



INTRODUCTION

The executive of Holmesglen Institute of TAFE welcome the opportunity to provide a submission to the House of Representatives Standing Committee on Education and Employment into its inquiry into the role of TAFE and its operation. The inquiry is timely and an essential step in ensuring that Australian society can continue to benefit economically and socially from the opportunities provided by our TAFE institutions. We are acutely aware of the impact of poorly designed and implemented contestable market models of education provision and has witnessed firsthand the consequences of these for institutions and the students, local community and industries they serve. We believe we are well placed to address the committee's terms of reference and hope this submission provides a valuable input into the inquiry. We would welcome the opportunity to expand on these before a hearing of the committee.

About Holmesglen

Since its establishment in 1982 Holmesglen has grown to become Victoria's largest vocational education and training provider. It operates from four major campuses in Chadstone, Glen Waverley, Moorabbin and central Melbourne, its rural learning centre in north-east Victoria, numerous workplaces Australia-wide, international project postings and its off-shore partner institutions. In 2012 Holmesglen recorded over 54,000 enrolments across its three sectors of delivery – senior-secondary, VET and higher education. It is also the primary destination for international students studying at a TAFE institute in Victoria, with over 3,000 students making the journey to study at Holmesglen in 2012. Holmesglen's operations generate over AUD165M annually, 40 percent of which is from non-government sources.

Structure of this submission

Our submission is presented in two parts. The first addresses three of the Committee's terms of reference regarding the **role of TAFE** in relation to the development of:

- skills in the Australian economy
- opportunities for individuals, including those experiencing disadvantage
- regions and communities.

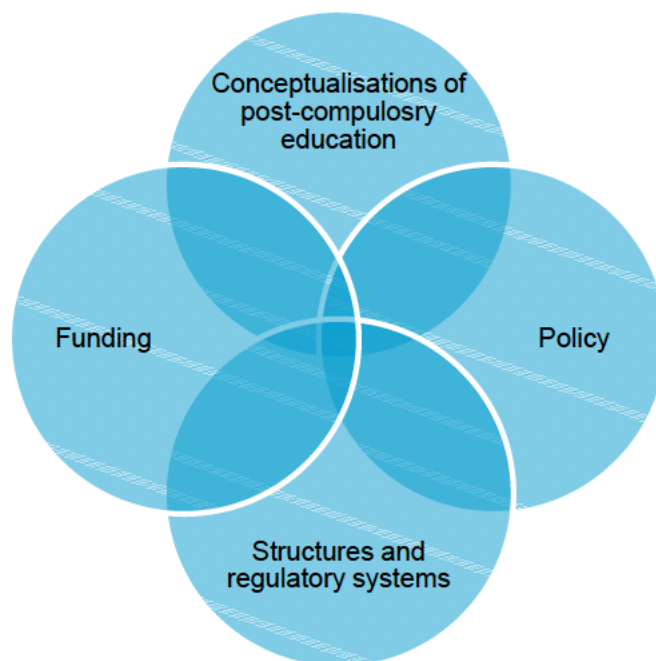
The second part is concerned with the structural elements of the system and addresses the final two terms of reference regarding **TAFE's operation** in:

- a competitive training market
- jurisdictions where funding decisions may impact on their operation and viability.

Key messages

In developing this submission, we have viewed the role of TAFE and its operation to be formed in the intersection of four overlapping domains including the:

- ways in which post-compulsory education is understood and positioned historically and currently in terms of its contribution to the Australian economy and social fabric
- policy directions that enact these conceptualisations
- structures and regulatory settings that form the way the system and individual institutions operate
- funding mechanisms that enable and restrict policy directions and institutional responses.



For Australia to have an effective and productive post-compulsory education system that is easy to navigate and delivers quality outcomes for individual students, the community and industry, it is essential that all four domains as illustrated above align. The intersection of the domains is simply not enough, what is required is an integrated approach to post-compulsory education. Policy needs to be developed, not in isolation of particular sectors, but across all sectors such as vocational education and higher education. It is our contention that currently within the Australian post-compulsory system there is significant dissonance between and within these domains. This leads to VET and Higher Education becoming disconnected and further jeopardises the vision of an integrated tertiary sector.

The notion of an integrated tertiary sector appears to be highly valued in theory. However, in practice it fails as the policy, structures and regulatory systems, together with funding, do not align across the sectors. For example, equity participation targets have been set for higher education specifically but it also is a key priority for VET. It is generally recognised that TAFE institutes contribute to promoting access and social inclusion and have traditionally catered to disadvantaged students. However, policy and funding discord is evident through:

- state government funding cuts in Victoria that have severely restricted the institutes ability to meet community service obligations and provide support services
- state governments fostering the delivery of higher education provision at TAFE, yet there is no funding mechanism either at the State or Commonwealth government level to support the policy

- recent decisions by the Commonwealth government to stymie innovative approaches to growth and increasing participation through partnerships between universities and TAFEs due to perceived cost shifting perceptions.

The role of the traditional TAFE provider has changed significantly; it cannot be categorised in isolation in the VET sector. It now plays an important role in the emerging integrated tertiary landscape. The reality is that providers are working more closely and collaboratively in what they see as an integrated tertiary environment. However, policy, funding, structures and regulatory regimes are lagging behind and putting at risk the innovation and future thinking that is currently in practice.

As the current structures and policy settings fail to provide a unified vision for tertiary education and consistent ways of structuring the system to deliver that vision, TAFE institutes face a complex and unwieldy system that:

- still limits conceptions of skills development and training in TAFE to essentially apprentice and entry level vocational skills, ignoring evidence that the economy is shifting and demanding skills at increasingly higher levels and in different capacities
- remains tied to outdated models of labour market structures and persists in primarily linking VET responses to skill shortages in relation to traditional apprenticeships
- has multiple state and federal government departments and agencies with overlapping responsibilities and roles, which makes the system almost impossible to navigate and places significant administrative burdens on institutions
- has different approaches to market design and funding mechanisms in each state, which leads to wide discrepancies in the way training effort in particular industries or levels is prioritised and eligibility determined
- is unclear about the role of a government owned entity in a contestable market environment and subsequent government support to it as a public entity
- fails to give institutions the flexibility they need to respond to emerging skill needs and commercial opportunities
- continues to delineate between VET and higher education in relation to curriculum, regulation, funding and quality standards
- has not recognised the need for new institutional types and facilitated diversity of provision that responds to local and global trends
- entrenches disadvantage by diverting our most vulnerable members of society into lower status institutions and programs.

We argue that a truly national system of tertiary education needs to be established and that its supporting structures should be re-designed to reduce the considerable complexity within the system and achieve better alignment between the system and industry and community needs. Our priorities are to:

- rationalise jurisdictional oversight of the system and consistently ascribe responsibilities for funding arrangements, policy and regulation to a single level of government and in an integrated fashion across the post-compulsory system
- widen the conception of vocational education and remove the artificial distinction between skills developed through vocational and higher education

- enable TAFE institutions to develop and self-accredit locally relevant curriculum based on national competency standards, while ensuring that the qualification system continues to enable national portability and deliver consistency in outcomes required for vocational practice and educational progression
- recognise that the notion of 'TAFE' as a common institutional type is not an operational reality in the Australian tertiary education system and introduce a new provider type into the regulatory regime that distinguishes large-scale, comprehensive public providers from other RTOs and Higher Education Providers
- clearly separate the role of government as a owner/provider from a purchaser of education and either deliver complete commercial autonomy to public providers or design a contestable system in ways that specify community service obligations and fund public institutions to deliver them.

