported VET places subject to competition between TAFE and private providers

The ramifications of this proposal are extremely far reaching with the very real potential for disastrous results for individuals, the TAFE institutes and Victorian industry.

In this response, NMIT identifies 46 areas where further information is required in order to properly evaluate the proposed reforms and undertake the cultural, industrial and administrative overhauls needed to implement them.

In addition, NMIT makes the following recommendations:

- The Victorian Government provides responses to the 46 questions identified by NMIT, and also to issues and / or concerns raised by other VET stakeholders in their respective submissions
- The Victorian Government releases the report *The Labour market and qualifications in Victoria* (2006) as clarification of one of the key drivers of VET reform in Victoria.
- Commonwealth policies regarding the Productivity Places Program, outcomes of the Higher Education Review and other key platforms of the Australian Government's *Education Revolution* are fully determined and factored into the Victorian Government VET reforms.
- The Victorian Government increases investment in the existing structures of the Victorian VET system to establish investment parity with other states, with a proportion of the increased funding targeting specific skills shortages and identified barriers to participation.
- Existing TAFE profile funding formula is reviewed in consultation with TAFE Institutes aiming to reduce the complexities in TAFE program profiles and systemic barriers to participation and enabling increased flexibility and responsiveness to industry and community needs.
- Implementation of the proposed reforms, if confirmed, should begin with a thorough impact assessment and planning process with system changes introduced incrementally from 2010.

1 INTRODUCTION

1.1 *Proposed Skills Reform for VET in Victoria*

On 30 April 2008 the Victorian Minister for Skills and Workforce Participation released a discussion paper proposing significant reform to VET funding and delivery arrangements in Victoria. *Securing our future economic prosperity: Discussion paper on skills reform (DIIRD, 2008)* lists achievements of the Victorian VET system since 1999, makes “a case for change” by describing challenges and barriers in the current system, proposes reforms meant to overcome these challenges and invites comment from stakeholders via nine discussion questions.

The reforms proposed are as follows:

- Introducing eligibility criteria for access to government-supported places in VET programs
- Increasing the student fees for some courses
- Considering an income contingent loan scheme to assist students in meeting course fees
- Making a proportion of government-supported VET places subject to competition between TAFE and private providers

These reforms are intended to meet the following four objectives

- Boosting the numbers of individuals and business accessing training, which will increase the skills of Victoria’s workforce
- Developing a VET system that engages more effectively with individuals and businesses and is easier to navigate
- Ensuring the system is more responsive and flexible to the changing skill needs of businesses and individuals
- Creating a stronger culture of lifelong learning

1.2 *Responding to the Discussion Paper*

NMIT supports thorough examination and sensible development of the VET sector in Victoria and welcomes the opportunity to engage in consultation. However, NMIT has a range of concerns with the Discussion Paper which will be outlined in this response.

NMIT’s response to the Discussion Paper is organised as follows:

- NMIT Questions – A listing of the critical concerns, issues and questions (Section 1.3)
- A response from NMIT to the Victorian Government’s “Case for change” (Section 2)
- Discussion Paper Questions 1 – 9, NMIT’s response (Section 3)
- Implementation issues (Section 4)

1.3 **Requests for further information**

NMIT has found it extremely difficult to respond, other than in superficial terms, to the Discussion Paper because of the enormous lack of detail relating to the reforms. Furthermore, the language in the Discussion Paper appears deliberately hazy and ambiguous, despite the critical implications for TAFE institutes' market share and financial sustainability.

In the short time available since the release of the discussion paper, NMIT has identified some critical implementation and operational concerns which may impact heavily on many aspects of the reform agenda. We assume that the architects of the reform agenda outlined in the Discussion Paper will have thoroughly considered all of these issues and identified all of the potential repercussions arising from the implementation of the reforms, over a much greater time period, with the support of advanced modelling information and forecasts along with high-level consultancy advice.

These far reaching reforms will obviously require careful change management processes in order to avoid negative administrative, program delivery and educational ramifications. Therefore we also request details of the time lines proposed for implementing the different but inter-dependent elements of the total reform package in order that the time lines can be appropriately synchronised and dovetailed.

In order that NMIT can plan effectively and position itself to implement the reforms we request explanations and further details on the items listed in below at the earliest possible date.

Where these questions relate to the body of this response, cross-references will be given, for example, NMIT Question1.

