



**Submission to the
Education and Employment References Committee**

**Inquiry into vocational education and training
in South Australia**

January 2018

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Introduction

This submission to the Education and Employment References Committee inquiry into vocational education and training in South Australia has been prepared by the Australian Council for Private Education and Training (ACPET). Established in 1992 as the national industry association for private providers of tertiary education and training, ACPET is committed to supporting a diverse, flexible and competitive sector to drive quality and innovation.

ACPET represents members nationally, including over 100 members in South Australia, comprising institutions that offer a diverse range of delivery in Vocational Education and Training (VET), higher education, English language and foundation studies. Members range from large publicly listed companies to small businesses that specialise in a particular industry or niche area. In South Australia, most Registered Training Organisation (RTO) members are small to medium businesses and not-for-profit organisations, many of which have been operating successfully for decades.

The Vocational Education and Training (VET) sector has a significant role in contributing to the South Australian economy, through the development of the state's workforce and supporting VET as a major export industry for the state. It trained around 5,000 overseas students in 2017, contributing nearly \$700 million to the economy. Both the public provider (TAFE SA) and private RTOs have an important part to play in this.

ACPET is of the firm view that TAFE SA must play an important role in the provision of tertiary education in South Australia, but that it should do so against requirements for:

- flexibility and innovation in responding to the needs of an economy in transition;
- student and employer choice of provider;
- competing on a level playing field with private RTOs;
- quality and cost-effective education and training; and
- TAFE SA being fully accountable for its use of public funds and publicly funded infrastructure.

ACPET appreciates the opportunity to provide a submission to the Education and Employment References Committee and has responded to the Terms of Reference as outlined below:

- a) the failures in TAFE SA that have resulted in suspension of courses, as well as quality issues with the provision of training;
- b) the effective use by the South Australian Labor Government of \$771 million provided over six years from the Federal Government to support vocational education and training in South Australia;
- c) the impact of the South Australian Government's \$91 million in funding cuts over five years on students, industry and the broader community;

- d) the role and impact of the scrapped *Skills for All* policy, and its replacement *WorkReady* policy;
- e) the impact and frequency of changes made by the South Australian Government to their Training Subsidy List;
- f) the adequacy of the oversight of TAFE SA by its leadership, board and the South Australian Government, as well as national regulatory oversight by the Australian Skills Quality Authority and other agencies; and
- g) any other relevant matters.

Response to the Terms of Reference

a. the failures in TAFE SA that have resulted in suspension of courses, as well as quality issues with the provision of training;

It has not been difficult to observe from external marketing of TAFE SA courses over the past five years or more that, on occasion, courses were being advertised that did not meet volume of learning standards. For example, the Certificate II Retail was offered in Victor Harbor over seven weeks with only seven contact days (i.e. 35 hours) and the Certificate III Aged Care was offered over six months without the compulsory work placement component.

Proper monitoring by TAFE SA, the national regulator ASQA, or the *Skills for All* and *WorkReady* program managers within the South Australian Department of State Development should have identified these shortcomings and acted on them earlier.

Private providers are frustrated when they observe TAFE SA practices that do not comply with state funding requirements and national standards, when such practices within a private RTO have led to loss of funding, registration sanctions or complete de-registration.

Since it costs between two to three times more to support TAFE SA to deliver training than it does to fund private providers to deliver the same training, the end product should be of a high-quality standard. However, the data does not bear this out, with 43.6% of TAFE SA graduates not in employment before training employed after training. For equivalent private provider graduates 61.6% were employed according to the 2017 National Centre for Vocational Education Research (NCVER) Student Outcomes Survey.

b. the effective use by the South Australian Labor Government of \$771 million provided over six years from the Federal Government to support vocational education and training in South Australia;

TAFE SA has been in receipt of significant funding sources during the period in question, including:

