

**Metropolitan South Institute of TAFE: Response to the Terms of Reference for the 'Inquiry into the role of Technical and Further Education system and its operation'**

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Metropolitan South Institute of TAFE (MSIT) welcomes the House of Representatives' Inquiry into the role of Technical and Further Education system and its operation.

MSIT has considered the terms of reference for the enquiry process and would like to offer some initial feedback. We have endeavoured to categorise our comments to link back to the terms of reference.

**Who MSIT is?**

Located in South East Queensland, MSIT is a leading provider of quality vocational education and training (VET). Annually, our 20,000 students benefit from access to over 150 programs that connect them with the ability to develop new skills, take the next step in their career or further their study.

MSIT delivers a range of student-centred training from short courses, senior studies (secondary school), Certificate, Diploma, Advanced Diploma and Bachelor programs. Our programs are provided through face to face delivery at any of our six locations on Brisbane's Southside —Mt Gravatt, Loganlea, Alexandra Hills, Yeerongpilly, Browns Plains and Beaudesert —and via online or workplace delivery.

At MSIT, we place emphasis on the delivery of higher level qualifications (Certificate IV and above) to ensure students maximise their learning potential, enabling them to meet the needs of the market. We also work closely with universities (including Holmesglen, University of Canberra, Griffith University, Queensland University of Technology, RMIT University and University of Southern Queensland) to increase student pathways to higher education.

Through its long history, MSIT has been connecting graduates with industry, through the provision of the relevant skills and knowledge required by enterprises. Our established links with enterprises enable us to continually listen and respond to the needs of industries' skills requirements and adapt our training accordingly. By constantly reviewing our practices and offerings, we aim to be flexible, responsive and client-centred at all times.

MSIT operates within the Department of Education, Training and Employment reporting to the Minister for Education, Training and Employment.

The major training areas delivered by MSIT include:

- Health and Aged Care
- Business and Employability Skills (including Migrant Education and Learning Support)
- Creative and Service Industries (including Fashion, Hairdressing, Photo Imaging and Digital Media)

**Demographic Factors for MSIT**

MSIT is responsible for delivering skilling solutions to a very diverse range of industries and communities. 41% of MSIT's students come from the local government area (LGA) of Brisbane (primarily the southern suburbs), 29% from the LGA of Logan and 14% come from the LGA of Redlands.

The Brisbane economy is changing into one of high value professional services and niche manufacturing. It currently contributes roughly 46% of the Queensland economy and generates 9% of Gross Domestic Product.

By contrast, Logan is defined as having a blue collar workforce and this characteristic is likely to continue over the next decade.

The region's workforce is under skilled – only 14% of adults have a bachelor degree or advanced diploma. Logan is a region of young people. One fifth (20%) of the community is between 12 and 24 years old – the largest proportion of this age group in any South-East Queensland community. Logan City youth are also, comparatively, from immigrant and Indigenous backgrounds.

On the other hand, the Redlands has an increasing ageing and disability profile, with 1 in 7 residents aged 65 years or over.

The estimated resident population of MSIT Catchment Region in 2011 was 1,520,498 persons, while the population in 2031 is projected to be 1,912,927 persons – a 26% increase over the next 20 years. The population for the combined Logan Redlands region is projected to increase by 1.8% per year between 2006 and 2031, by which time it is predicted to be 614,796, accounting for 9.8% of Queensland's total.

Rated at 970 on the Socio-Economic Index of Disadvantage, Logan City has a significantly lower index value than Redland City rating of 1034, and Brisbane City's 1037. The rating indicates Logan is an area of significant urban and geographical disadvantage.

#### Summary of key points

- A shared understanding across States and Territories of the role of TAFEs in Australia, or a National Charter for TAFE as suggested by TAFE Directors Australia, is critical to help public providers align their education and training outcomes with the productivity needs of our economy.
- TAFEs have a long and successful history of working closely with Industry to ensure skills for a better economy. However a more concerted effort by Skills Councils is needed in raising awareness in local industry about the increasing need for workforce planning in order to inform their training needs and increase their competitiveness in a global marketplace.
- TAFEs are innovative in their approach to supporting all forms of business to improve their employee skills. In a fast changing economy, employee skill sets are continually in need of upgrading in order to ensure a business is performing efficiently and innovatively.
- Better alignment between federal and state priorities for skilling would help TAFEs increase their efficiency.
- The public provider helps build social capital. For students who experience learning difficulties, foundation skills and bridging courses are essential to progressing their level of skill and confidence.
- TAFEs assist individuals into employment both directly through apprenticeships, traineeships, work placements and industry linkages; and also indirectly through university pathways that lead to employment further down the track.
- TAFEs require a 'level playing field' with private providers in terms of bureaucracy, industrial relations, autonomy and financial risk.
- States and Territories need to provide governance arrangements for TAFEs that are consistent with their role and enable them to compete effectively.