Background research, the Victorian Government's "Case for change"

- 1 Regarding the projected shortfall of 123,000 Diploma and Advanced Diploma qualified workers in 2015 (page 8-9):
 - a The comparable figure for Australia (also from a CEET study) is a *net* shortfall of 240,000 VET qualified workers by 2016, consisting of a larger shortfall of Diploma / Advanced Diploma graduates offset by an oversupply of Cert I, II and IV graduates. Will the CEET report for Victoria be released? What is the projected net VET shortfall for Victoria?
 - b To what extent are the current and projected shortfalls of VET graduates a direct result of the OTTE priorities effectively cutting training in so-called low priority areas from 2006?
 - c How are these figures broken down into fields of study?
 - d Has the Commonwealth Productivity Places Program (630,000 additional VET places over 5 years) been taken into account when planning the Victoria reforms? Won't Victoria's share of the 630,000 places meet the projected shortfall?
- 2 The Minister's Foreword states that there are currently 1.4 million adult Victorians without post-school qualifications.
 - a What is this as a proportion of people of working age, and how does it compare with the national figure of 47.4%¹?

¹ Australian Bureau of Statistics (2007). *Education and work, May 2007*. Canberra: ABS

- b Has a demographic breakdown of this figure been undertaken (eg. age bracket, location and current employment status)?
 - c What is a more realistic estimate of the number of adult Victorians who would actually benefit from undertaking post-school qualifications?
 - d Why are participation rates considered too low, when TAFE Institutes not only delivered the SCHs they were funded to deliver, but also over-delivered at no cost to Government?
- 3 The Discussion paper refers to unmet demand of 27,500 students missing out on a TAFE place in 2007 (Source: ABS, Education and Work, 2007):
- a What proportion of 27,500 represents Victoria?
 - b What meaning is attributed to the fact that 70% of the 27,500 are already in employment and 15% are not in the labour force
 - c What application process did the disappointed applicants undertake?
 - d Which industry areas and qualifications levels are represented in the unmet demand?
 - e What percentage of unmet demand was in areas designated by Government as low priority?
 - f Has the Victorian Government conducted any research into unmet demand in Victoria?
- 4 In relation to unmet demand, what modelling has been undertaken to investigate whether the proposed reforms will reduce unmet demand, rather than increasing unmet demand by raising further barriers to accessing training?
- 5 Will the Victorian Government release details of the “significant research on the skills profile of Victoria’s working age population” (page 9), including quantification of the described misalignments and lack of incentives in the current VET system?
- 6 In relation to the cited barriers to entry (page 11):
- a What documentation is available from the Victorian Government’s analysis of the barriers?
 - b What modelling data has been undertaken to investigate whether the same cohort(s) of individuals will also fail to be engaged by the new skills training system?
- 7 What modelling data is available to support the assumption that increasing fees for higher level qualifications will lead to higher participation? How will the reverse be avoided?
- 8 The Discussion Paper indicates that “85% of Victorian employers with jobs requiring VET qualifications were satisfied with formal training as a way of meeting their skill needs” (page 7). Also, the Executive Summary indicates that the proposed reforms aim to ensure that “the system is more responsive and flexible to the changing skills needs of business and individuals.”
- a What are the details of TAFE inflexibility?
 - b What alternative solutions or strategies for improvement were identified?
 - c What is the minimum level of satisfaction required by the State Government?
 - d How would this be evaluated?

- 9 What analysis has been undertaken to determine the costs of the proposed reforms to Government?
 - a How much additional Victorian Government funding, in real terms, is expected under this proposal?
 - b What proportion, if any, of this additional funding will be redirected from the Commonwealth's Productivity Places program?
- 10 Is it planned that the *Education and Training Reform Act 2006* Part 3.1 Division 2 – TAFE Institutes; Clause 1.2.2 Principles underlying the Government education and training system, or any other Parts of the Act be amended in any form? If so, what are the specific changes proposed?

