

# **Review into the Australian vocational education and training (VET) system led by the Hon Steve Joyce**

## **Navitas Position Paper**

January 2019

Navitas welcomes the opportunity to provide a submission in response to the Australian Government's Review of Australia's Vocational Education and Training System (the Review) being led by the Hon Steve Joyce.

### **Executive Summary**

Navitas recognises the vital role of Vocational Education and Training (VET) in skilling Australians for the future. As well as providing a pathway to further study for many Navitas students, VET plays a vital role in helping non-traditional learners to develop life-long skills, and is often the preferred study pathway for professionals looking to upskill as well as career-changers with strong professional experience seeking new technical skills.

However, the current VET system is hamstrung by a number of factors influencing its effectiveness and accessibility. These include:

- A disconnect between Federal and State/Territory Government regulation, policy and funding models, resulting in funding inequities that disadvantage students of quality private education providers and limit student access to quality VET programs
- A national student loan scheme with caps that do not reflect true cost of course delivery or serve to meet critical skills shortages
- An overly complicated and bureaucratic system for dual sector providers navigating both higher education and VET regulatory environments and conditions
- A regulatory framework that does not differentiate between the 4,200 Registered Training Organisations (RTOs), irrespective of their capacity, capability and track record
- A rigid learning and teaching framework, including Training Packages, that limits innovation and the ability of providers to respond to skills shortages and industry needs in a timely and responsive way.

Further, the 2016 Australian Government reforms to VET – and specifically the caps imposed on VET Student Loans (VSL) available to our students – have had a dire impact on VET enrolments at Navitas colleges (including SAE Creative Media Institute, Australian College of Applied Psychology, Navitas Professional and Health Skills Australia) and directly resulted in the divestment of our nursing education operations in Victoria and Queensland in 2018. In its current state, the only viable VET offering for Navitas's colleges are VET Foundation Skills (language, literacy, numeracy and employability) courses. These programs are delivered by Navitas English on behalf of the Australian Government through a competitive tender process. These programs include the Adult Migrant English Program (AMEP) and Skills for Education and Employment (SEE) program.

Finally, Navitas remains concerned that VET is not governed, funded or regulated in a way that provides a future-focused framework for learners to acquire the skills sought by industry. Navitas believes this review of VET – alongside the reviews of Higher Education Provider Categories and the Australian Qualifications Framework being undertaken by the Australian Government – provides a unique opportunity to consider international best practice and create a seamlessly integrated tertiary system. Such a system would:

- empower students to make informed choices
- enable providers to more easily partner with industry deliver programs that meet the skills needs of the 21<sup>st</sup> century
- allow government to regulate and fund the sector effectively.

Navitas has been an active and constructive contributor to policy and funding debates over the past three years. We request that the Review also take into consideration all our relevant previous submissions, those being:

- [Victorian Government VET Funding Review Issues Paper](#) – July 2015
- [Navitas Submission to the Senate Education and Employment Legislation Committee](#) – November 2015
- [Redesigning VET FEE-HELP](#) – June 2016
- [Senate Inquiry: VET Student Loans Package](#) – October 2016
- [VET Student Loans course list and loan caps methodology](#) – May 2017
- [Training product reform](#) – March 2018
- [ANAO Audit on the Design and Implementation of the VET Student Loans program](#) – May 2018

## Essential considerations for the Review

To ensure the VET system is best placed to ensure millions of Australians have the skills they need to succeed in a changing labor market, Navitas renews its call for an integrated tertiary sector that:

- Equally values the role of vocational education and training (VET) and higher education (HE) in meeting the education, skills and workforce needs of the future
- Incorporates an overarching and consistent national regulatory, policy and funding model
- Incorporates a unified tertiary education loan scheme that allows all students to access a single income-contingent loan irrespective of their level of study or choice of registered provider
- Removes current funding inequities and barriers to participation that disadvantage students of independent providers
- Encourages and empowers student choice through provision of up-to-date, accurate data
- Is sufficiently flexible to respond to the ever-changing needs of industry while ensuring the highest standards are maintained
- Ensures a level playing field between quality public and independent providers, according to competitive neutrality principles which aim to ensure 'a level playing field between government business activities and their competitors'.<sup>1</sup>

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<sup>1</sup> A review of the Commonwealth Government's Competitive Neutrality Policy Consultation Paper, March 2017

Our call for an integrated tertiary sector is consistent with other leading organisations that have insights into, and a stake in, the future of the generation of knowledge and the development of skills, including:

- KPMG's *Reimagining tertiary education: From binary system to ecosystem*<sup>2</sup>
- Business Council of Australia's *Future Proof*<sup>3</sup>

Further, Navitas advocates for the federal government to assume primary funding and overall regulatory responsibility for all tertiary education and training in Australia. Navitas also advocates for one adequately resourced tertiary regulator – that oversees both VET and higher education – that takes a national, proportionate, risk-based approach to quality assurance and recognises effective governance and management as a key indicator of provider quality. These two recommendations were made by the 2008 Review of Higher Education (the Bradley Review).