## The role played by TAFEs in the development of skills in the Australian economy

### Skills linked to Industry

The role played by TAFEs in the development of skills in the Australian economy is closely aligned to its historically close working relationship with Industry; after all, TAFE has 70% of the apprenticeship market. There is no doubt that the various industry skills councils have played a central role in the facilitation of government, industry and educator interactions. Generally, any continuing role for skills councils must include a more concerted effort in raising awareness in local industry about the increasing need for workforce planning in order to inform their training needs and increase their competitiveness in a global marketplace. Government could consider funding allocations to an industry that has developed a workforce plan that demonstrates a skilling need.

In servicing its catchment area, MSIT has extensive engagement strategies and mechanisms with industry, employers and enterprises and makes a great deal of effort to contextualise training to the needs of the employer (client) at the same time ensuring that it aligns with state and federal imperatives. This approach has been essential in order to compete with private providers who market directly to businesses rather than industries.

Different approaches are needed to better engage with employers at various levels of industry such as enterprise, corporate and small business. It may be that peak industry bodies could take on a broader role of engagement to more effectively provide systemic and more complete engagement with all levels of industry. This may be undertaken with the assistance of TAFE institutes through the formation of TAFE centres of excellence created along industry lines. These centres of excellence would engage with industry at a local level and help promulgate an awareness of the need to think more globally and translate feedback to the network on the development of training product and best business models to deliver training that matches industry needs.

### Skills through innovation

Traditional public sector governance arrangements for TAFE across many of the state and territory jurisdictions have not fostered a culture of innovation or collaboration. However, at MSIT we have, through the determination of a high performing management team and a commercially driven Institute Advisory Council, developed business models that demonstrate innovation in developing skills in the Australian economy.

This has resulted in significant improvement both in terms of the effectiveness of MSIT business operations as well as training products being available to the market. Some examples include:

- The creation of Small Business Solutions (SBS) which is a one stop shop for small business owners. SBS is designed to enhance the business skills, profitability and growth of small businesses by providing small business owners with the opportunity to get real business assistance from accredited industry professionals. Some 3500 small businesses have availed themselves of the offered services since its inception in 2007.
- The establishment of Enterprise Workforce Solutions (EWS) that offers training that is entirely adaptable to the requirements of industry and businesses. EWS works closely with enterprises and local industry groups and associations to identify training needs that increase employee productivity along with the efficiency and earning potential of the business. This has been achieved with goodwill from many of our teachers given our industrial arrangements do not easily support anything other than face to face classroom delivery.
- The implementation of the software and learning resource, Basic and Key Skills Builder (BKSB), a recognised suite of basic, key and functional skills assessments and training resources for literacy and numeracy, represents international best practice as it streamlines the assessment of core skills, improves literacy and numeracy skills and allows training plans to be customised to the needs of the individual client. MSIT holds the Australian licence for this product and has on-sold it to many educational providers both public and private.

The above examples are provided to dilute a perception that innovation is the sole domain of the private provider. Innovative practice within TAFE institutes has flourished despite the predominance of a public sector environment and a resourcing capacity that inhibits innovation at an operational level.

MSIT has also made great progress in the creation of a business development culture across the Institute and has entered into various strategic partnerships with external entities to collaborate on a range of projects. Some examples of these partnerships at work are:

- Success in winning Commonwealth government contracts to deliver training both locally and interstate in the aged care sector in partnership with various strategic partners that are specialists in allied health aged and disability services and projects.
- Success in winning a major Commonwealth contract centred on the development and delivery of an NBN enabled education and skills services program on diabetes health and wellness. This project is a joint collaboration with another TAFE, a University, as well as a leading project management contractor and an award winning Queensland educational multimedia organisation.
- MSIT is the first, and still the only TAFE Institute in Queensland to deliver Bachelor Degree courses that are based upon an applied learning approach. Despite the lack of Commonwealth funding to support these places, enrolments in the first semester of offer have demonstrated that there is a market and need for these types of programs if Queensland and indeed Australia is ever to achieve its participation targets.