Student eligibility criteria / fees / income contingent loans

- 11 Regarding eligibility for government supported training, and the impact of implementation of such measures:
 - a When will the precise definition of eligibility be disseminated to the VET system and the public (including those planning VET study next year)?
 - b What evidence will students be required to produce to verify their eligibility?
 - c Who will be responsible for verifying an individual's education history and determining eligibility? If this is to be undertaken by RTOs, what resources will be available and how will eligibility processes be audited?
 - d What consideration will be given to human rights, privacy and anti-discrimination legislation in developing processes to determine a person's eligibility?
 - e How will refunds be processed for eligible student transfers?
- 12 What studies have been examined which measure the impact of similar eligibility reforms in the Higher Education sector?
- 13 Regarding the impact of eligibility measures on prospective students:
 - a Programs such as VET in Schools, VCAL and adult literacy courses embed vocational certificates or modules within general education qualifications. What provision will be made for people who have completed part of a qualification? How will the Government avoid disadvantaging people who have completed a certificate in this way, not understanding the implications for their future education?
 - b Pathways into and within careers are not always linear. What provisions will be made for university graduates who require a vocational certificate to gain employment? For tradespeople who require business skills? For aged care workers who require mental health training?
 - c Industries experience fluctuating demand. What provisions will be made for people unable to find work related to their existing qualifications seeking retraining?
 - d How will existing caps on low priority areas interrelate with eligibility criteria? Will Institutes be penalised for over-enrolling in low priority areas in response to high demand from eligible students who are guaranteed a place?
 - e Will people who have paid full-fee for a prior qualification also be ineligible for a government place?

- f If people are limited to one chance at, for example, a diploma qualification, they may wish to exercise that choice by enrolling in a course which matches their interests and strengths rather than one which, through flawed projection measures, are identified as high priority.
 - g Whilst NMIT comprehends that the Government wishes to decrease places in Certificate I and II, in many cases people will need access, sometimes repeated access, to these programs in order to develop the skills necessary to continue their education at a higher level.
 - h Can the Government provide reasonable guarantees that training undertaken with Government support will result in employment? What are the protections for people who have completed a qualification, are still unable to find employment and are ineligible for further government supported training?
- 14 How can businesses and individuals be guaranteed a place at the provider of their choice if:
- a Other eligible students already fill all of the student places?
 - b There is insufficient demand (ie, student enrolments) to fund the course?
- 15 Currently, Victorian VET students pay a maximum tuition fee of \$877 per annum. What fees and / or fee caps will be set for:
- a Government supported places?
 - b Full fee places?
 - c Higher qualifications?
 - d How will the new fees be calculated (that is, on a \$ per hour basis, or some other method)?
 - e When will the new fee structure be disseminated to the VET system and the public?
- 16 Will existing concession arrangements be maintained for
- a Government-supported places?
 - b Full-fee places?
- 17 How will the proposed Income Contingent loans be administered?
- a What is the fee refund policy when students transfer to another institute or withdraw from the course?
 - b What are the roles and responsibilities of public and private VET providers in relation to administration of student loans?
 - c How will the costs of such administration processes be met?
 - d Will ICLs be portable? If not, what will be the impact on students and RTOs of that inflexibility?
 - e What would be the impact on Tuition Assurance Schemes or Government guarantees of provision?

Contestability / Competitive neutrality

- 18 Will all RTOs (public and private) be required to offer the same range of student support services? Including:
- a Academic and technical library services

- b Counselling, housing support and recreational services
 - c Disability support services
 - d Literacy, numeracy and study skills supports
- 19 Under the demand driven model will all RTOs (public and private) be permitted full flexibility to determine
- a Which programs offered (ie. industry area and level of qualification)
 - b The type of student accepted, eg. requiring disability or other support
 - c If not, when will this policy be available to the VET system?
- 20 Who will undertake delivery of low demand / high priority / high cost programs?
- 21 Will all RTOs (public and private) be required to meet the same statutory obligations regarding:
- a Governance infrastructure
 - b Levels of reporting
 - c Compliance requirements, including Victorian public sector industrial relations and employment policies
 - d Ministerial Directions
 - e Community service obligations
 - f Fee structures and fee exemption policies
 - g Guaranteed government supported places for eligible students
 - h If not, when will details be available to the VET system?
- 22 How will Victoria ensure that performance by public and private VET providers is measured fairly?
- a What actions are proposed to ensure continued quality benchmarks are achieved by all RTOs (public and private)?
 - b What is the definition of a good provider?
 - c What prevented the Government from rewarding good providers in the past?
 - d When will this information be available to the VET system?
- 23 What will be the funding differentials between TAFE institutes and other RTOs?
- a Will funding for “full service providers” be additional, or will it be reallocated from existing tagged funding items in the current performance / funding agreements?
- 24 What will be the policy for mutual recognition for the expanded numbers of RTOs?
- 25 What policies / regulations are being formulated to ensure appropriate pathways and articulation credits from the new private providers into university programs are available to students?
- 26 If TAFE Institutes are to be required to further open access to provide facilities to private providers:
- a What costs can be charged?
 - b What limits (eg. parking, use of services and amenities, policies) can be placed on tenant RTOs and their students?