THE ROLE OF TAFE

It is our view that, while TAFE institutes have grown and changed considerably since the turn of the century, TAFE as a sector still suffers from many of the same issues that were raised in the 2000 Senate inquiry into the quality of VET in Australia – *Aspiring to Excellence*. For example, while the committee noted the need to break down the “often artificial conceptual division between academic and practical (or vocational) learning ... (to) accord equal weight and respect to both and emphasise their complementarity¹”, little has shifted in the intervening years. The VET and higher education sectors are still constituted quite separately from policy, regulatory and funding perspectives and the jurisdictional responsibilities are complex and overlapping. While there is evidence of improved connections between providers, these tend to be localised within institutions that have taken certain strategic approaches in order to maximise their reach and impact within their communities. This led the expert panel of the *Review of Australian Higher Education* to note some eight years later that:

Various efforts to strengthen the connections between higher education and VET have been made in Australia over the last twenty-five years with limited success, due to structural rigidities as well as to differences in curriculum, pedagogy and assessment ... It is no longer helpful to see stark contrasts between higher education and VET in the level and types of qualifications they deliver.²

The impetus for change sparked by the Bradley Review has since waned and recommendations for policy, regulatory and funding to be structured around a continuum of tertiary skills provision have not been implemented.

This section draws on institutional data and case studies to form a profile of a contemporary TAFE institute such as Holmesglen to demonstrate the role it plays in developing skills for the Australian economy, opportunities for individuals and social benefits for communities. Detailed tables relating to Holmesglen’s educational profile are contained in Appendix 1.

Skills for the Australian economy

Policy settings in Australia currently continue to conceptualise skills development as the remit of VET, however institutions such as Holmesglen prepare Australia’s workforce across entry-level, trade and technician, para-professional and professional roles using a common pedagogic framework. We argue that holding onto the conception of skills development as the de facto role of VET is not productive policy. Skill needs are increasingly complex, fluid and not structured along sectoral lines. This view was supported by the *Review of Australian Higher Education*:

It is vital that there should be better connections across tertiary education and training to meet economic and social needs which are dynamic and not readily defined by sectoral boundaries...Demand for skills is volatile and a more flexible tertiary education and training system is critical if changing skills needs are to be met. Therefore it is essential that governments take a long-term and holistic view of the performance of tertiary education and training.³

¹ Senate Employment, Workplace Relations, Small Business and Education References Committee, *Aspiring to Excellence: Report into the Quality of Vocational Education and Training in Australia*, Overview and Recommendations, Canberra, 2000, p. 5.

² D. Bradley et al., *Final Report of the Review of Higher Education in Australia*, Department of Employment, Education and Workplace Relations, Canberra, 2008, pp. 179-180.

³ D. Bradley et al, op.cit., p. 181.

This 'compartmentalised' view of the role of VET in relation to skills needs is evident in the notion of skills shortages in VET policy, which tends to be applied to apprentices and more specifically traditional trade workers. This view then informs funding mechanisms, such as the Victorian model that values trade pre-apprenticeships and apprenticeships with the highest subsidy rates on the assumption that this will stimulate supply to overcome such shortages. It does not however, prioritise skills development at diploma level in, for example, early childhood, building surveying or engineering, despite these occupations being identified as 'in shortage' in Victoria and nationally⁴. Thus the role of these qualifications both as entry into employment and as a pathway to further study at undergraduate level are ignored by policy settings. Furthermore, limitations on TAFE institutes to access Commonwealth Grant Scheme places for their higher education offerings in these fields further fractures the link between education policy and our ability to respond in more integrated ways to the needs of the economy and Australian workplaces.

In addition to the lack of a nationally integrated policy position on skills development, the efforts of tertiary providers are hampered by the overwhelming complexity and redundancy in the system from a regulatory and reporting perspective. In its most recent strategy for national workforce development, the Australian Workforce and Productivity Agency (AWPA) concluded that to achieve optimum use of resources, most effective service delivery and best outcomes for industry and learners, responsibilities between the Commonwealth and states and territories should be rationalised⁵. Differentiation of roles was also raised in the *Review of Australian Higher Education*, with the expert panel proposing that primary responsibility for regulation and funding of tertiary education be ascribed to the Commonwealth⁶.

One of the most confounding issues facing comprehensive mixed-sector providers is the disconnect between VET and higher education regulation, standards and strategies. The AWPA notes how this vexed issue creates particular problems for institutions such as Holmesglen:

*It is clear from the submissions on our discussion paper that the issue [of jurisdictional overlap] continues to inhibit the development of an efficient and effective tertiary system, with the most tension evident within the VET sector and at the interface between VET and higher education.*⁷

Currently Holmesglen's operations are shaped by a veritable sea of policy and regulatory structures. It responds to directives federally from the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISTRE), TEQSA, ASQA and the NSSC, and at state-level from the Department of Education and Early Childhood Development (DEECD). It works under CRICOS, Standards for RTOs, the VET Quality Framework, the Australian Qualifications Framework and the suite of higher education threshold standards including the Provider Registration Standards, the Provider Category Standards, the Provider Course Accreditation Standards and the Qualification Standards. It provides statistical submissions accordance with the AVETMISS and the HEIMS to the DIISTRE and DEECD; it also reports duplicated quality and provider information to multiple agencies. Holmesglen strongly advocates for a serious rationalisation of the regulatory and reporting structures across the post-

⁴ Department of Education, Employment and Workplace Relations, *Skills Shortage List Victoria*, available at <<http://foi.deewr.gov.au/node/7784>>, 2012.

⁵ Australian Workforce and Productivity Agency (AWPA), *Future Focus: 2013 national workforce development strategy*, Department of Industry, Innovation, Science, Research and Tertiary Education, Canberra, March 2013, p. 126.

⁶ D. Bradley et al, op.cit., p. xvi.

⁷ AWPA, op.cit.

compulsory sector, not just to resolve jurisdictional overlap but to integrate responsibilities and roles and reduce administrative burdens on providers.

From a programming perspective, Holmesglen would also argue that continuing to define vocational education entirely as Training Packages with structural rigidities preventing qualification development to address emerging local needs, limits the effectiveness of TAFE institutions to deliver skilled workers. The long lags between the initial design of Training Packages, through systems of national approval and state-based funding decisions to actual completion means that the skills being delivered are some five to seven years behind contemporary skill needs, yet alone being pre-emptive or future-focussed. Issues of national recognition, qualification portability and industry-defined skill needs are fundamental principles that should inform the design of qualifications at all relevant AQF levels, not just VET certificates, diplomas and advanced diplomas. The issue, however, is not in the responsiveness of providers, but in the complexity and rigidity of the current system which ultimately leads to poorly matched outcomes to needs. We firmly believe that more flexibility and autonomy needs to be introduced for providers, industry and professional bodies, while maintaining principles such as national and industry/professional recognition through streamlined regulatory structures.