#### Increased efficiencies through better alignment between federal and state priorities

There is incongruence between state and federal performance measures that promote confused behaviour. For example, State Government has promoted higher level qualifications as a key performance measurement; however the Commonwealth Government is measuring on the number of new enrolments. Chasing higher level qualifications reduces the overall enrolment count. Improved alignment between State and Federal policies and measurements would help increase efficiencies at an institute level and thus, performance measures at the sector level.

Navigating the many performance measures, government priorities and associated rules and regulations impact on our core business of skilling the nation. It has become very difficult:

- to develop VET policy (or sometimes implement the AQTF Standards) as our business has become too complex and what applies to one funding source / program may not necessarily be the rules for another funding source / program;
- for VET staff to maintain knowledge and currency surrounding these various rules, multiple performance measures and in many cases, the quality of training is impacted as teachers try to administratively manage the reporting to the various agencies; and
- to apply and implement the various rules/performance measures surrounding the various contracts, often appearing to the client as being incompetent and/or disorganised.

**The role played by TAFEs in the development of opportunities for Australians to improve themselves and increase their life and employment prospects**

**Building social capital**

TAFEs, not private providers, are often responsible for the education and training of students with high needs due to low levels of prior education, low levels of confidence, and disability. TAFEs allocate resources, time and teachers who are committed to helping the employability of individuals through foundation skills and extra learning support when needed.

By example, approximately 30% of MSIT's student's live in Logan, south of Brisbane, which is LGA with extremely high pockets of social disadvantage. Logan is defined as having a blue collar workforce and these characteristics are likely to continue over the next decade. The region's workforce is under skilled – only 14% of adults have a bachelor's degree or advanced diploma. Logan has an unemployment rate considerably higher than the rate in Queensland overall, with several suburbs having unemployment rates of 22%. Logan also receives a high proportion of refugees for settlement under the national humanitarian program and is the nation's fourth most significant destination for refugees. MSIT delivers a significant amount of English language, literacy and numeracy training to migrants and refugees, as well as offering general learning support.

MSIT supports the argument that VET training should provide strong foundation skills in occupational areas and that industry and enterprise should be responsible for progressively providing the contextualised training. VET can provide this as fee-for-service or as government funded programs.

For students who experience learning difficulties, foundation skills and bridging courses are essential to developing their level of skill and confidence. On their own, such courses may not contribute to a qualification, never the less, they remain crucial in tackling skills gaps. Also, some students who want to improve their job prospects within an existing career may choose to only take part in specific competencies or skill sets.

Current funding is inadequate for VET to provide sufficient foundation skills and retention strategies for students at risk. TAFE has plenty of skills, knowledge and capacity to provide these services, but budgetary constraints force it to focus on minimal delivery and minimal student support in order to meet the many performance indicators it is set by both state and federal governments. In the same way that funding is invested into preventative aspects of healthcare, funding should be increased to ensure students have adequate learning support and prevent learners from dropping out of their courses. An increase in funding at the front-end of training would save wasted funding from non-completion.

It is imperative that the foundation skills and opportunities given to those who see VET as a second chance in education are seen as an integral part of student success and funded accordingly. The policy focus on Certificate III and above is significantly reducing the availability and resourcing of lower level courses for adult learners.

Funding levels need to reflect the actual cost of improving outcomes including:

- increased funding levels for support services and
- complimentary training in core skills such as literacy, numeracy and computer literacy

In the VET sector, the outcome for a student depends on many variables and must be contextualised to the student, for example the outcome for an apprentice is different to a student undertaking foundation skill programs. MSIT supports the linking of funding to outcomes, which has the potential to strengthen quality and results. However, it also has the potential to promote inadvertent behaviours that may not align with the underlying policy objective. 'Outcomes' is a complex measure that needs to be firmly defined and measured within the context of the individual learning needs of students.

For students who experience learning difficulties, foundation skills and bridging courses are essential to developing their level of skill and confidence. On their own, such courses may not contribute to a qualification; never the less, they remain crucial in tackling skills gaps and the current performance measures do not adequately reflect the value of these lower level courses and qualifications.

There is a fundamental issue with how TAFE institutes should be measured in terms of performance and in fact benchmarked against other RTOs. The first question to be asked is what is expected of a full service VET provider and are we to be measured in the same way as a smaller RTO? What *is* the primary role of TAFE:

- to provide foundation skills and skills for work?
- to provide a pathway to higher level studies?
- to provide higher level skills such as VET degrees?
- to provide a mechanism where people can increase their skills and knowledge for any reason?
- Is it all of these things?