- c What indemnity is given to the TAFE Institute for the activities of other RTO tenants and their students?
 - d How will licensing agreements be affected and / or protected?
- 27 In relation to contestability policy:
- a What is the Commonwealth Government contestability policy?
 - b How many states have accepted or rejected this policy?
 - c What research has been undertaken into funding contestability against desired outcomes including:
 - i more and better graduates
 - ii reducing skills shortages
 - iii lower cost
 - iv increased flexibility
 - d When will the outcomes of this research be released to the VET system and the public?
- 28 What strategies have been identified for resolving conflict between the two government contestability policies and processes (Commonwealth Productivity Places Program and State funded places)?

Implementation issues - Funding

- 29 How and when will RTOs be funded for Government supported enrolments and students with ICLs?
- a What time of year or point in the student's enrolment cycle?
 - b Level of base funding
 - c Concessions
- 30 By what methods will contestable funds be allocated?
- 31 How will low demand / small class size programs be funded and delivered, given that they may be non-viable but required by industry?
- 32 Will the Government establish a Tuition Assurance Scheme or a Government guarantee of provision policy? If so, when will details of such a policy be made available?
- 33 What will be the format for the future performance agreements? Will they be consistent for all institutes and will they apply to all RTOs?
- 34 How will curriculum maintenance be achieved?
- 35 Who will initiate capital works proposals under the reform agenda given that levels of enrolments and therefore types of programs may be subject to significant fluctuations?
- 36 What (if any) modelling or analysis has been undertaken, to determine how low the SCH rate could go?
- 37 The potential new fee arrangements do not apply to existing and ongoing students. Does this mean existing students who become eligible ongoing students or all ongoing students?
- 38 What will be the impact on funding for -
- a Long Service Leave

- b Specialised TAFE Equipment
- c State Capital Equipment
- d Other tagged items in the current Performance Agreements?

Implementation issues - Student records systems

- 39 Has an analysis been undertaken to determine the capacity of existing student records management systems to accommodate the new student information complexities associated with the new student classifications, fee levels and payment modes (including ICLs)?
- 40 Will Victoria be required to operate an expanded or parallel student records management system to satisfy both the Victorian model and the Commonwealth model?
- 41 What lead time is necessary to alter the existing student records management systems?
- 42 Will funding be available to Victorian RTOs (public and private) to amend their student records management systems?

Implementation issues – Planning and workforce

- 43 Under the proposed new funding conditions TAFE institutes will need a more flexible workforce, in particular the removal of restriction on sessional/casual employment hours of attendance and annual teaching loads.
 - a How will the State Government secure these new flexible agreements with the AEU and NTEU?
 - b How will these new arrangements comply with the State Government and workplace authority 'no-disadvantage' test relating to industrial agreements?
- 44 What consideration has been given to the impact of redundancies from the public VET sector including financial costs and skilled workers lost to the system through VDP conditions?
- 45 Fee-for-service activity - including inbound students, offshore delivery, industry / government contracts – requires an underpinning of recurrently funded staffing and activity be maintained. What will be the impact on individuals, industry, government programmes and TAFE Institutes if these programs can no longer be undertaken?
- 46 If the proposed new arrangements are to be implemented for Certificate IV and above in 2009, what is the status of information on courses already submitted by TAFE Institutes to VTAC for the release of VTAC Guide 2009 in July 2008?