Apprentice training

Apprenticeships are traditionally seen as the cornerstone of the VET system and TAFE institutes as the primary provider of off-the-job apprenticeship training. In 2012 at Holmesglen, apprentices and trainees accounted for 12 percent of total student load, a figure that has remained static over the past ten years (11 percent in 2002). On average⁸ 1820 apprentices and trainees commence training at Holmesglen annually and 1200 complete their qualification. From a supply perspective, resource limitations within institutions make it difficult to significantly increase the number of apprentices in training. Nevertheless, TAFE institutes remain the primary provider of trades training where the setup and capital costs are high, and in 'thin' markets⁹.

However, our data show that while apprenticeship commencements rise and fall with prevailing economic conditions in certain industries, the proportion of total commencements within traditional trades is falling with a concomitant rise in commencements in traineeships and qualifications outside the traditional trades (such as children's services, hospitality, business, transport and warehousing). This reflects a national and Victorian trend to declining participation in traditional trade apprenticeships¹⁰.

Structural changes within industry also act to reduce the need for and ability of employers to support traditional apprenticeship arrangements, despite the pervasiveness of this model. For TAFE institutes to remain viable they will need to compensate for downturns in traditional trade commencements (and, in Victoria, the reduction of funding subsidies for traineeship delivery arrangements) in their broader profile and pursue new models of workforce development at higher skill levels. We have previously advocated for a Trade Diploma model to supplement existing apprentice training programs, which we believe would increase the skill levels of beginning trade qualified workers, reduce training times and

⁸ Source: internal unpublished data. Apprentice and trainee collection 2009, 2010, 2011 and 2012.

⁹ B. Knight, *Evolution of apprenticeships and traineeships in Australia: an unfinished history*, National Centre for Vocational Education Research, Adelaide, 2012, p. 20-21.

¹⁰ National Centre for Vocational Education Research (NCVER), *Australian vocational education and training statistics: apprentices and trainees 2011 – annual*, NCVER, Adelaide, 2012.

boost completion rates¹¹. Not being an indentured or employment contract-based model, the concept of a Trade Diploma combines intensive periods of institutionally-delivered training with relevant on-the-job experience and culminates in a trade accreditation test or licensing hurdle. This enables more extensive and higher level skills development up to managerial level occupations within the industry, while providing more targeted links between the off-the-job and on-the-job components.

Partnering with industry

Traditionally TAFE institutes engage with industry through their links with employers of apprentices and providers of work placements and other work integrated learning opportunities. Learning and assessment validation also forms a key mechanism for institute staff to engage with industry on a practical level. These practical systems of engagement have given rise to new forms of industry partnerships, as the institute's profile has expanded into higher education offerings.

Industry needs and demand for specialist work-relevant higher qualifications are central to the processes of higher education course design and development at Holmesglen. Course offerings at this level often follow the institute's well established reputation in diploma programs in niche areas, such as its Diploma in Animation, which gave rise to its Bachelor of Screen Production. Alternatively, identified gaps in current higher education provision may provide the impetus for specialist vocationally focussed bachelor programs. For example, Holmesglen's Bachelor of Fashion is unique in its focus on apparel engineering work such as patterning and fit. Industry standard facilities support the delivery of each degree's vocationally specific content, using simulated learning environments in areas such as nursing and early childhood education. Approaches to teaching and learning also reflect the applied nature of the institute's programs, with project-based, problem-based and case-based models forming the core pedagogy. Such principles and practices are common across the TAFE institutes who have entered into higher education delivery in their own right, reflecting their traditional roles in vocational education.

At Holmesglen, industry liaison is the core responsibility of senior and executive management across all program levels. We ensure that:

- industry input is central to course design to improve student outcomes
- teaching staff are also current industry professionals, many combining teaching with continuing professional practice
- adjunct teaching staff are sourced from its industry partners
- work integrated learning, such as internships and placements, feature across the program profile
- teaching and learning practices recognise the existing work experience of its students
- practical support is given to students to secure employment on graduation, such as through job placement services.

¹¹ See for example, presentation to the Building Industry Consultative Council Industry Advisory Board, November 2009, available at <
<http://www.bicciab.org.au/d611b/sites/default/files/Bruce%20M%20Trade%20Diploma%20paper.pdf>>

Case study: partnerships for local workforce development

To effectively support the Bachelor of Nursing and to ensure the potential for research and development activities, we invested extensively to build and equip a world-class simulation facility at our Moorabbin Campus. We also created a number of unique partnerships with local health networks to effectively establish and provide exceptional outcomes from our VET and higher education programs within the Faculty of Health Sciences and Community Studies. Initially focussed on providing clinical placements, these partnerships have evolved with the partners now offering fellowships to our students and us providing professional development services to the partners' nursing workforce.

As a result of these initiatives, we are party to a proposal to establish a 300 bed private hospital directly linked to our health science facilities. The project will see a health network lease existing facilities from Holmesglen and invest \$106M on refurbishment, fixtures and fitting. The new hospital site will ultimately create 1,000 new jobs in the region. We will also enter into an educational arrangement with the network to provide tertiary education and training in health fields, including nursing and allied health occupations. The network will offer internships to our staff and students, with its professionals afforded adjunct staff status and the potential to appoint a Chair of Health Science Education at Holmesglen. This proposal is currently before the Victorian Government for approval.

While TAFE institutes make strong industry connections at the local level, we would observe that the links between education and the labour market and between qualifications and skill needs are often not well understood or addressed in framing education policy. Therefore educational interventions, eg initiatives to improve skill levels of the workforce or workforce mobility, often have limited or mixed effects because these organising structures are not evident to and taken into account by providers, industry or government.

While the VET system is often proudly held up as being 'industry-led', national strategies that work across the sectors to address the links between education broadly and the labour market are not evident. While these factors are often the subject of research and institutional knowledge¹², we argue that their effects on policy is often limited. In part, this is because of the lack of national trans-sectoral agencies and representative groups, but also because there is no mechanism for local skill development needs and educational responses to impact on national industry policy frames. The recent dismantling of industry-advisory structures in Victoria is also a worrying sign for the future of industry engagement in tertiary education regulation and policy making.

¹² For example the current National Centre for Vocational Education research program *Vocations: the link between post compulsory education and the labour market*, <<http://www.ncver.edu.au/students/projects/10454.html>>.