The answer to these questions will impact on how we should be measured.

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**The role played by TAFEs in the delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment**

TAFEs play a large role in assisting individuals to access training and skills by providing a variety of entry levels into education and provide foundation skills for those who have little or no educational background but wish to improve their skill base and employability profile. TAFEs assist individuals into employment both directly through apprenticeships, traineeships, work placements and industry linkages; and also indirectly through university pathways that lead to employment further down the track.

MSIT believes there are impediments to TAFE's ability to help individuals into employment that should be investigated as part of the inquiry. For example, there are changes that need to occur to break down regulatory and red tape barriers that hamper employment of apprentices and trainees:

- Abolition of existing onerous apprentice and trainee sign-up processes with the introduction of "sign up" centres similar to driver licence testing centres. One stop shops that have centralised registries and sign-ups. Australian Apprenticeship Centres (AACs) need to provide greater services of job placement and recruitment as TAFEs are currently doing most of this work in order to get the sign up. Currently, the AACs are paid to deliver this services but in actuality TAFEs bear the majority of the cost and this therefore affects the funding able to be allocated to delivery which in turn limits the spend to provide a better learning environment and experiences.
- There needs to be improved alignment of all incentive payments to Australian Apprenticeship Centres and employers to RTO services that have pre-requisites beyond apprenticeship pathways options for trainees and apprenticeships. Finally, apprenticeships must be made more attractive.
- The competency based training and wage progression issue needs to be dealt with as there are many employers and employee associations that still firmly believe that there should be a time based system.
- Existing trade training pathways could be improved if "quality assured" RTOs were given legislative allowance to provide mandatory employability skills and quality controlled diagnostic literacy and numeracy testing within the probation period. Beyond doubt this would provide the foundations to support the apprentice or trainee to gaining a much higher percentage of completion.
- A review of existing employment service arrangements to monitor and support apprentices remaining in employment for the duration of their apprenticeships.

MSIT suggests the inquiry also examine mechanisms that would increase employment pathways for individuals:

- Government should provide tools and incentives to enterprises and use reward and punishment – incentives and taxes, for example, % of salary budget on training, particularly where skills shortage areas occur. Skilled migration and 457 Visa applications to supply labour pool should not be the primary source of dealing with skill shortage.
- The participation rate is not keeping pace with population growth – it's slipping behind. Government policy needs to focus on initiatives to increase participation rates.
- Create a less complicated system, aligning accredited skills system with actual workforce requirements.
- It should be recognised that the outcome of some lower level qualifications is to enhance the student's ability to participate in and contribute to the community or progress to further study rather than a job outcome. This is an equally legitimate outcome. Government funding could be provided to the student who gets a job although not qualified. The employer (industry) has therefore committed to supporting that student as they learn on and off the job.
- The system could require employer contracts/commitments that guarantee employment outcomes for graduates in return for a reduced employer cost component for training where the guarantee is in place. However, public providers that have a large component of general education would need to be funded differently for delivering these outcomes or they could be unfairly disadvantaged.
- Support arrangements with enterprises that include part time employment during the term of study and mentoring arrangements for students in training, could be an alternative to an employer financial contribution.

- A contribution from student and industry should take into consideration specific industry training areas. For example, in the areas of child care and aged care, there is significant demand due to industry employment conditions but in other industry areas such as manufacturing there are weakening employment outcomes. Successful business models require these sectors to have an RTO and student linked with Job Services Australia, Centrelink, and training and employment services.
- Adequate funding is needed for add-on services such as career counselling, employment placements, vocational placements as these are a legitimate and necessary part of the services required to ensure the student has every opportunity to reach a successful outcome be it employment or qualification completion or both.

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## The role played by TAFEs in the operation of a competitive training market

As the public provider operating within a market driven system, TAFE seeks to be more competitive and responsive in training clients for the skills of tomorrow's workplace. TAFEs require being on a 'level playing field' as private providers in terms of bureaucracy, industrial relations, autonomy and financial risk (borrowing and reinvestment of surpluses) through an extended version of the publicly owned statutory authorities. This would allow for a rich experiential learning environment rather than a cost effective minimalist training setting.

TAFE Directors Australia (TDA) has asserted its case for a National Charter for TAFE, which MSIT fully supports. As discussed in its case for a charter, many TAFE providers are large and successful businesses with a sophisticated knowledge of, and ability to respond to, their local communities and regional industry and workforce needs. Many TAFE providers have complex transnational operations and extensive international student cohorts. Income generated from these wider activities contributes to the capacity of TAFE providers to serve the public good.