2 THE CASE FOR CHANGE

The reforms proposed in the discussion paper - which boil down to increased costs of training for individuals and businesses, changing eligibility criteria for government supported training and the introduction of contestability of government funded places - are substantially based on the following arguments:

- Victoria's economic prosperity depends on meeting increasing demand for skilled workers
- Increased demand will be for higher skills levels and qualifications
- Projected shortfalls of 123,000 workers with diploma or advanced diploma qualifications by 2015; Currently 1.4 million adult Victorians do not have a post-school qualification
- Barriers in the current training system including:
 - Poor alignments between govt subsidies and individual need
 - Repeat enrolments in low level qualifications
 - Unmet demand for TAFE places of 27,000 (Australia) in 2007
 - System complexity and inflexibility (re changing industry demands)
 - Good providers are not rewarded
- Barriers faced by individuals and business in accessing training

2.1 *Skills shortages*

The Victorian shortfall figure of 123,000 diploma-qualified workers by 2015 has been provided by *The Centre for Economics of Education and Training* at Monash University. This model of skills projections, whilst acknowledged as the most sophisticated in Australia, has been critiqued by NCVER², who argue that the extraordinary complexity of forecasting skills demand mitigates accuracy and recommend limiting the use of skills projections to forecasting trends – such as which skills are more likely than others to be in higher demand.

NMIT asks for release of the CEET report, *The Labour Market and Qualifications in Victoria* (2006), on the basis that the disaggregation of the figure of 123,000 into industry categories would be more useful for VET workforce, course, and facilities development. Currently Institutes are given 'priorities' information year by year, which is little help in planning for qualifications which take longer to complete.

The National Skills Policy Collaboration also referred to the 240,000 net skills shortfall across Australia and indicated that the shortfall could be overcome with a net increase in VET completions of 1.9% per year over the next decade³. Additionally, the budget highlights paper issued by the Deputy Prime Minister states that the projected shortfall by

² Richardson, S. & Tan, Y. (2007). *Forecasting future demands: What we can and cannot know*. Adelaide: NCVER.

³ National Skills Policy Collaboration (2008). *Facing up to Australia's skills challenge: setting priorities and delivering results*. [Sydney: AIG, ACTU, AEU, GTA, DSF]

2016 of around 240,000 people with VET qualifications would require a 5% per annum increase in investment⁴.

The Victorian Government funds VET at a rate of 13.7% below the Australian average. This lack of funding appears to be the underlying cause of the projected skills shortage, exacerbated in Victoria's case by the transfer of Government funds away from Certificate IV and diploma programs. In 2006 the Victorian Government reduced training in approximately 30 industry sub-groups involving over 100 diploma programs. Some of these are now likely to be part of the qualification shortfall.

Strategies to increase completion rates would be more cost-effective and immediate than the upheaval to the VET sector proposed in the Discussion Paper. Additionally, an increase in the funding of places under existing VET structures would overcome the shortfall if student demand for these places actually exists or could be encouraged.

Questions or requests for further information regarding these figures are noted in NMIT Questions 1, 2 and 9.

When more details about the projected shortfalls and participation issues are known, NMIT recommends the following alternative approaches to overcoming projected shortfalls of diploma-qualified workers:

- Removing caps on delivery in programs designated as low priority.
- Continued investment in strategies to improve completion rates
- Increase funding for VET places under existing VET structures

2.2 *Unmet demand*

NMIT questions the use of an Australia wide figure extrapolated from one data item in interviews of 30,000 households⁵ and requests further details or analysis as outlined in NMIT Questions 3 and 4.

The actual figure of Victorians who missed out on a place in the Victorian Government's high or medium priority programs is likely to be quite manageable and could be overcome with a very modest increase in funding under the existing VET structures. For example, NMIT has very few people on waiting lists for diploma courses in government-identified high priority areas.

NMIT expresses concern that an unexamined cohort of people missing out on a TAFE place is being used as justification for reforms that will not necessarily improve access to government supported VET places. Further, that unmet demand may increase as a result of students being refused government places on the basis of previously completed training.

Other barriers in the training system

NMIT has previously engaged in debate regarding performance measurement of TAFE Institutes as failing to appropriately consider regional differences, cohort variation and systemic disadvantages, and recommends the Victorian Government establishes fair and measurable evaluative criteria and a clear definition of what makes a "good provider".

NMIT supports the notion that Government support for training places is allocated on the basis of performance and regional needs, properly evaluated, and seeks more information regarding the future definition of a good provider of VET in Victoria.

⁴ Gillard, J. (2008). *Budget 2008-9: Education revolution*. Canberra: [DEEWR]

⁵ Australian Bureau of Statistics (2007). *Education and work, May 2007*. Canberra: ABS

It is true that aspects of product development and approval in the VET system can be slower than industry and businesses would like. Relevant, high quality VET products rely on an experienced workforce of VET professionals and clear and efficient regulatory processes. The proposed contestability reforms represent a significant threat to the VET workforce, and challenges to Institutes in maintaining sufficient experienced staff to undertake new product development.