## Key points for consideration by the Review

### Independent providers deliver strong VET outcomes

Despite the negative rhetoric of the past three years regarding 'dodgy private providers', data released in December 2018 by the [National Centre for Vocational Education Research](#) (NCVER) demonstrates the valuable role that quality independent providers play in meeting skills needs of students and industry. Specifically, Navitas highlights the following student experiences and graduate outcomes:

- The proportion of graduates not employed before training, who were employed after training, was higher for independent training providers than universities and TAFE institutes.
- The proportion of subject completers not employed before training who were employed after training was higher for students from independent training providers (51.9%) than those studying at universities and TAFE institutes.
- A higher proportion of subject completers from independent training providers (88.2%) were employed or in further study after training than those studying at universities or TAFE institutes.
- A higher proportion of subject completers from independent training providers were satisfied with the overall quality of training that those studying at universities or TAFE institutes.

It is also important to acknowledge that a higher proportion of graduates from independent training providers undertook training for employment-related reasons (86.9%). This demonstrates that quality independent education providers have cemented a reputation for delivering training that meet industry needs and leads to jobs.

To illustrate this point, we would note that data from the 2017 Australian Skills Quality Authority (ASQA) survey reports exceptional student experiences for students enrolled in Australian Government-funded VET programs delivered by Navitas English:

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<sup>2</sup> <https://home.kpmg.com/content/dam/kpmg/au/pdf/2018/reimagining-tertiary-education.pdf>

<sup>3</sup> <https://www.bca.com.au/future-proof-australia-s-future-post-secondary-education-and-skills-system>

- 99% of Navitas English clients said that developed the skills expected from their training
- 96% of students said the Navitas English training focused on relevant skills
- 97% of students would recommend Navitas English to others.

## **Disconnect between Federal and State Government funding and policy**

### ***Lack of contestable funding***

While the VSL is accessible to eligible students irrespective of their geographical location, there is a lack of truly contestable State/Territory Government funding available to independent education providers. Where independent providers can access funding, the processes are overly bureaucratic. The funding conditions, restrictions and annual funding cycles mean there are no guarantees from year to year that students will be able to access those subsidies. Further, funding allocations, structures and eligible courses differ between the States and Territories, including the amount expected to be paid by a student and subsidised by the government. The combined effect of these factors makes it near impossible to provide certainty for our students and industry or project demand for programs.

### *NSW Smart and Skilled Program funding*

To demonstrate this, it should be noted that with the exception of NSW, where SAE Creative Media Institute (SAE) previously secured funding for only one certificate course at one regional campus under the *Smart and Skilled Program*, neither SAE or the Australian College of Applied Psychology (ACAP) have received any State Government subsidies to support their VET learners.

In reference to the *Smart and Skilled Program*, SAE was awarded funding in 2016 for course delivery at our Byron Bay campus, with a modest financial cap for Certificate III qualifications. Although small in scale, these subsidies significantly increased access to quality training for local creative students in that regional community.

Further, despite delivering the Foundation Skills courses funded by the Commonwealth Government for more than 20 years with exceptional student outcomes, Navitas is not eligible to access *Smart and Skilled Program* funding for these courses in NSW. Instead, only TAFE and Community Colleges are eligible to receive funding for these courses under the NSW government Community Service Obligations and consequently they are exempt from Commonwealth and State Competitive Neutrality Policy and Agreements. As a result, many Navitas exiting AMEP students do not have seamless uninterrupted pathway into further Foundation Skills training and need to change providers and wait, sometimes months, for the next course at a public provider. As a result of these delays, student language skills often regress and learners become disengaged from their learning – potentially impacting their study and employment outcomes.

This funding arrangement does not reflect a 'level playing field' for public and independent providers, nor does it consider how funding should be allocated to achieve the best possible student and community outcomes.