- payment for community service obligations (CSOs), even though NCVER data shows that private training providers also deliver significant training to disadvantaged learners without additional funding;
- plant and capital funding whilst private training providers either buy or lease their own facilities;
- payments for identified non-commercial activities stated in the Memorandum of Administrative Arrangement (MAA) for Community Services, including Learner Support Services (LSS) and Small Regional Communities training;
- structural adjustment funding for “market transition risks during implementation” of *Skills for All* and then *WorkReady* for the past 5.5 years (2012-2017) in order to become competitive in moving towards full contestability;
- a differential subsidy level of at least two times that applicable to private RTOs under *Skills for All* and *WorkReady* for the same course delivery. In 2016 alone, this meant that some 27,000 less students could access subsidised training than if they had been able to exercise choice and attended a private provider; and
- over 90% of courses on the Subsidised Training List quarantined for funding to TAFE SA only in 2015-16 and 2016-17, excluding all other providers, and a high proportion of TAFE-only courses funded for the previous four years (2012-16).

This quarantining of funding to TAFE SA contributed to government-funded student numbers dropping 17.9% from 2015 to 2016 according to NCVER data. Nationally there was a 3.3% increase. More concerning, since 2013 government-funded training in South Australia has more than halved from 150,255 to 70,880 students in 2016.

Despite the strategy to support TAFE SA, the number of government-funded TAFE students still declined 42% over the same period.

Despite these funding privileges and having released almost 500 staff over three years and paid out around \$60 million in separation packages, overall costs have increased and staff numbers have remained the same (2,298 in 2012-13 to 2,300 in 2014-15). TAFE SA has clearly not achieved the productivity and commercial improvements that were expected since *Skills for All* began in 2012.

The impact on private providers in South Australia has been dramatic. A private provider survey estimated that by July 2016 the VET workforce in South Australia had reduced by around 70% with some 1,600 jobs lost. ACPET is aware anecdotally that in the 18 months since then, many more jobs have been lost.

It is understood that while TAFE SA was allocated 90% of available subsidised training places, it was often unable to deliver that training, forcing it to subcontract the training to private providers. During 2016-17 the training budget was underspent in the last quarter, requiring private RTOs to 'step into the breach' at the last minute.

Such poor budget management militates against quality and makes it very difficult for private RTOs to plan effectively. While the public provider was allocated the training funds, private providers have been called upon to 'rescue the situation' with little notice. Far from being the cause of TAFE SA's problems, private RTOs have for some time borne the brunt of them, while stepping in when needed.

Although TAFE SA is the public VET provider with special funding to deliver CSOs, it is not the only RTO delivering training for equity and other special needs groups. The most recent NCVET figures indicate that government-funded private providers delivered training to similar proportions of disadvantaged groups as TAFE SA despite not receiving any additional CSO funding. In 2016 government-funded TAFE and private provider enrolments in South Australia both had a 9.5% student cohort with a disability. TAFE had a 5.4% Indigenous student cohort whilst private providers had 4.7% Indigenous cohort. The most disadvantaged Socio-economic Index for Areas (SEIFA) cohort comprised 30.6% of TAFE students and 29.4% of private provider students.

CSO funding should be contestable. Equity groups should have the right to choose their provider and the opportunity to achieve the stronger employment outcomes highlighted above. Their level of disadvantage is being compounded by the inability to choose where they want to study due to funding arrangements that give preference to TAFE SA.

An analysis of TAFE SA budget statements over the 2012-13 to 2015-16 period shows that TAFE SA has only managed to obtain an income/employee cost ratio of about 1.5 times, compared with private RTOs that obtain or target ratios of about 3 times while receiving 2.5 times less subsidy under *Skills for All* and *WorkReady*.

These same accounts further reveal that while TAFE SA income increased by some 24% during this period (not unexpected given the preferential funding privileges received), employee benefit expenses grew by about 42% thereby outpacing the rate of income increase.

Nonetheless, ACPET maintains there is an important place for TAFE SA, provided its role is clearly outlined and that it is adequately resourced to do this, with clear efficiencies while continuing to progress towards full contestability by no later than scheduled in July 2019.

There is no value to be gained in dismantling a system that has in the past served the community well. However, substantial transformation is needed to meet the urgent workforce development demands of a transitioning South Australian economy, including the need for greater transparency and public accountability.