Opportunities for individuals

TAFE institutes have historically been seen as the ‘second chance’ educator, founded on the liberal-individual ideology espoused by the Australian Committee on Technical and Further Education chaired by Myer Kangan, which also gave rise to the inception of TAFE as a discrete site for teaching and learning.¹³ The role of TAFE institutes in promoting access to further education and training for employment and personal enrichment and development persists today. Our data reflects the national trends that VET students are more likely to be older, indigenous, have a disability, reside in outer regional, remote or very remote regions, be from a non-English speaking background and experience greater levels of relative socio-economic disadvantage compared to those undertaking higher education qualifications.¹⁴ The table below shows the comparisons between our VET and higher education students and the Victorian demographic profile. Unfortunately, due to the considerable lag in release of state and national statistics, the latest available comparison data are for 2010.

Table 1: comparison of selected demographic characteristics, Holmesglen and Victorian students by sector (2010 Full Year)

	Commencing domestic VET award students (%)		Commencing domestic undergraduate students (%)	
	Holmesglen ¹⁵	Victoria ¹⁶	Holmesglen ¹⁷	Victoria ¹⁸
Aged 25 or over	57.8	56.8	29.4	21.2 ¹⁹
With a disability	5.9	6.5	4.3	4.4
Non-English speaking background	20.9	17.4	20.7	4.2
Low socio-economic status²⁰	15.8	Not reported using the EOI	14.7	15.0

¹³ Australian Committee on Technical and Further Education, *TAFE in Australia: second report on needs in technical and further education*, Australian Government Publishing Service, Canberra, 1975.

¹⁴ NCVET, *Tertiary education and training in Australia; 2010*, NCVET, Adelaide, 2012, p. 7.

¹⁵ Source: unpublished institutional data, commencing domestic VET students, 2010 full year.

¹⁶ NCVET *Tertiary education and training in Australia 2010 data tables Victoria (updated March 2013)* NCVET, Adelaide, 2013.

¹⁷ Source: unpublished institutional data, commencing domestic undergraduate students, 2010 full year

¹⁸ Department of Education, Employment and Workplace Relations, *Student 2010 Full Year: Selected Higher Education Statistics, Table 1.2*, DEEWR, Canberra, 2011.

¹⁹ Published data unavailable for Victoria, this is the national rate. Department of Education, Employment and Workplace Relations, *Student 2010 Full Year: Selected Higher Education Statistics, Table 2.4*, DEEWR, Canberra, 2011

²⁰ Low SES in this table is based on the students' postcode of permanent home residence, with the SES value derived from the 2006 SEIFA Education and Occupation Index for postal areas, where postal areas in the bottom 25% of the population aged 15-64 being classified as Low SES.

Case study: innovations in bridging youth disengagement with education

In 2007 after a decade of advocating, planning and research, we established our Vocational College. In the first year, one hundred and twenty 15 to 17 year olds commenced a specifically designed program that incorporates industry-focussed applied learning with a comprehensive suite of vocational and general education services. Today, the Vocational College has a presence on two of our campuses and over 350 young people undertake the Victorian Certificate of Applied Learning at intermediate and senior levels.

The Vocational College is characterised by a bright and vibrant atmosphere with staff and programs that offer comprehensive, tailored and appropriate support services. Individual needs are at the core of the curriculum design, with a strong focus on literacy and numeracy as a fundamental prerequisite to successful participation in work, education and society in general.

The young people who attend the Holmesglen Vocational College achieve outstanding results and significantly improve their employment and further education prospects. Over 80 percent of its graduating students have a successful pathway outcome – whether that is into employment, an apprenticeship, diploma or certificate course. Of those who continue on with full time training, over 90 percent do so with us.

In 2013, we extended our reach to disengaged young people by partnering with the Victorian Department of Housing and Hanover to establish a ground-breaking Youth Foyer in a building we recently completed at our Waverley campus. The Holmesglen Youth Foyer provides the opportunity for highly disadvantaged young people, aged between 16 and 25 years, to gain an education and ultimately to become employed. It offers purpose-built student-style accommodation whilst studying at the adjacent Vocational College. Experienced Vocational College staff will work with Foyer clients to facilitate the educational pathways for the journey to independence.

We have long argued that TAFE institutes are well placed to contribute to increasing participation and attainment by those traditionally under-represented in Australian higher education²¹. It is important to note in relation to our undergraduate data in Table 1, that 80 percent of commencing domestic students held a full fee paying place, arguably restricting students experiencing relative socio-economic disadvantage from participating due to the financial barrier. The most noticeable differences in diversity of our higher education cohort is the much higher participation rate of students from a non-English speaking background and the greater proportion of mature aged learners.

²¹ See for example its submission in 2005 to the *Building University Diversity* issues paper and in 2008 to the *Review of Australian Higher Education*.

Case study: access to opportunity and serving industry's need for higher skills

The provision of Bachelor of Nursing degrees at Holmesglen, supported by the Commonwealth, provides an example of the types of outcomes that may be achievable under a Polytechnic University model.

This course was established in 2009 and commenced with 40 students in Commonwealth supported places. Participation of marginal student groups in this cohort was higher than the average for commencing domestic undergraduate students in Victorian universities in that year, with the following participation rates:

- 20.5% of students from a low SES background
- 23.1% of students from a Non-English speaking background
- 7.7% of students with a declared disability

In spite of the strong participation by marginal student groups, many of whom typically have more difficulty in completing a qualification than the average student, the expected completion rates of this cohort remains strong at 75%. Furthermore, in support of the argument that TAFE institutions provide their students with particularly strong links to industry, all graduates were offered employment in the field.

Without access to Commonwealth supported places for TAFE institutes, coupled with the uncapping of such places in universities, presents a risk that attainment of bachelor qualifications by marginalised groups will not improve. While the participation targets may be met, the prevailing pedagogies and support in universities may not be the most suitable to ensure retention and ultimately completion. Current policy settings in relation to promoting equity and diversity in higher education completely ignore the wealth of experience and options already available in the TAFE system. Issues of institutional status and limitations on program diversity that persist in Australian TAFE institutes mean that socio-economic disadvantage thus becomes entrenched despite the ability of institutions to attract and serve these cohorts. This is further compounded when there is confusion around the role and expectations of TAFE as a public entity within contestable markets and there is a lack of dedicated funding support to deliver any community service obligations.

Internationally, parallels can be readily drawn between the experience of mixed sector TAFE institutes and Further Education (FE) Colleges in the United Kingdom. In commenting on the introduction of a new higher education qualification (the Foundation Degree) to be delivered by FE colleges in collaboration with a university, Gareth Parry argues that this has resulted in an unstable, uncertain and increasingly complex environment for colleges. Thus, Further Education Colleges have become sites for democratising access and participation in higher education while simultaneously diverting non-traditional students into lower-status FE settings²². We contend that similar potential exists in Australia without the creation of a new provider type recognised for its status, distinctiveness and legitimate contribution. There must also be alignment between the ability to integrate our program provision across the qualification spectrum with shared and holistic visions for tertiary education between jurisdictions, unified policy frameworks and access to equitable funding arrangements.

²² G. Parry, Higher education, further education and the English experiment. *Higher Education Quarterly*, 2009, 63(4), p, 340.

