

Victorian Government: VET Funding Review – Issues Paper July 2015

About Navitas

Navitas Ltd is an Australian global education leader providing pre-university and university programs, English language courses, migrant education and settlement services, creative media education, student recruitment, professional development and corporate training services to more than 80,000 students across a network of over 120 colleges and campuses in 27 countries. Navitas listed on the Australian Securities Exchange (ASX) in 2004 and is now an S&P/ASX Top 100 Company, employing more than 5,800 staff globally.

Navitas believes an innovative, diverse, globally connected public and private tertiary education and training sector is critical to Australia’s future prosperity, intellectual capital and social cohesion and welcomes this opportunity to provide comment on the themes and specific changes being proposed in the Victorian VET Funding Review – Issues Paper.

Consultation Questions

Better targeting funding

Question 1

Question	Would a classification system help lift the quality of training? What measures provide an effective measure of provider capability?
Navitas Response	<p>Navitas does not believe that a new classification system would help lift the quality of training. Australia already has a national VET regulatory and quality assurance system. All registered training organisations are required to meet the <i>Standards for Registered Training Organisations (RTOs) 2015</i>, which the Council of Australian Governments (COAG) Industry and Skills Council adopted in September 2014 to replace the <i>Standards for NVR RTOs 2012</i>. These ‘Standards guide nationally consistent, high-quality training and assessment services in the vocational education and training system.’</p> <p>Navitas agrees with the Issues Paper that there has been systemic misuse of the VTG by some providers and others, and that decisive action must be taken by governments and the education industry to stamp out predatory practices and poor quality training and to improve the performance of the Victorian VET system in relation to other states. However, Navitas does not believe an additional classification system for Victoria is the answer.</p> <p>The current VET landscape across Australia is complex. Despite the COAG National Partnership Agreement on Skills Reform and the National Agreement for Skills and Workforce Development reforms across the states have resulted in considerable differences in each state VET system. The introduction of a further system in Victoria would only add to this complexity, which has been an inhibiting factor in achieving a ‘...nationally consistent, high-quality training and assessment services in the vocational education and training system.’</p> <p>Navitas supports the statement in the <i>Issues Paper</i> that ‘The design of the system should place greater emphasis on quality and less emphasis on the number of providers.’ Navitas does not believe the best outcome will be to limit the number of providers as proposed: “A provider classification system could help government</p>

prioritise its investment in VET to fewer, capable providers.” This statement implies that the purpose of a classification system would be to limit the number of providers, not to lift the quality of training. If the purpose is to lift the quality of training, Navitas strongly believes that a quality benchmark should be set for **ALL** providers as is the case in the 2015 RTO Standards. Navitas notes that the possible capability measures proposed in the Issues Paper are very similar to the risk evaluation criteria implemented by ASQA.

Navitas is of the view that the Victorian Government will achieve better outcomes for students, industry and the State by:

- Addressing the quality of providers through a commitment to supporting the current 2015 RTO Standards and ASQA’s risk rating system, rather than adding to administrative and bureaucratic complexity through another classification system.
- Working closely with ASQA to implement effective monitoring processes that feed into ASQA’s risk rating of RTOs.
- Specifically supporting those aspects of the RTO Standards that cover the quality of program delivery.
- Being very clear about what outcomes government wishes to achieve through the funding of training programs and linking those outcomes directly to identified measures.
- Taking a more active role in managing and monitoring the market where government provides subsidies and public funding to achieve the most efficient and effective use of public monies.

Question 2

Question	Can the number of providers be limited in some areas of training? How can this be done while preserving the benefits of contestability?
Navitas Response	<p>The Issues Paper does not identify which areas of training would benefit from restrictions in the number of providers. In the past governments have not been particularly successful in forecasting labour market and skills demand and this will be increasingly problematic as the nature of work is transformed by technology and the demand for high level, transferable knowledge skills.</p> <p>A more effective barrier to entry to the VET sector is a stronger, properly enforced regulatory environment where the focus is on quality of service delivery, training outcomes, and timely and accurate information to consumers to allow informed choice rather than restricting the number of providers.</p> <p>For example, where government offers contestable funding for a particular qualification, the existing ASQA quality and risk frameworks (e.g., covering the qualifications of staff, the development of resources, the validation of assessment and financial viability) should be used to determine which providers are eligible for funding.</p> <p>In relation to user choice the performance information available on the MySkills website could, and should, be used to evaluate the suitability of a provider. Introducing new measures rather than enhancing and enforcing existing national measures weakens the aims of a nationally consistent, high quality and user driven VET system.</p>

Question 3

Question	What factors should be considered in targeting funding to courses?
Navitas Response	The benefits of a 'user choice' system is supported by OECD and NCVET research ¹ , which has shown that students themselves make good decisions about which courses are most likely to lead to positive employment and/or career outcomes.