TAFE providers are also increasingly recognising the need to be more than solely VET providers. Responding to industry needs, they have built on their areas of specialisation by successfully developing and offering, as registered Higher Education Providers, associate degrees and bachelor degrees.

However, this trend is occurring in a sporadic fashion with different policies in each State/Territory related to approval to offer programs beyond AQF Level VI, the arrangements under which this occurs and the funding. There is also no access for TAFE students at these higher levels to Commonwealth Supported Places, despite the fact that these TAFE qualifications contribute to the diversity of the tertiary sector, respond to skill shortages, open up access to new cohorts of students, and assist in achieving government targets for participation. Lack of access to Commonwealth Supported Places means that the most disadvantaged students who choose to remain in the VET sector to complete a higher education program pay full fees, while students who are traditionally the most privileged do not. This situation is in total conflict with the intent of government policy.

MSIT believes that there needs to be acknowledgement that not all training needs can best be served by market mechanisms alone and that as the owners of TAFE providers, governments can use policy and funding mechanisms to address this. In order to a 'full service provider', TAFEs must be supported in their role to ensure a full range of courses and student and industry services are offered across a wide geographic footprint and in thin markets. Some key areas recommended for further investigation include:

- A change to the TAFE business model is needed –
  - free up the IR arrangements,
  - free up the infrastructure,
  - free up governance.
  - reduce bureaucracy,
  - streamline systems to engage more with industry,
  - simplify funding and management and reporting of funding systems.
- There is a need to shift away from process compliance to outcome satisfaction by student and employer.
- More intensive audit and performance management should be undertaken for new providers and a more hands-on, less audited approach for more established and mature providers.
- Stronger relationships developed between private and TAFE providers which provide mutual benefits – maximise TAFE infrastructure with private providers for targeted programs and niche markets.
- Position TAFE as a full pathways provider – from foundation programs through to higher education programs to benefit those who prefer the applied learning methodology of learning.
- Strategic funding mechanisms are essential to ensure only market opportunities with real outcomes exist for students. Increased vigilance of advertising and course provision is also required to ensure a market of "Diplomas in five days" is not created.
- TAFE bring quality and consistency to a competitive training market. TAFEs are also key agents for implementing government policies and targets.

The role played by TAFEs in those jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability.

#### Entitlement model

Queensland is in the implementation stage of a new funding framework which at this stage has not been released. However, the National Partnership Agreement for Skills and Workforce Development requires that States/Territories implement a 'National Entitlement to a Quality Training Place' funding model. This will lead to TAFEs having to make some difficult choices regarding their mix of courses and many niche skill areas may prove unviable to be delivered. Other challenges for TAFEs include adapting quickly to new policy positions and operational models. The design of the entitlement model will be critical to ensure that it does not drive costs up for the consumer; limiting training for low SES groups and contributing to more deferred debt via commonwealth loan schemes.

#### New Governance structures

MSIT is a strong advocate for more autonomous governance arrangements and support the recommendations in the Queensland Skills and Training Taskforce report. The elements of the model must be those that will ensure limited bureaucracy, improved flexibility, responsiveness and innovation in a contestable marketplace.

MSIT supports the creation of commercially focused and competitive public VET providers. For maximum effectiveness, it is critical that the right balance is struck between an overarching governance and an Institute's ability to make efficient, business decisions that meet the needs of the state's industries and afford TAFE institutes the ability to compete with private providers. It is MSIT's observation that industry or business decisions to invest in training are both locally and more broadly based, and very much dependant on training provider and client relationships. TAFE institutes are complex businesses that require strong strategic and operational leadership at the local level. There is a need for a state wide strategic direction, leadership, co-ordination and collaboration on functions such as international marketing, shared ICT, infrastructure investment and facilities management.

MSIT believe that the proposed governance changes for TAFE Queensland Institutes that have been recently introduced into the Queensland Parliament will be an important milestone in the TAFE system becoming more commercially focused. The TAFE Queensland Bill 2013 proposes the establishment of a parent entity that, in the longer term, will provide central services where it makes good business sense and affords the highest return on investment whilst the institutes will focus on delivery models that deliver the best possible student experience and student success. MSIT also strongly believes that in this model, the institutes must have some capacity to make operational and resource allocation decisions locally. A move to centralised services or to a state wide functional business unit structure in the short term would be a major change that has the potential to destabilise the system and inhibit the focus on becoming commercially focused businesses.