TAFE contributing globally

In addition to its delivery to international students, we have provided specialist staff to work on overseas projects and provide specialist consulting services offshore for over 20 years. We have rigorously pursued a growth strategy through these commercial opportunities to:

- support the organisation's mission as a quality tertiary education institution by reinvesting profits into capital works and infrastructure projects that enhance local and international students' learning experiences
- diversify income streams, reduce our reliance on government funding and ensure we are a financially sustainable organisation
- contribute to institutional capacity building in countries seeking to reform and develop their vocational and technical education systems.

Our international projects in Asia, the Pacific and Middle East have created a footprint in regions where other Australian institutions have few networks including India, Qatar, Bahrain and Mongolia. This work demonstrates the sizeable capacity of TAFE institutes to effectively govern and manage the logistic, legal, political and cultural issues that come with working internationally, resulting in a significant resource for Australian industry. While the terms of reference for this inquiry are focussed on domestic objectives, we believe it is increasingly difficult and problematic to take an isolated view. Large TAFE institutes play an important role in the globalisation of education and contribute alongside their international counterparts, to the development of an increasingly global workforce.

Case study: involvement in global skills development

Over the past five years, our international projects have included significant commercial work across Asia and the Middle East. For example, we:

- were contracted with our partner, the Victorian Department of Education, to the Bahrain Economic Development Board to assist the Bahrain government to reform its upper-secondary vocational education system
- secured a five year contract with Qatar Petroleum in 2008 to provide training and consultancy services across its core workforce development needs
- have been working to establish a Skills Development Institute with GMR, one of India's foremost infrastructure conglomerates, at its site at Hyderabad airport
- were funded in 2012 and 2013 to deliver a twinning program with two Mongolian technical schools as they seek to establish these institutions as TVET centres of excellence
- have a three year contract with the Qatar Supreme Education Council and Qatar Central Bank to assist in the development of a vocational senior secondary school for the banking and finance sector

TAFE as an institutional type

Post-compulsory education in Australia is in a state of transition. The intention has been to move to a single more seamless tertiary sector and increase participation, access and attainment of higher qualifications. We see ourselves as participating in an integrated tertiary environment, however the way this is conceptualised and then enacted through policy, regulatory and system structures, and funding arrangements is not working with us to facilitate a holistic view of tertiary education. For example, as previously mentioned:

- TAFE institutes remain locked out of accessing Commonwealth Grant Scheme places for their higher education programs, with the exception of a small and capped number of places awarded to us for Nursing and us and NMIT for Early Childhood Education
- the provider category standards under which TEQSA now regulates the higher education sector failed to take a contemporary approach to the concept of institutional diversity and entrenched the view that only route for Higher Education Providers aspiring to growth and improved status involved transitioning through University College status to become a traditional university
- on the advice of the Knight Review²³, reputable TAFE institutes have not been differentiated from the worst excesses of the wider VET market for international student visa purposes with dire financial consequences. While universities have been granted streamlined student visa processing in the international student market, this 'special treatment' has specifically been denied to students at government-owned VET providers.

Unfortunately the potential to create diversity in the tertiary sector has not been realised following the Bradley Review and there are still fundamental issues which need to be addressed.

- Higher education is a still confusing concept. In Australia, it has become a de facto term for the university sector however significant provision is made via registered higher education providers that are not universities. Whilst the term "tertiary education" has been adopted in reference to TESQA, the federal government and department still make decisions based on the higher education being synonymous with universities.
- The great majority of Australians will not access higher education for a number of reasons including a lack of positive experience with earlier forms of education that lowers their confidence, a lack of relevance of traditional offerings to their work and personal needs and a model of learning that is overly 'academic' and does not engage with practical or applied learning styles.
- Higher education offered at TAFE attracts primarily a different cohort to traditional universities however they are at a disadvantage as they do not access government support.
- The uncapping of places at traditional universities will not necessarily address issues of access and equity for specific disadvantaged cohorts and will not address the need to accommodate different learning styles.
- The existing structural arrangements for higher education are not suited to a society that aspires to enhance its citizens' social and economic status and for a country that wants to be an active and influential participant in global social and economic change.

²³ M. Knight, *Strategic Review of the Student Visa Program*, 2011, pp. xiii-ix and 45-46

Currently there is no mechanism within either the VET or higher education regulatory frameworks that allows comprehensive TAFE institutions such as Holmesglen to gain recognition for the new type of provider they have evolved into. We argue that Holmesglen is clearly fulfilling a distinct role, serving distinct cohorts with distinct approaches to teaching and learning that differs from others within the mass RTO and Higher Education Provider categories that we currently occupy. The current TEQSA category standards include the category University College and University of Specialisation, but as currently conceived these do not provide a suitable option. As mentioned previously the University College category is intended as a transitional status, whereas we have no intention of meeting the criteria of a university. A University of Specialisation is conceived in relation to a single field of study, which does not fit our existing profile. We claim, therefore, that a new category of Polytechnic University should be introduced and standards set accordingly as it better suits the applied focus of our combined VET and higher education provision, while also being internationally recognisable. Appendix 2 contains a summary of such an institutional type.

TAFE'S OPERATION

The impact of the introduction of contestable funding arrangements in Victoria have been well documented and this submission will not make detailed analysis of this publicly available information. However, to set the context for this section of the submission, it is important to note that three years after the introduction of contestable funding in Victoria (ie 2009 to 2011)²⁴:

- the number of private providers more than doubled
- private provision of Victorian Government funded VET grew by some 285 percent (in enrolments)
- less than half of Victorian Government funded VET students were enrolled in TAFE institutes
- enrolments in private providers exceeded those in TAFE institutes in the Western and Southern metropolitan regions of Melbourne
- private provision became the dominant form of delivery in the service sectors (hospitality, administrative and support services, finance and insurance services, health care and social assistance, retail , transport, warehousing and wholesale).

Victoria's attempt at establishing a contestable market for VET has been widely recognised as being flawed in its design and implementation, leading other jurisdictions to ensure support for its public providers and quarantine base funding for TAFE within their evolving market-based systems. The Victorian 'experiment' has put at serious risk the ongoing viability of some of its strongest tertiary education institutions. Central issues to be explored in this part of the submission relate to ways of simplifying and redesigning contestable market models and their associated funding regimes to give surety to Australia's public institutions and to national and regional interests.

We dispute the premise that governments can create true competitive markets for VET and maintain long-term public and economic wellbeing. The Victorian experience has demonstrated that, while policy objectives on the surface can be achieved (such as increasing participation and reducing 'churn' within lower-level qualifications), poor market design leads to unintended consequences. These have included:

- massive budget blowouts
- increased regulatory and monitoring burdens
- ballooning qualification attainment in areas with low economic or labour market value
- continual decline in enrolments in shortage trade apprenticeships
- overall lowering of quality of provision, with loss of public confidence in VET institutions generally.

We argue that the Victorian contestable market and funding arrangements are flawed in the following ways.

- Growth rates in contact hour delivery between 2008 and 2012 exceed 20 percent annually and enrolments have grown by approximately 15 percent each year. The overwhelming majority of this growth has been amongst private providers (eg Private RTO enrolments have an **annual** growth rate of approximately 56 percent over the three years from 2008 to 2011, TAFE enrolments grew by just 2 percent annually over the same period).