Question 4

Question	What would be appropriate exemptions to the up-skilling requirement or two-course rule to preserve incentives to meet Government's objectives for VET?
Navitas Response	<p>Victoria has a policy of lifetime entitlement that allows students to undertake only two subsidised courses per AQF level, which does not reflect the stated commitment to lifelong learning, training for retrenchment or responding to changes in industries or technologies.</p> <p>This point was made in the review but there needs to be a stronger emphasis on funding initiatives that support life-long engagement with learning and new skill acquisition.</p>

Question 5

Question	Should labour market priorities be the primary basis for the level of government investment in training?
Navitas Response	<p>Government investment in training should clearly identify the social as well as labour-market benefits of investment. Government funding initiatives should be linked to close consultation with employers and business peak bodies to:</p> <ul style="list-style-type: none"> • Meet current and future labour market and skills requirements • Plan for structural adjustments to the economy • Support entry-level participation in the workforce, including foundation skills, traineeships and apprenticeships • Support the re-training of retrenched workers and the acquisition of new skills over an individual's working life <p>Given research which demonstrates that students, when allowed to make their own choices, make good decisions about which courses are most likely to lead to positive employment / career outcomes, funding programs should be as responsive as possible to student and industry demand for training.</p> <p>Government should also invest in providing students with accurate, timely information about labour market opportunities in different regions, the career paths available in different industries and the reported employment outcomes associated with particular courses.</p>

¹ OECD 2008, 'Learning for Jobs: OECD Reviews of Vocational Education and Training – Australia', OECD, Paris. Polidano C, et al, 'Mature-age up-skilling entitlements: who responds and what course choices do they make?', Melbourne Institute of Applied Economic and Social Research, NCVET 'No Frills' Conference, July 2015

Question 6

Question	What should the student or employer contribution be to training?
Navitas Response	<p>The proposition that the introduction of a student contribution will remove an incentive for providers to advertise “free” courses is not evidence-based. It would be a simpler to ban the advertising of “free” courses, as has been recently mandated in the amended VET FEE-HELP Guidelines.</p> <p>In many cases students and employers already contribute to the cost of training, with current funding models designed to allow this to occur.</p> <ul style="list-style-type: none"> • Fee-for-service and/or VET FEE-HELP already allows students to contribute personally to the cost of their VET course. Generally, students will contribute to the cost of their training program if they see a direct cost-benefit in terms of employment opportunities and higher wages. A mandatory minimum contribution would be counter-productive if it deters participation. • Many employers already pay up-front for their employees to participate in VET training programs. Employers participating in traineeship and apprenticeship programs make a contribution in terms of time and equipment. Generally, employers will contribute to the cost of training if they will receive a direct benefit to the productivity of their workforces. Mandating a contribution is likely to be counter-productive.

Supporting and protecting students

Question 7

Question	Would a minimum student fee lead to students giving greater consideration to their training choices? At what level should such a fee be set?
Navitas Response	<p>Navitas does not see setting a minimum course fee driving better choices by students. Better, accurate and timely information on providers and learning and employment outcomes is more likely to lead to more informed choice. Students are increasingly savvy consumers and many already make commercial decisions about their choice of course based on:</p> <ul style="list-style-type: none"> • The time commitment; vs the cost of deferring their maximum earning capacity while they study • The cost of the course (including course fees, transport, childcare, books & materials, etc.); vs funding options available • The likelihood of achieving the desired outcome through VET study (a job, a pay-rise, a move to a different career, entry to further study, etc.) <p>There is also a strong possibility that setting minimum course fees will further deter low-income students from participating in VET programs unless this is off-set by access to VET FEE-HELP at certificate as well as diploma level. The issues in Victoria and other states regarding predatory behaviour by unscrupulous providers and third party brokers are being actively addressed by the Commonwealth through legislative changes to VET FEE-HELP and additional funding to ASQA.</p>