### *'Fee free' TAFE programs*

State Government funding continues to preference government-funded VET providers at the expense of student choice and outcomes. For example, in May 2018, the Victorian Premier announced 'fee free' TAFE places would be available from 2019 across the State. This was followed by a similar announcement in August 2018 by the Queensland Premier. It is impossible for independent providers to operate sustainably in this environment, and therefore the offerings and choices available to students are significantly reduced. As demonstrated by the data quoted above from NCVER, this also impacts student experience and outcomes, as access to high quality training from independent providers is greatly restricted.

Importantly, Navitas also questions why State Governments would allocate State-funded subsidies for programs that are eligible to be funded through an existing Federal Government funding model – the VSL scheme.

### ***Impacts of VET reforms at Federal and State level***

As stated in the summary above, changes in VET policy and funding arrangements at both a Federal and State level drastically reduced demand for VET programs at our nursing college, Health Skills Australia (HSA), and at our dual sector colleges, the Australian College of Applied Psychology (ACAP) and SAE Creative Media Institute (SAE Institute).

As well as making it very difficult for learners to meet upfront costs of vocational study, a loan cap has precluded many of our non-traditional learners from pathways to professional careers and higher education and, more broadly, has potential to push learners prematurely into higher education programs which may not suit their needs and goals. These are exactly the outcomes that the VET reforms aimed to mitigate.

Earlier this year, following further decline in enrolments – and compounded by the Victorian and Queensland Government announcements of 'fee-free' TAFE courses – Navitas regretfully announced the divestment of its nursing operations in Melbourne and Brisbane. Meanwhile, as a result of the VET reforms, between 2016 and 2018:

- SAE's VET enrolments declined from 18% to 2% of total enrolments (higher education and VET enrolments combined)
- ACAP VET enrolments fell from 37% to 7% of total enrolments.

As stated in detail in previous submissions and responses to the Australian Government, Navitas believes that:

- the loan caps that have been applied are not reflective of the full-fee market that operates alongside government-subsidised markets, and in which both public and independent providers participate
- the loan caps do not reflect the true cost of delivering quality courses when large investments are made in staffing for small class-sizes and expert support personnel; capital investments in expensive state-of-the-art equipment; costs associated with training in high-cost industries such as health; and costs associated with securing mandatory industry placements
- loan caps for some courses appear to reflect State Government subsidised course prices rather than the full fee-for-service price charged for the same course by TAFE.

We reiterate our call to the Australian Government to:

- Undertake market-testing of the loan caps for all VSL program courses in consultation with the State and Territory governments and the sector to ensure all caps are set at a point that is reflective of the true full-fee cost of delivery.
- Exempt high cost courses (such as health, allied health and creative media) from the loan caps as they are essential industries for Australia’s future productivity and prosperity. Or at the very least, raise the loan caps to reflect true cost of delivery.

Failure to do so will continue to prevent quality education providers such as Navitas from operating in the VET space and delivering programs that aim to meet to major skills shortages in areas such as nursing.

#### *State-based funding ignores national data*

In another example of the disconnect between Federal and State Government funding policy, Navitas highlights a decision in 2017 by the Victorian Government not to award State-based Skills First funding to students at our nursing college, Health Skills Australia, based on student survey data sourced by the Victorian Government. At the time, we advised the Victorian Minister for Training and Skills of significant anomalies between this survey data sourced by the State compared with both the HSA Student Satisfaction data and the survey results published on the Federal Government’s MySkills website and provided by the National Centre for Vocational Education Research. Despite the fact that NCVER obtained the data independently through the National Student Outcomes Survey, it was disregarded by the Victorian Government. There was no consideration of the fact that NCVER is the national professional body responsible for collecting, managing, analysing and communicating research and statistics on the Australian VET sector.

The Victorian Governments’ decision to withdraw Skills First funding in 2017 for HSA students – who were only months earlier advised of the \$15,000 VSL loan cap – was a contributing factor to the decline in enrolments and subsequent decision to divest HSA operations in Victoria.

#### ***Unnecessary and duplicative regulation***

Under the current system, there is significant administrative duplication for dual sector providers seeking to comply with higher education and VET regulatory requirements. In some instances, regulatory requirements result in duplications of fees and charges imposed on providers.