²⁴ Higher Education and Skills Group, *Victorian Training Market Quarterly Report: Full Year 2011*, Department of Education and Early Childhood Development, Melbourne, 2012.

This kind of growth indicates that a 'bubble' had formed in the market, fuelling 'speculative' behaviour, as private providers rushed to cash in on the uncapped potential for funding subsidies. Market contraction then occurred to alleviate the excess supply, mainly through the removal of funding to TAFE institutes, reduced subsidy rates and increased student fees. As this contraction unfairly impacted the public sector, it is likely that we will see public institutes merge or exit from thin markets in an attempt to secure their financial viability. The impact, particularly in regional areas and in industry sectors where TAFE is the dominant (and in some cases only) provider, will be significant.

- In a private market, price usually acts as the mechanism that balances supply and demand. However, in the Victorian VET contestable market price was fixed both in terms of subsidies and initially in student fees, therefore supply found its own demand and created the explosion of provision.

Similar patterns have occurred when governments outsource provision at a fixed price, for example in Employment Services. In establishing the Job Network, 300 providers, both private/for profit and the non-profit sector, were awarded contacts. A third of these had exited by the end of the first three years and today less than 100 providers remain in the system. Non-profit providers have largely been squeezed out by bigger, often overseas owned, suppliers. Similar potential exists in the Victorian VET market.

- The Victorian Government and bureaucracy maintained, and in many ways furthered their control paradigm. It did not detach itself from regulatory and provider interests in creating the market design. This was one of the biggest weaknesses in the model implemented. Currently the state acts as both purchaser and regulator, and in the case of TAFE, as provider. This led to the decision to cut funding to its public providers and impose governance 'reforms', despite the budget blow-out being created by rapid private expansion of dubious quality under the uncapped, fixed-price model implemented.

This confusion and blurring of roles and functions indicates that the state government had not sufficiently grasped the implications of market models for their own operations and held onto past bureaucratic mindsets. The Victorian Government introduced a commercial imperative and made no distinction between public and private providers in the funding model. Yet, it demanded community service obligations be fulfilled and imposed restrictions on the commercial operations of public providers. Ultimately governments can not have it both ways, conflicting objectives creates unstable and unsustainable markets, while TAFEs remain government owned entities.

- In response to the state's ballooning budget liability and issues around the integrity of some providers, the department established a market monitoring unit and dissolved its skills commission and industry advisory arrangements. Designed to "monitor, review and report on market trends, including levels of competition, price, and the quality of training outcomes²⁵", the department's current approach to market adjustment has become a 'black box'. There is little transparency in decisions around funding and market design mechanisms, such as course subsidies and allocation of qualifications into funding bands on the basis of skills shortage and labour market value.

²⁵ Department of Education and Early Childhood Development, *Market Monitoring Unit*, <<http://www.education.vic.gov.au/about/department/Pages/mmu.aspx>>, 27 December 2012.

- Victorian Government subsidies are currently structured into over 1,000 course price points after the application of various loadings and multipliers, more if concessions are taken into account. Operational complexity such as this particularly affects the large scale providers, which are predominately TAFEs due to the breadth of their provision across the scope of qualifications. Administrative costs are higher and more resources are required to monitor performance in such a complex system, yet no recognition of this is made in the funding regime. Such complexity also, arguably, reduces the ability of institutes to pursue innovation and work in the public interest as they direct their energies to providing surety to the organisation and responding to the various control mechanisms.
- The current subsidy regime in Victoria has forced providers to return to basic models of course delivery, where income derived covers minimal direct delivery costs only. In reality this has meant that TAFE institutes' capacity to respond to individual learning needs and support learners with increased contact with teaching staff and wrap around services is significantly diminished. Resources are also reduced, as subsidies only cover the minimum face-to-face delivery time. Ultimately it prompts a 'race to the bottom', where quality and outcomes are usurped by the need to achieve financial survival.

However, in a market where price and product remain fixed, quality is only factor that can be used to differentiate providers. Funding rates in the Victorian system do not distinguish between the real costs to public institutions in meeting their community service obligations and required wage structures, as opposed to private providers. This further jeopardises quality and sees learner needs go unaddressed in the very institutions that serve the most disadvantaged and marginalised in Victorian communities²⁶.

Ensuring effective operations and TAFE's viability

TAFE across Australia is in a vulnerable position. As a public entity and a community asset, the TAFE sector needs more government support and a realistic funding model. The system needs to be structured and funded to encourage growth and innovation rather than imposing significant cash flow challenges and a business model that does not take into consideration current employment and industrial imperatives. We believe that urgent attention should be paid to the following, if government insists on marketised models of purchased VET provision.

- Ensure national consistency in design and funding. It makes no sense for different states to have different approaches to eligibility, funding levels and rationales and views on the role and functions of public providers. Where regulation is national, funding and system structures should also be established nationally.
- Define public providers' community service obligations and quarantine funding for institutes to deliver these.
- Provide clarity on the requirement for TAFEs to operate under public sector wage structures and award conditions and if so, fund required wage supplements.

²⁶ According to the latest available market data, TAFE and ACE providers continue to deliver the bulk of foundation programs (eg in ESL, language, literacy, transition and work education) and entry qualifications at Certificate I and II levels. TAFE learners are also more likely to experience disadvantage, such as having a disability or not being in the labour force, compared to private providers. Source: Higher Education and Skills Group, *Victorian Training Market Quarterly Report: Q3 2012*, Department of Education and Early Childhood Development, Melbourne, 2012.

- Separate the roles of regulator from purchaser and provider, ensuring independent monitoring of quality standards and the relationships between providers and the purchaser and independent dispute resolution.
- Implement semi-capped market design, where the distinction between the capped and uncapped segments is based on the contribution of qualifications to addressing skills shortages.
- Assess skill shortages transparently and with greater industry input, making provision for labour market dynamics regionally and within industries and ensuring higher VET qualifications are recognised for their contribution to advancing skill needs.
- Streamline the operational requirements including subsidy pricing with loadings for regional delivery and equity cohorts.
- Relax the eligibility criteria to access government subsidised training by removing the advancing qualification requirements for all courses addressing skills shortages.
- Ensure compliance regimes assess the quality of outcomes achieved by public expenditure, not solely the capacity of providers to evidence administrative processes and controls.

CONCLUSION

This concludes our submission to the House of Representatives Standing Committee on Education and Employment into its inquiry into the role of TAFE and its operation. As the committee's terms of reference establish, TAFE has a lot to offer and a proud tradition of supporting Australians into meaningful employment and to play a constructive role in society. We reiterate the importance and value of strong public education institutions to the wellbeing of our economy, to individuals and communities. However, the sector is under real threat. Unlike universities which have been protected in the move to demand-driven systems and in securing their viability in the education export market, the TAFE brand is being diluted as a result of unprecedented competition from all sectors including:

- private providers primarily in areas of low cost provision such as business, community services, hospitality, retail and recreation
- industry associations which establish a RTO and vie for contestable funding to support their own training operations
- schools at the lower certificate levels
- universities for its traditional diploma market and its emerging higher education provision.