NMIT encourages the Government to release details as outlined in NMIT Q 5 and 8.

2.3 *Barriers faced by individuals and businesses*

As above, refer to NMIT Question 6.

2.4 *Australian Government "Education Revolution" initiatives*

The Commonwealth Budget 2008-9 announced 630,000 additional places to address skills shortages, including 85,000 Apprenticeship places.

Assuming that:

- Victoria receives 25% of these additional places (ie. 157,500 places, including approximately 21,250 apprenticeships, over 5 years)
- So Victoria receives an average of 31,500 places per year
- Victorian Government funding for VET remains approximately the same
- But only 6,750 (approximately) people missed out on a TAFE place in Victoria in 2007 (ie. 25% of the 27,500 across Australia)

If Victorian Government investment was to remain the same, or increase as is claimed in the Discussion paper, how will these additional 31,500 students be found each year?

Presumably, the intention is to source these new students from the 1.4 million adult Victorians who do not have a post school qualification. If 31,400 of these 1.4 million do undertake diploma studies for new jobs, who is going to back fill their old jobs?

Additionally, the \$11 billion in the newly formed Education Investment Fund will not be allocated to Universities or TAFE Institutes until the Commonwealth Government Higher Education review is completed in late 2008. The Victorian Government should wait until the outcomes of this review are known, and the Commonwealth Government policies are fully determined before undertaking disruptive and potentially damaging reforms of their own.

Refer also to NMIT Question 9.

3 TRANSFORMING THE TRAINING SYSTEM: PROPOSED REFORMS

NMIT appreciates the opportunity to comment on the proposed reforms and offers responses to the Discussion Questions in the following sections.

3.1 *Investment reform*

The Victorian Government proposes that the primary beneficiaries of training - government, businesses and individuals - increase their investment. Effectively, this means:

- A government supported course place at TAFE will cost more
- Eligibility criteria will be used to regulate access to government places

Q1 If government supported training for all eligible Victorians were introduced, what should the eligibility criteria look like?

Eligibility criteria limiting access to government funded places should be carefully reviewed in order for the reform to meet the identified objective of increasing access to places and skilled workers in areas of industry need.

NMIT proposes that the Government consider instead a modest increase in investment under the existing VET structures to meet any unmet demand in high or medium priority areas.

In contrast, the existing eligibility proposal limits access to a government place to people who have not completed a qualification at the same level. This means that anyone wishing to enrol in a Certificate III will pay a full fee of several thousand dollars if they have previously completed any qualification at Cert III level. While NMIT understands the logic of prioritising government places and increasing enrolments in higher-level qualifications, there are a number of potential concerns regarding limitations on eligibility which should be addressed (see NMIT Questions 10 to 14).

Q2 How could this proposal be marketed to encourage higher take up, particularly among Victorians who have never considered VET studies?

This question suggests the Victorian Government has not undertaken an analysis of the impact of the proposed price rise on its target market.

NMIT notes that the federal government has used removing TAFE fees altogether in one 2008-9 Budget initiative to address skills shortages in a specific industry⁶.

NMIT is concerned that increasing the cost of training (whether up-front or deferred) will further deter Victorians from considering VET studies, particularly in regions with high levels of socio-economic disadvantage (see NMIT Q7). This might be offset by a perception that the price increase was accompanied by a guarantee of comparable increases in accessibility and value for money.

⁶ Gillard, J. (2008). *Budget 2008-9: Education revolution*. Canberra: [DEEWR]

Q3 What proportion of course costs do you think it is reasonable for an individual or business to contribute?

Q4 Is it reasonable to introduce higher fees for students for training courses that deliver higher individual benefits with improved employment opportunities?

NMIT supports increased overall investment in the VET sector. However, the investment expected of individuals and businesses should be carefully calculated to meet the reforms' stated objectives without the burden being unfairly distributed in the community.

Additionally, NMIT reiterates the observation that customers will expect a considerable increase in value for the increased prices, and that investment in public TAFE Institutes should be calibrated accordingly.

NMIT notes that the calculations regarding an individuals' return on investment used to support its argument are based on VET course fees of \$500-\$1500 per annum⁷ and would caution the Government against setting individual contributions to government supported training any higher than this amount.

NMIT recommends that the Government clarify its position regarding fees payable for a government place, and caps on fees payable for non-government places as per NMIT Questions 7, 9, 15 and 16.