To demonstrate this, we cite the example of dual sector providers such as SAE Institute having to apply separately and pay fees to both ASQA and TEQSA for CRICOS renewal applications. In April 2018 SAE Institute submitted a CRICOS registration renewal to TEQSA for all higher education and VET courses registered on the Provider Registration and International Student Management System (PRISM). This was based on a [Memorandum of Understanding](#) (MOU) between TEQSA and ASQA stating that the agencies would work together to ‘enable submission of CRICOS applications to one central point’.

Furthermore, the ESOS Framework information published on the Department of Education and Training (DET) website had stated that, for dual sector providers such as SAE, TEQSA would be the principal point of contact and should be

the recipient of any applications relating to ESOS so that a more streamlined service could be offered to providers without the need to deal with multiple ESOS agencies.

Despite this, ASQA insisted on a separate and additional submission from SAE for CRICOS renewal, which meant an additional administrative burden as well as unnecessary duplication of submission fees. Navitas understands that some dual sector providers have been able to proceed with one application for CRICOS renewal, but this has not been applied consistently. In response to these concerns raised by SAE Institute, ASQA advised on 4 December 2018 that:

- The information on the DET international website advising dual-sector providers to submit CRICOS applications to TEQSA has now been revised.
- Providers have always had to apply and pay separate fees to both ASQA and TEQSA for CRICOS renewal applications.
- In a few cases, providers have sought arrangements to submit a consolidated ASQA/TEQSA renewal application, but these cases have been agreed to by the regulators in advance and still incurred fees from both agencies.

Navitas calls on the Australian Government to enact the intentions of the MOU between TEQSA and ASQA which focused on 'identifying and implementing streamlined procedures in the regulation of providers registered with both national regulators'. Navitas argues that as the above example shows, to date, this has not been achieved.

### ***A classification model for RTOs***

Australia's VET sector is made up of over 4,200 RTOs. These organisations range in size from major State-wide institutes, such as TAFE, and national dual-sector independent providers such as SAE (2,700 students in Australia) and ACAP (5,400 students), to small businesses that create direct employment opportunities for local communities. All play a highly valuable role in creating employment pathways for learners linked to industry needs.

While these providers vary significantly in size, footprint and breadth of program delivery, they are all operating under a 'one-size-fits-all' regulatory framework. This is in contrast to the higher education sector, where the Higher Education Standards Framework (Threshold Standards) 2015 Part B which sets out the following sub-categories for the approximately 180 higher education providers:

- Higher Education Provider
- Australian University
- Australian University College
- Australian University of Specialisation
- Overseas University
- Overseas University of Specialisation.

While the Higher Education Provider Categories Standards are currently the subject of a review by the Australian Government, Navitas recommends a sub-classification model also be developed and implemented for RTOs. This model could consider a number of criteria including:

- Dual-sector provider status

- Number of staff/trainers
- Number of students
- Student experience and graduate outcome data
- Risk rating
- Demonstration of internal processes to assure quality, academic standards and integrity
- Demonstration of wellbeing and academic support services.

A classification system may help to distinguish those providers who demonstrate capacity, capability and a strong track record to drive future skills training (see *'Rigid learning and teaching framework'* below), while also ensuring that small providers, with a strong track-record, are not burdened by complex or unnecessary administrative and regulatory requirements.

### **Rigid learning and teaching framework**

*A more flexible and responsive approach than the current training package model*

Currently the Australian Government strictly specifies the qualifications – and the elements of a qualification – that a provider may offer through a 'one-size-fits-all' training package. New and innovative programs that respond directly to skills shortages and industry needs cannot be accommodated if they do not have a prescribed training package to match. Skills Services Organisations drive and oversee the revision of a training package, including the incorporated overly detailed units of competency (UoC). This creates a very structured approach to VET that restricts providers from:

- Combining UoCs in a meaningful way to meet learner and industry needs; or
- Innovating or responding in a reasonable time to meet skills shortages.

While the Industry Skills Council enables providers to submit and seek approval independently for a new training package through the [Training Package Development and Endorsement Process Policy](#), the process is overly bureaucratic and providers are only able to retain Intellectual Property for a finite period. As stated by leading vocational-training expert and honorary senior fellow at the LH Martin Institute, an education think tank, Mark Warburton, quoted in the Australian Financial Review (28 October 2018):

*'There is a lot of fine detail on competencies in training packages and RTOs are expected to ensure they meet all of a package's requirements... Many people in the sector believe training packages go into too much minutia and that it is time there was more emphasis on delivering training that will equip people with the skills that allow them to work in a broader range of occupations and to adapt as technology changes the jobs they perform'.*

Administrative changes introduced as part of the VET reforms, including prescribed minimum study periods and enrolment processes, further prevent quality providers from taking the lead in developing relevant programs that can be delivered in a way that best meets the needs of learners. Flexible, innovative skills-based learning is key to meeting the needs of tomorrow's learners.