It is also exposed to increasingly complex and unwieldily regulatory structures and jurisdictional and policy tensions, limiting the ability of institutions to be dynamic, flexible and responsive. TAFE is viewed through outdated and limited conceptions of its role in developing skills needed in Australia and globally. It is unclear about its role as government owned entities in a quasi-private market and the support it can expect as the nation's public provider of VET.

What is urgently needed is real vision for the post-compulsory sector and better integrated responses to skills development needs and changes in the economy. A true national approach to the planning and provision of post-compulsory education should be a priority, with policy, regulatory and funding responsibilities located with the federal government in single agencies working across the sector. We also support renewed efforts to create a better connected and functioning post-compulsory education system, with nationally consistent, simplified and equitable approaches to system design and funding.

The notion of TAFE as a homogenous provider type is also too limiting and remains tied to traditional views of public entities delivering entry and trade level vocational education. Therefore, it is vital for new provider types to be formally recognised, with the necessary autonomy and flexibility to develop their provision across the qualification spectrum.

We would welcome the opportunity to provide further information and to appear before the committee as its deliberations unfold. Please direct all enquiries to:

Bruce Mackenzie
Chief Executive
Holmesglen

APPENDIX 1 – HOLMESGLEN PROFILE

Holmesglen’s profile ten years ago was almost entirely VET provision. Higher education accounted for less than 1 percent of the total student load, which were exclusively international student enrolments in franchised programs. Today higher education provision accounts for approximately five percent of total load, of which more than half are domestic students studying across 14 Holmesglen developed bachelor and associate degrees and graduate diploma programs. Senior secondary enrolments have also more than doubled over this period. The profile of this delivery sector has also changed from being wholly Adult VCE enrolments to a much smaller proportion of mature-aged provision at senior secondary level combined with over 369 FYTE young people studying a senior-secondary certificate at Holmesglen instead of in school environments. Figure 1 shows the changing composition of Holmesglen’s program profile over the previous ten years²⁷.

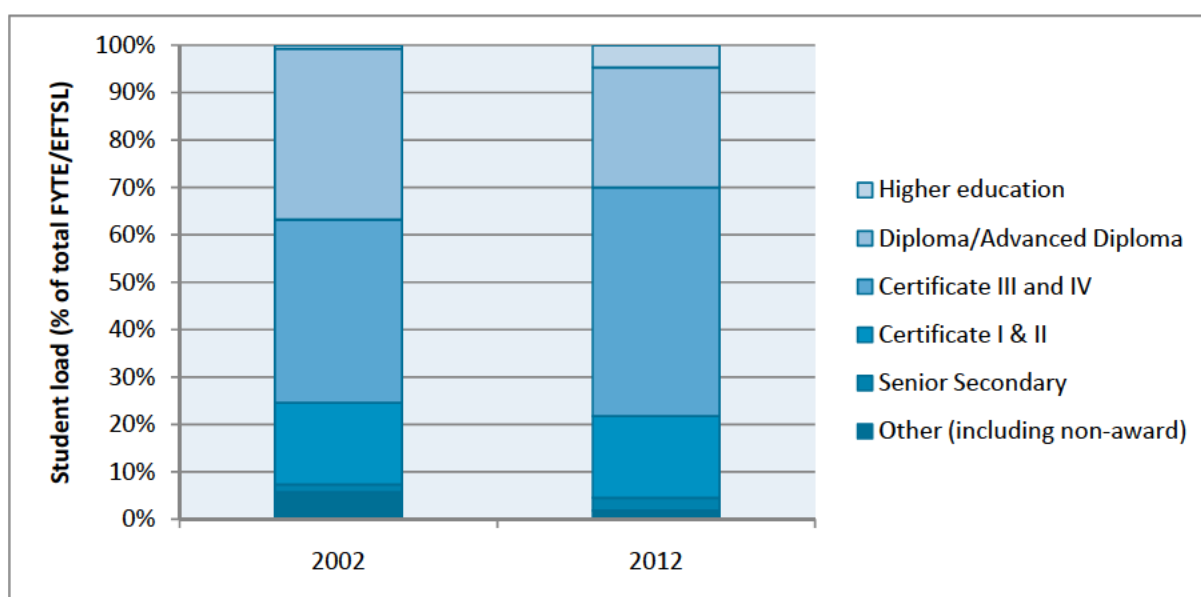


Figure 1: Ten year change in proportion of student load (FYTE/EFTSL) by qualification level (Full Year 2002 and 2012)

The following table shows our profile across the various qualification levels in 2012.

Table 2: Holmesglen student load (FYTE/EFTSL) by qualification level and citizenship and residence status (Full Year 2012)

	Domestic students	International fee paying students	All students
Graduate diploma and certificate	13.2	0.8	14.0
Bachelor and associate degree	438.8	343.9	782.7

²⁷ Source: internal unpublished data. Full Year Training Equivalents (FYTE) is a measure used in the VET sector to represent training activity undertaken by a student on a full-time basis for one year. Equivalent Full-Time Student Load (EFTSL) is the equivalent measure used in the higher education sector.

	Domestic students	International fee paying students	All students
Advanced diploma and diploma	3207.7	1,134.6	4,342.3
Certificate I - IV	9,439.7	1,787.7	11,227.4
Year 12	439.2	25.1	464.4
Other (inc non-award)	278.5	42.2	320.7
Total	13,817.1	3,334.3	17,151.5

Table 3 presents in more detail the domestic student load by funding source or delivery arrangement and broad sector.

Table 3: Holmesglen domestic student load (FYTE/EFTSL) by funding source and sector (Full Year 2012)

	State general	Apprentice/ trainee	Domestic fee paying	Commonwealth specific purpose	VET in Schools
Higher education	-	-	227.4	224.6	-
VET	8,772.2	1,638.6	1,347.7	516.9	372.0
Senior Secondary	437.4	-	1.8	-	-
Other (inc non-award)	12.3	-	202.4	63.7	-
Total	9,222.0	1,638.6	1,779.3	805.3	372.0

In addition to our comprehensive provision across qualification levels or sectors, funding sources and delivery arrangements, we also have a breadth of coverage across industry groups. In 2012 we delivered VET qualifications across 14 broad industry groups, with a depth of delivery occurring in the building and construction, adult and community education (including language and literacy and general education programs), community services and health, business, and tourism and hospitality sectors.