Transitions are always difficult, but TAFE SA should not be excluded from the requirement to innovate and transform itself. This can be achieved through focussed delivery in areas of community benefit and social obligation, attitudinal change, introducing lean quality processes and operations, and a strong, positive service culture with a student and industry focus.

With the current state of the economy, collaborative partnerships among training providers, public and private, are needed to ensure the workforce is developed in ways necessary to support the transition required. In clarifying the role of TAFE SA and specifying future areas of delivery, the South Australian Government must take into account the capacity of the private sector to complement and collaborate with TAFE SA to meet the state's workforce development needs.

As part of this valuable publicly-funded facilities, such as TAFE SA campuses, should be used to their maximum capacity - on evenings, weekends and term breaks - whether by community or by private providers leasing unused or under-utilised facilities. Unfortunately, these buildings are almost empty for much of the time. Collaboration and community and business/industry partnerships are essential for turning these facilities into vibrant local hubs instead of 'ghost towns'.

c. the impact of the South Australian Government's \$91 million in funding cuts over five years on students, industry and the broader community;

As indicated above, the South Australian Government found itself having to support the TAFE SA budget to prevent collapse with 90% of contestable funding, causing the loss of at least 1,600 jobs in the sector.

The inefficiencies of supporting the public provider, costing several times more than private providers with no substantial quality or outcome advantages, have negatively impacted the number of training places available to students and industry at a time when the State economy needs them the most.

The South Australian economy has been facing difficult times with many job losses in manufacturing, mining and other key industries, necessitating a transition to a new, diversified high-tech and knowledge-based economy. This requires considerable investment in workforce development and re-training to enable workers and employers to be nimble, flexible and innovative.

A strong, stable VET sector is needed to deliver this, consisting of both a strong TAFE SA and equally strong private providers. As stated earlier, if TAFE SA is to contribute credibly to the development of a flexible, responsive and innovative workforce it must itself become flexible, responsive and innovative.

The South Australian Government received a windfall from the federal government to build its workforce under the National Partnership Agreement for Skills Reform. As noted above, however, the outcomes are that the number of government-funded training places has more than halved since 2013. SA TAFE government-funded enrolments have nearly halved with their employment outcomes significantly worse than their private provider counterparts.

d. the role and impact of the scrapped *Skills for All* policy, and its replacement *WorkReady* policy;

A number of elements of the *Skills for All* White Paper were not implemented or achieved, for example:

- competitive neutrality and a level playing field
- a ‘managed transition’ for TAFE SA to full contestability
- student and employer choice and demand-driven funding, particularly under *WorkReady*
- value for money
- high quality training outcomes
- third party access to public infrastructure (i.e. TAFE campuses)
- correct alignment with industry demand and strategic priorities
- the establishment of a coordinated, state-wide and professional network of career education, information, advice and guidance supported by co-investment by governments, individuals and industry
- adequate subsidy levels to support the higher costs of consumables and the cost of providing training in regional/rural areas
- simplicity of funding and reduced red tape
- transparency as a central feature of *Skills for All*.

Skills for All has had the impact of damaging a formerly healthy fee-for-service market due to its poor planning, management, subsidy structure and extensive advertising of free courses. As a result, the cost of up to 80% of former fee-for-service courses was transferred to government under *Skills for All*, as students and employers took up the free course offerings in much larger than anticipated numbers. The sudden introduction of course caps within three months of operation, after RTOs had invested in staff, resources and infrastructure and without a fee-for-service clientele to fall back on, damaged the business of many RTOs. The frequent operational and structural changes that were subsequently made further destabilised the sector, which will take some time to recover and restabilise.

Skills for All was initially transparent in the information provided, particularly in early reports, but as the program began to experience difficulties, information became more selective and less transparent, making it even more difficult for RTOs to plan effectively.

The May 2015 announcement by the South Australian Government to scrap *Skills for All* and to allocate only 5000 of 51,000 available funded new places under *WorkReady* to private RTOs and the remainder to TAFE SA, effectively removed choice from South Australians to undertake funded training with a provider that best suited their personal requirements. Further, this occurred with less than one week’s notice. It was inconsistent with the State’s obligations under the NPA and removed choice from students and employers.