Q5 Should the government consider an income contingent loan scheme as currently applies to university education?

Given that, under the proposed reforms, course fees for government-supported places will rise dramatically and more people will be obliged to enter full-fee programs, an income contingent loan scheme seems inevitable. However, a loan scheme should not be used to deflect concerns about the impact of higher training costs, and individuals should be offered protections against incurring poorly understood debts through, for example, workplace-based training schemes.

The issue of HECS for VET has generated widespread public debate and NMIT will not undertake to restate the arguments here. However, if ICLs are introduced in Victoria, NMIT recommends that loans should be available to both government-supported and fee-paying students.

Refer to NMIT Questions 17, 29 and 39 - 42 for additional concerns regarding the implementation of income contingent loans.

⁷ Chapman, B., Rodrigues, M., & Ryan, C. (2007). *HECS for TAFE: the case for extending income contingent loans to the VET sector*. Commonwealth Treasury Working Paper, 2007-2

Q6 How can the system be structured to produce a better match between the future needs of the Victorian economy and the training choices made by individuals and businesses?

NMIT regards the current system of funding by identified priorities as flawed (See NMIT Questions 1b, 3e and 8), and recommends the following:

- Review and improve systems for seeking advice regarding skills needs
- Review and improve funding profile formulas which currently impede flexibility and responsiveness through ridiculous levels of complexity
- Allow a percentage of Institute program profiles for regional flexibility (giving institutes the capacity to respond to specific, immediate, regional industry needs)
- Target critical shortages with tagged funding initiatives

3.2 Choice and contestability

Q7 How can Government best support TAFE and ACFE providers to thrive in a more competitive environment?

Q8 How can Government make its support for students undertaking training available in a way that encourages training providers to be more innovative, flexible and responsive to the needs of individuals and businesses?

NMIT recommends that substantially more detail about the terms of competition between TAFE institutes, ACFE providers and private providers is required before evaluating the proposed reforms' capacity to meet the stated objectives of strengthening TAFE and ACFE providers and attracting more students.

The demise of TAFE institutes could lead to a VET system which brings about the exact opposite to the stated objectives, with additional negative outcomes not apparently considered.

NMIT recommends that the following issues related to the proposed contestability reform are considered and further information provided:

- A review of evidence relating to contestability of funding against desired outcomes
- Competitive neutrality criteria
- Competitive weighting of the various statutory obligations of TAFE Institutes
- Impact of uncertainty regarding student numbers and income on TAFE operational and workforce planning
- Impact of redundancies from the public VET sector
- RTO obligations regarding guaranteed government supported places for eligible students

For details, refer to NMIT Questions 4 to 10, 18 to 28, 30 to 31, and 43 to 45.

3.3 Improving information and system navigation

Q9 In what ways can Government help individuals and businesses better understand and access the benefits of vocational education and training?

NMIT wholeheartedly supports the plan for a VET system that is easy for individuals, businesses and VET professionals to understand and navigate, and recommends strengthening and supporting the existing structure through targeted action.

Much of the VET system's complexity, and associated difficulty for individuals and businesses navigating and accessing training, is due to the current funding model. If Government were to reduce the complexities of TAFE program profiles by reducing the number of targets, sub-targets, age cohorts, priorities, weightings etc., access to the system would be easier.

NMIT expresses concern that the aim of increasing choice for consumers will in fact deepen their confusion and present additional barriers to accessing VET. Recent initiatives including Skills Stores, TECs, Commonwealth Productivity Places Program, VET in Schools, Innovation project funding, Managed Individual Pathways should be provided with properly evaluated ongoing support to allow time for establishment, development and attaining objectives.

NMIT recommends that TAFE institutes receive further support to develop flexible and responsive information systems to further support individuals and businesses in accessing timely, relevant and cost effective solutions to their skills needs.

Refer also to NMIT Questions 4 to 8.

4 IMPLEMENTATION PLANNING

At the time of preparing this report, NMIT understands that the Victorian Government's implementation timetable for the proposed reforms is as follows:

- New arrangements for Certificate IV and above in 2009
- Followed in subsequent years by extension of the applicable new arrangements to CIII, then CII, then Further Education programs

NMIT expresses concerns about the risks of changes that are rushed and poorly planned, including widespread workforce, infrastructure and communication issues, and further fragmentation of the VET system. Specific concerns are detailed in NMIT Questions 29 – 46. From NMIT's perspective, the introduction of the proposed changes to Certificate IV and above represents significant and unprecedented uncertainty against 50.2% of NMIT's program profile.