Question 8

Question	What support could be given to students making training decisions?
Navitas Response	<p>A focus on enhancing the MySkills website will mean more reliable information with the introduction of Total VET Activity reporting. Navitas would support an increased alignment by the Victorian government to the MySkills website as a centralised source of information for students, including:</p> <ul style="list-style-type: none"> • Achievement of enrolment goals by students • Qualification completion rates after 1, 2 and 3 years (preferably up to 5 years to allow for part-time enrolments and the achievement of employment goals) • Module completion rates • Employment outcomes 1, 2 and 3 years after completion

Question 9

Question	What additional steps are required to regulate marketing practices?
Navitas Response	<p>Recent tightening of marketing restrictions by ASQA and under the VET FEE-HELP Guidelines is necessary and timely, and provides the Victorian Government with stronger safeguards in the quality of providers.</p> <p>Navitas supports the Victorian Government taking a more active role in managing and monitoring the market where subsidies and public funding are provided, particularly in proactive data and trend analysis which would lead to earlier intervention if and where poor practices are emerging.</p>

Question 10

Question	How can brokers and aggregators be effectively regulated?
Navitas Response	<p>The 2015 RTO Standards and legislative changes to VET FEE-HELP have strengthened regulation to ensure abuses of the system are addressed. ASQA needs to be appropriately funded to ensure effective enforcement of its regulatory powers and to work in concert with state regulators. RTOs should be responsible for the actions of their brokers.</p>

Question 11

Question	Under what circumstances should sub-contracting be allowed?
Navitas Response	<p>Under normal Third Party arrangements that are subject to mandatory notification to ASQA and quality monitoring processes as outlined in the 2015 RTO Standards.</p>

Question 12

Question	What should protocols for online learning include?
Navitas Response	Equivalent quality monitoring processes should be implemented for both on-line and face-to-face delivery, as per the 2015 RTO Standards.

Question 13

Question	What should protocols for work-based training include?
Navitas Response	<p>The Issues Paper recommends the development of protocols for work-based training suggesting that the outcomes do not meet those of classroom or workshop delivery. Navitas is not aware of research which provides evidence that this is the case and notes that a common complaint from industry is that class-room based delivery does not sufficiently reflect workplace contexts and is a less effective environment for the development of relevant industry skills.</p> <p>Navitas is of the view that equivalent quality monitoring processes should be implemented and monitored for work-based training, as per the 2015 RTO Standards.</p>

Question 14

Question	What are the merits of a separate regulatory regime for private RTOs?
Navitas Response	<p>Navitas believes this would be a seriously flawed approach to improving Australia's VET system and addressing the issues specific to Victoria.</p> <p>The Issues Paper states that, in 2014, there were approximately 1000 RTOs operating in Victoria²; and that, in 2014-15, "8000 qualifications were withdrawn due to quality concerns relating to VTG funding and fee-for-service training by four RTOs."³ The paper does not specify whether the four RTOs were private or public RTOs but the implication in the Paper is that they were private RTOs. This may well be the case however Navitas would prefer to see more use of fact and analyses of data as a basis for arriving at conclusions rather than generalisation of specific instances to a whole segment of a large and diverse sector.</p> <p>ASQA has recently indicated the wholesale cancellation of qualifications has not been a feature of the VET system and that, under their quality regime, qualifications would not have been withdrawn without procedural fairness to allow an individual's competency to be reassessed.</p> <p>The Issues Paper indicates that, of the 900 submissions received, only 2% were from private providers which were, accordingly, underrepresented in the consultation process. While this is regrettable, Navitas welcomes the opportunity provided to respond to the Issues Paper and to advocate strongly for a shift in focus away from a 'public/private divide' to a focus on a robust, high quality, sustainable public and private tertiary system. Navitas will continue to argue that a more diverse and innovative education and training sector is vital to ensuring Australia has the relevant skills, knowledge and abilities that prepare learners for living, working and competing</p>

² VET Funding Review – Issues Paper, p8

³ VET Funding Review – Issues Paper, p28

in a globally and digitally interconnected world. To achieve these outcomes we need a robust, high quality public and private system that is diverse, collaborative, innovative and efficient.