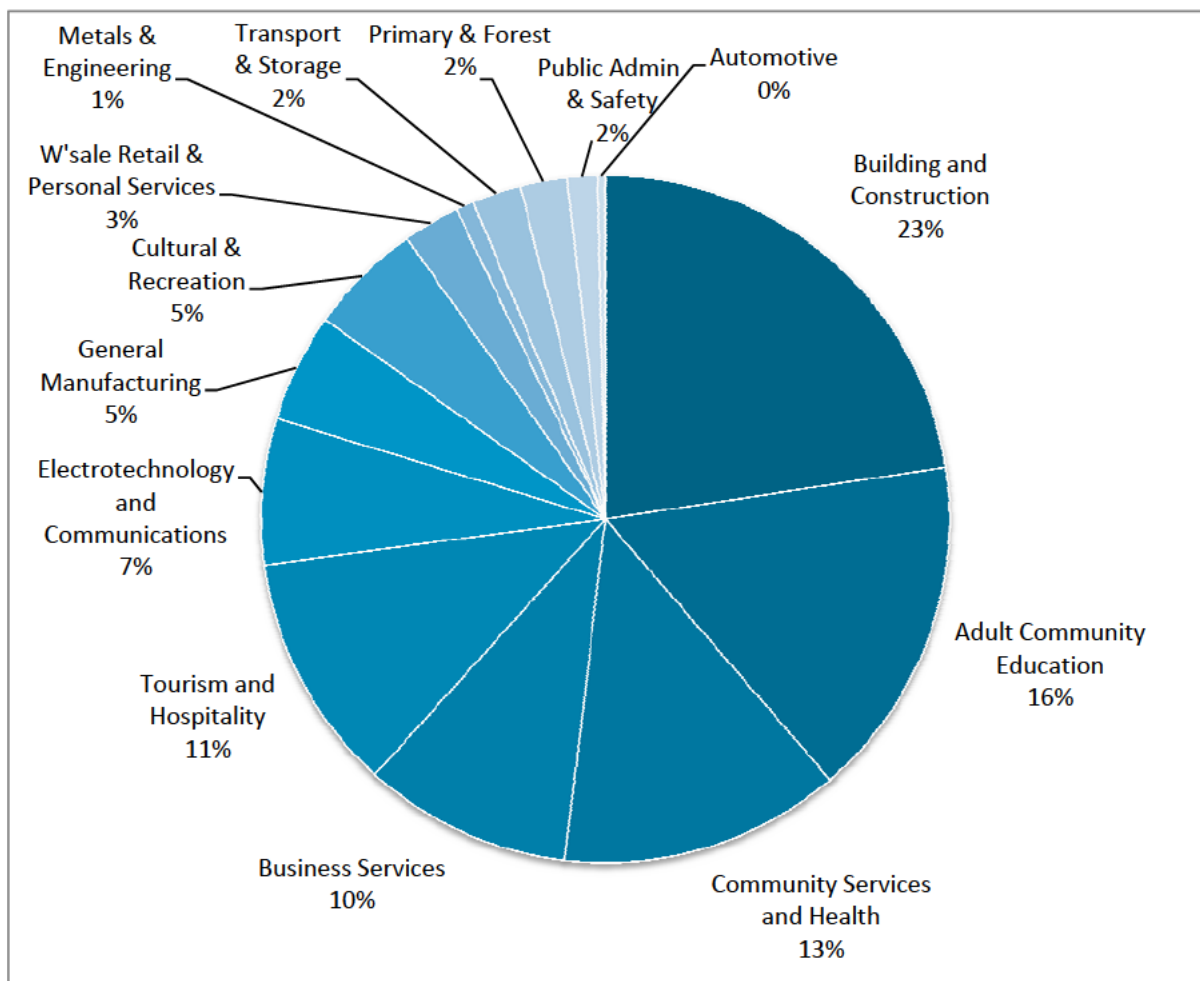


Figure 2: Proportion of Holmesglen domestic VET student load (FYTE) by industry group

Table 4 below shows the distribution of domestic VET provision by broad industry group and funding source.

Table 4: Proportion (%) of Holmesglen domestic VET student load (FYTE) by industry group and funding source (Full Year 2012)

Industry group	State general	Apprentice/ trainee	Domestic fee paying	Other (inc Commonwealth)
Building and Construction	17.7	48.33	33.63	4.00
Adult Community Education	18.2	0.00	1.08	48.33
Community Services & Health	15.7	5.25	13.50	4.22
Business Services	7.7	6.91	24.18	10.29
Tourism and Hospitality	12.8	9.51	4.68	10.31

Industry group	State general	Apprentice/ trainee	Domestic fee paying	Other (inc Commonwealth)
Electrotechnology and Communications	6.9	7.09	6.24	7.51
General Manufacturing	5.1	8.25	3.14	2.66
Cultural and Recreation	6.8	0.00	2.21	6.60
Wholesale Retail and Personal Services	2.1	6.08	2.48	2.32
Metals and Engineering	0.7	1.33	0.94	1.53
Transport and Storage	2.5	1.51	3.62	0.00
Primary and Forest	1.6	5.61	2.70	1.19
Public Administration and Safety	1.9	0.00	0.97	0.34
Automotive	0.3	0.12	0.57	0.70
Total	100.0	100.00	100.00	100.00

This data show the continuing tradition of apprenticeship training in the building and construction industry at Holmesglen, but also the diverse nature of state funded non-apprentice training and the contribution of the Commonwealth to literacy and numeracy programs through initiatives such as the Adult Migrant Education Program and Language Literacy and Numeracy Program.

APPENDIX 2 – POLYTECHNIC UNIVERSITY

Table 5: proposed characteristics of a Polytechnic University

Characteristic	Standards
Tertiary status	<p>The provider is:</p> <ul style="list-style-type: none"> • is a Registered Training Organisation (RTO) in the VET sector • is a registered as a Higher Education Provider (HEP) • offers AQF 5 to 9 qualifications in at least three broad fields, which constitutes at least 20% of its total accredited provision.
Well-established and broad-based	<p>The provider:</p> <ul style="list-style-type: none"> • has a domestic student population of at least 20,000 • has an established international student and/or transnational market • offers a broad range of programs and a wide range of student support services, including student learning/academic support, extensive resources for student learning and student accommodation • has systematic and mature processes for quality improvement and the maintenance of teaching and learning standards, with a history of at least three years of regulatory compliance.
Applied, industry-focussed	<p>The provider:</p> <ul style="list-style-type: none"> • demonstrates strategies to address industry relevance, skills shortages and regional workforce development in its programs and services • maintains the industry currency of its teaching staff.
Outcomes to employment	<p>The provider:</p> <ul style="list-style-type: none"> • ensures its higher education qualifications are built on and underpinned by VET qualifications to the relevant level of entry to employment in the same field • uses its industry links as a key determinant in the development of these qualifications.
Scholarship and teaching excellence	<p>The provider:</p> <ul style="list-style-type: none"> • demonstrates clear evidence of a commitment to scholarship and knowledge creation • engages in applied and engaged research related to the disciplines taught for the purposes of enhancing teaching expertise and adding specialist knowledge • undertakes cross-disciplinary and/or discovery-based research with industry support and transfers such knowledge into the teaching program • promotes teaching excellence through scholarly practice and adheres to qualification standards in pedagogy and professional practice • regards pure research as the province of universities.
Access, participation and equity	<p>The provider:</p> <ul style="list-style-type: none"> • is committed to social inclusion • offers a broad student experience with individualised vocational and further learning options for a diverse range of students • has an established record of attracting and achieving successful outcomes for disadvantaged and/or disengaged students.