### *An alternative approach*

Navitas advocates for a flexible, responsive model that enables mature, low-risk providers with a proven track record in quality student experiences and outcomes to have autonomy in order to drive skills training delivery. Again, the current Australian Government review of the Australian Qualifications Framework being led by Prof Peter Noonan will no doubt consider such matters, to an extent. However, as an indication, this autonomy may involve:

- Self-accrediting authority for VET design and delivery, with quality assurance processes in place, such as in the higher education sector
- Capacity to partner with industry to develop non-accredited programs that meet specific skills shortages.

In support of this recommendation, Navitas refers the reviewer to an article co-authored by Ruth Schubert, Senior Fellow, LH Martin Institute, University of Melbourne and Leo Goedegebuure, Director, LH Martin Institute, University of Melbourne<sup>4</sup> which recommends the following:

*'First, identify the mature, comprehensive, low-risk providers and give them a new status, independence from government control, and operational autonomy so they can lead the change we need. This new category could include many TAFEs or TAFE divisions of dual sector universities (which provide vocational and higher education, such as RMIT and Swinburne), a number of not-for-profit providers, and a smaller number of private registered training organisations (RTOs). This classification of provider should be highly prized, not awarded lightly, or in great numbers.*

*Second, the group of providers should be given long-term equitable funding, based on an agreed framework with clear and measurable performance outcomes, as well as self-accrediting status to respond quickly to the changes in skills required of new and existing employees.*

*Performance outcomes would include student participation, progression and completion targets, and be tailored to institutional missions. Those outcomes should also to include specific regional innovation and development targets, with a clear focus on small and medium sized enterprises. Australia is largely a small and medium enterprise nation. Small to medium enterprises are a natural fit with highly responsive higher vocational education institutions."*

### *Establishment of higher apprenticeships or traineeships within Australian VET*

Navitas calls on the Australian Government to explore best practice in vocational education and training and consider extending the policy and funding framework to include programs that are: driven by industry needs; genuinely engage students in work-based environments; and reward students for achieving learning outcomes.

Such programs would include Work Integrated Learning (WIL), higher apprenticeships or traineeships that enable new or existing employees to undertake recognised qualifications at diploma-level or above while receiving a

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<sup>4</sup> <https://theconversation.com/the-vocational-education-sector-needs-a-plan-and-action-not-more-talk-102770>

salary.<sup>5</sup> As acknowledged by Dr Craig Fowler and Dr John Stanwick at the National Centre for Vocational Education Research:

*'There is potential for apprenticeships to become the lynchpin in a better integrated tertiary education sector that delivers work-ready and innovative graduates'.<sup>6</sup>*

Regarding higher apprenticeships, Navitas has seen them in operation in the United Kingdom through our operations there and believe they have a great potential for Australia. We met with representatives of the Department of Education (DET) and Training and PwC in 2017 to discuss the merits of the model and understood that DET would be undertaking a review of PwC's pilot programs in Australia. Navitas is not aware of outcomes of this review and urges that consideration of such a model be included through this Review.

#### *Recognition and funding of extension Work Integrated Learning programs in VET*

Navitas currently partners with tertiary education providers and industry – through Navitas Professional – to deliver WIL programs that incorporate authentic workplace experiences and pathways to employment and provide vital skills development for young people and older workers. While participants receive employability skills training and vocational placements, the programs are not accredited and participants are not eligible for any funding (loans or subsidies).

Given that WIL programs are largely driven by the needs of industry – and based on Navitas's extensive experience in successfully delivering WIL as part of the Professional Year Program to international graduates – Navitas believes these programs can play a key role in meeting the future needs of employees and should be recognised within an integrated tertiary system.

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<sup>5</sup> Higher Apprenticeship & Traineeship Pilot Programme - September 2017, PwC

<sup>6</sup> <https://www.ncver.edu.au/news-and-events/opinion-pieces/a-chance-to-be-bold-and-ambitious-make-apprenticeships-the-lynchpin-to-a-better-integrated-tertiary-education-sector>