NMIT has demonstrated its concerns regarding the reform package, and proposed prudent alternatives, throughout this document. However, should the Victorian Government continue to pursue its deregulation and privatisation agenda, NMIT recommends the following measures to reduce harmful impacts on students, VET staff and Victorian TAFE institutions:

- 2008: Detailed consideration of the questions and concerns raised by NMIT and other stakeholders in response to this Discussion Paper, followed by release of reviewed reform proposals in the second half of the year
- 2009: Lead time to undertake significant administrative, procedural, infrastructure, workforce, communications and educational planning at both institute and system-wide levels
- 2010 – 2014: Phase in the changes in smaller increments (ie. not half our funding at once) beginning with higher-level qualifications in specific industries experiencing the most need.

5 CONCLUSION

5.1 *The current system isn't broken*

National comparisons over the years have consistently shown that the Victorian VET sector (primarily TAFE Institutes) is by far the most cost effective and efficient VET sector in Australia. Similarly, the Discussion Paper acknowledges a number of performance outcomes for the sector which are described as great results, then suggests a pressing need for very substantial reform. While NMIT agrees that the VET system should continue to aim for even better results, few substantiated shortcomings or failures are offered which warrant an upheaval of the proposed magnitude. Thus, an unsubstantiated premise is thereafter used as the foundation for urgently needed reform.

The suggested reforms ensure neither the quality of VET programs nor the delivery to match predicted skills shortages. Rather the proposal appears to be one which concentrates on reforms to ensure reduced government recurrent finding with cost transference away from government on to individuals and employers. Private capital investment, in the form of Public Private Partnerships, may also be sought in the future.

The proposals in the Discussion Paper do not appear to have been adequately researched, or, if they have been, the results of that research are not being disclosed. Several meetings have been held with the bureaucracy and the Minister – it has been extremely difficult to extract any detail or further information from them and evident that the vast number of serious issues and concerns raised were unanticipated by the architects of the reforms.

The Discussion Paper appears to aim at the deregulation and privatisation of the Victorian VET system.

The ramifications of this proposal are extremely far reaching with the very real potential for disastrous results for individuals, the TAFE institutes and Victorian industry. The role and performance of Victorian TAFE institutes has for a long time been grossly undervalued – it will be ironic if the value of these Institutes will become evident because of their absence.

5.2 *Summary Recommendations*

NMIT supports increased investment and continuous improvement of the VET system in order to meet the needs of the Victorian economy, industry and community into the future. Throughout this response, NMIT has made a number of recommendations regarding the issues identified and solutions proposed by the Victorian Government in the Skills Reform Discussion Paper; these are summarised as follows:

Recommendation 1

The Victorian Government provides responses to the 46 questions identified by NMIT in Section 1.3, and also to issues and / or concerns raised by other VET stakeholders in their respective submissions. Information sought includes:

- Details of research, modelling and analysis undertaken into unmet demand, participation, skills shortages and the impact of the proposed VET reforms on individuals, businesses, TAFE institutes and the capacity of the Victorian workforce.
- Details about the terms of competition between TAFE Institutes and private providers under the proposed contestability arrangements.

- Details and clarification regarding new eligibility requirements, fee structures and loan arrangements for VET students.

Recommendation 2

The Victorian Government releases the report *The Labour market and qualifications in Victoria* (2006) as clarification of one of the key drivers of VET reform in Victoria.

Recommendation 3

Commonwealth policies regarding the Productivity Places Program, outcomes of the Higher Education Review and other key platforms of the Australian Government's *Education Revolution* are fully determined and factored into the Victorian Government VET reforms.

Recommendation 4

The Victorian Government increases investment in the existing structures of the Victorian VET system to establish investment parity with other states, with a proportion of the increased funding targeting specific skills shortages and identified barriers to participation.

Recommendation 5

Existing TAFE profile funding formula is reviewed in consultation with TAFE Institutes aiming to reduce the complexities in TAFE program profiles and systemic barriers to participation and enabling increased flexibility and responsiveness to industry and community needs.

Recommendation 6

Implementation of the proposed reforms, if confirmed, should begin with a thorough impact assessment and planning process with system changes introduced incrementally from 2010.