The suggestion of a separate regulatory regime for private providers seems to stem from an assumption that the growth of private providers is linked to an increase in poor quality training and that public providers do not deliver poor quality outcomes.

- Many private providers and enterprise-based RTOs were established to more effectively meet the needs of industry than could be achieved by TAFE.
- Protecting TAFEs from an equal level of regulatory scrutiny is not likely to address the problem of poor quality by either public or private providers.

The current application of the regulatory framework to both private and public providers is a fundamental principle of the “level playing field” that underpins contestability. A separate regulatory regime for private providers will work against the risk framework established by ASQA, and will make the contestable funding environment less stable and/or less attractive to high quality private providers.

The perception in the VET sector that TAFEs and dual sector universities are “too big to close” and are, therefore, protected from the kind of actions by regulators that saw the closure of several private RTOs would be reinforced by the establishment of a two-tier regulatory framework.

The Issues Paper suggests that private providers should contribute to a tuition assurance scheme. Tuition protection is already a requirement for RTOs under the 2015 RTO Standards.

Sustainable and supported TAFEs

Question 15

Question	How can the role of TAFE be articulated? Does it vary between TAFEs or other public providers such as ACFE?
Navitas Response	<p>The TAFE brand is very strong and continues to be broadly recognised as a provider of technical and skills education, particularly for trade apprentices.</p> <p>When TAFE delivers a strong training product, they set a benchmark of best practice for the entire VET sector.</p>

Question 16

Question	What should be expected of TAFEs that isn't expected of other providers?
Navitas Response	<p>It is important to hold both TAFEs and private providers to the same quality standards.</p> <p>In regions where there is inadequate provision of education and training, Navitas believes government must subsidise existing quality providers and ensure appropriate infrastructure. In many cases this will be the local TAFE.</p> <p>Navitas supports new models of collaboration such as envisaged in Question 17, or through the use of new technologies.</p>

Question 17

Question	Could a regional polytechnic university, or federation of TAFE institutes, help improve educational outcomes in regional Victoria?
Navitas Response	Yes. Navitas supports collaboration to improve learner outcomes. Many public and private providers now collaborate to that end. Navitas would be concerned if the proposal for a regional polytechnic university or federation of institutes excluded private providers rather than focused on the most optimal arrangements to meet regional needs.

Supporting jobs and industries

Question 18

Question	What are the most effective ways to obtain industry information?
Navitas Response	

Question 19

Question	How could a workforce training innovation fund be designed in a way that ensures all parties contribute, and get value from it?
Navitas Response	

Question 20

Question	How valuable are smaller, industry specialist providers?
Navitas Response	<p>Specialist providers, whether small, medium or large are a critical part of the tertiary landscape. These providers are closely aligned to industry needs and employers.</p> <p>Funding models should be designed to encourage the continued participation of these specialist providers, especially those that are small and niche.</p> <p>The role of smaller industry specialist providers needs to be protected because larger generalist providers do not have the capacity to develop the long term, deep relationships with narrow market segments. For example the film industry in Australia is subject to significant incentives or disincentives, labour market restrictions and policy changes. The ability for the industry to grow is largely influenced by the availability of Australian expertise. (It can be 'a chicken and egg situation': if training opportunities are reduced, then the capacity for the industry to grow in Australia is reduced.)</p>

Supporting training for vulnerable, disadvantaged and high needs groups

Question 21

Question	What would be the core characteristics of a VET preparatory year, and what sort of training providers might be best placed to deliver it?
Navitas Response	A VET preparatory year would allow disadvantaged or non-traditional students to focus on acquiring the foundation skills required to successfully undertake vocational training, particularly focusing on English language, numeracy and basic computer skills. Navitas, having been a significant quality provider in much of this space over many years would argue that such funding must be contestable.

Question 22

Question	What services could be included in a CSO scheme?
Navitas Response	

Question 23

Question	Are the current loadings properly targeted? Are they at the right level?
Navitas Response	

Question 24

Question	Are the reforms under consideration sufficient to address regional delivery challenges?
Navitas Response	

Question 25

Question	Are changes to concession arrangements required?
Navitas Response	

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11 August, 2015