The decision to allocate 90% of the funded places to TAFE SA under *WorkReady*, with subsidies averaging 2-3 times that paid to private RTOs, protected inefficiency and inflexibility. This meant that there were about 27,000 fewer funded places for students in SA than if funding were fully contestable.

The very rapid decline in the allocation of funding for subsidised VET training from 2012 into 2017, due to inefficient management of places and failure to successfully transition TAFE SA to full contestability, undermined the capacity of the VET sector to respond to the State's workforce development needs. The implications have been inefficient use of available funds, at a much greater per-capita cost with much lower employment outcomes, in order to support TAFE SA at the expense of student and employer choice and the jobs of private RTO employees. It is difficult to see how the State's training needs can be adequately met when funds are used so ineffectively.

During 2017, genuine attempts have been made to redress the problems of the past by marginally increasing subsidy levels, reducing administrative red tape and processing times of payments and applications, and a gradual increase in the number of places being made available for students to train with private RTOs. However, the damage to the sector, through RTOs that have closed, and the staff who have lost their jobs, cannot be undone.

e. the impact and frequency of changes made by the South Australian Government to their Training Subsidy List;

The frequency of changes to the Subsidised Training List is not necessarily a problem, depending on the extent and nature of the changes and the amount of notice given to RTOs, students and employers to make necessary adjustments and plan accordingly for the allocation of staff, infrastructure and resources. Under such circumstances, issuing a list twice a year would seem reasonable.

It is important for the list to remain flexible enough to respond to the changes and demands of a rapidly evolving economy, without unduly disrupting the plans of RTOs, including TAFE SA, to deliver quality training consistently. Continuity and stability are important, not only for providers, but also for students and employers.

Unfortunately, adequate notice was not always provided, although this has improved in the past year. The problems with the list have been more about the majority of qualifications being quarantined to TAFE SA and the low number of places available for students to choose non-TAFE SA providers for a small proportion of qualifications. This meant that students were impacted because the qualification or the provider of their choice was not on the list for accessing subsidies.

In some of the lists, there did not appear to be a logical or clear basis for the selection of qualifications to be subsidised or capped under both *Skills for All* and *WorkReady*. There needs to be a more consistent match between employer and industry needs based on accurate, up to date workforce data and full consultation with industry and providers.

f. the adequacy of the oversight of TAFE SA by its leadership, board and the South Australian Government, as well as national regulatory oversight by the Australian Skills Quality Authority and other agencies;

TAFE SA was granted delegated authority to self-regulate against national standards, so it has not been subject to the same audit rigours that private providers without such delegated authority have been subjected to. It would appear that TAFE SA leadership has not exercised this delegation responsibly, nor has the South Australian Government adequately monitored compliance with standards required to access funding. When ASQA communicated the result of its 2017 audit to TAFE SA, by its own admission it imposed “a sanction of lesser severity” in suspending only part of the organisation’s scope effective 23 January 2018.

In comparing 2017 ASQA audits conducted of South Australian private RTOs found to be non-compliant, it appears that where ASQA upheld its original findings (after examining the RTO’s response), the subsequent action was to go directly to de-registration, obviously impacting the whole and not merely part of the organisation’s scope of delivery. ACPET’s analysis could not identify any examples where a seven-week grace period was granted to enable the RTO to rectify the non-compliances before course suspension (or deregistration).

In addition, significant leniency was afforded in allowing TAFE SA an extension to respond in detail to the remediation of all affected courses beyond the initially granted seven weeks to 23 January 2018. As a result, TAFE SA was able to commence new enrolments for 2018 without having to demonstrate to ASQA that it had remediated the significant problems, or confirm to South Australians that confidence should remain in TAFE’s quality standards. Such leniency is unknown among private RTOs.

It’s essential that compliance with national standards be equally enforced, with the same level of rigour and consequence, regardless whether a training provider is public or private.

g. any other relevant matters.

All covered above.