Response to *Securing our future economic prosperity* discussion paper

May 2008
Preamble

Holmesglen is currently Victoria's largest vocational education and training provider. In 2007 Holmesglen delivered over 12 million hours of training in over 50,000 course enrolments (2 million more hours than its nearest competitor). Its program profile is unmatched by any other VET provider delivering comprehensive vocational education from senior-secondary to higher education degrees and graduate programs. Over 70% of the Institute’s enrolments, and over 85% of government funded enrolments, are at Certificate III level or above. Holmesglen is also the primary destination for international students studying at a technical and vocational education institute in Australia.

Holmesglen currently has 12 accredited higher education qualifications across the building and property, business, social sciences, screen production and early childhood development disciplines. Recognition of the quality of Holmesglen’s degree programs has been secured when it became the first non-university provider to be accredited by the CPA for its Bachelor of Business (Accounting) and by the Australian Institute of Building, Australian Institute of Institute of Building Surveyors and the Australian Institute of Quantity Surveyors for its building and property degrees.

Attached is Holmesglen’s response to the Victorian Government’s discussion paper Securing our future economic prosperity. The response supports the government’s desire to increase the educational achievement of Victorians. However our solutions whilst incorporating competition, argue for a greater transformation of the system. The paper argues that the existing environment at the national level together with the Victorian Government’s desire for educational reform creates a unique opportunity for Victoria to transform the tertiary sector and gain a competitive advantage over all States in Australia.

Holmesglen’s response draws on local and international research and on the Institute’s experiences in the fiercely competitive international market place to suggest additional innovative reform.
1. **What is the reform trying to achieve?**

Holmesglen understands the key platforms of the Skills Reform agenda to be:

- Boosting the number of students accessing training;
- Increasing the number of students completing higher-level qualifications (i.e. Certificate IV and above);
- Introducing eligibility criteria to receive a government supported place in VET with preference given to those without a post-secondary qualification and those undertaking a higher level qualification in the same occupational grouping;
- Increasing the number of providers by making funding contestable, thereby increasing choice and opportunities of access;
- Moving to a ‘contribution’ model for government supported places where the cost of obtaining certain qualifications is shared by government and students;
- Introducing an income contingent loan scheme to assist students to defer paying their contribution;
- Enabling the VET sector to be more responsive to industry needs; to place less emphasis on supply of training, and focus on meeting high demand areas;
- Simplifying the training system and improving information and guidance;
- Rewarding good providers in the system;
- Removing or at least addressing the barriers to training; and,
- Encouraging a stronger culture of lifelong learning.
2. Why is the reform package being proposed?

There are a number of challenges facing Victoria's future economic prosperity. Government recognises the urgency of addressing skills shortages and that increased investment in the VET sector has the ability to reduce skills shortages. Given the current challenges facing Victoria, it is clear that changes need to be made to the way in which VET operates, and that more Victorians need to be encouraged to undergo VET training and obtain higher level qualifications.

Holmesglen acknowledges that the proposed reforms are based on a demand-driven marketised VET model to attempt to resolve skill shortages, create more flexible and innovative training systems and deliver skills that industry needs. It finds, however, that the paper lacks any evidence to support such assumptions. Given that the demand-driven model has been implemented in other nations such as the UK and New Zealand, it brings into question why no evidence is presented that such a model will achieve the proposed objectives. ¹

Holmesglen agrees that good providers are not rewarded and would suggest that inequitable practices in relation to capital grants, TEC funding and payment for staff redundancies have been encouraged by Skills Victoria and the State government.

Holmesglen also acknowledges that the current system does not always meet the expectations and changing needs of industry and business. We agree that product development can be slow to respond to industry needs, but point out that providers themselves are not responsible for the slow response. For example, Building and Construction training is currently still being taught in accordance with the 1998 package because the newer (2003) package has been effectively blocked by Victorian stakeholders. The situation is similar with the Retail, and Tourism and Hospitality packages.

Underpinning assumptions

Holmesglen, however, contests many of the assumptions underpinning the statements concerning the challenges for the current system and the barriers to training.

- Holmesglen would refute the assumption that increasing competition will by necessity lead to increases in choice and access. It is a realistic possibility that such a model will in fact decrease provision, as institutions opt out of courses or industry areas that are currently cross-subsidised by achieving economies of scale in more substantial markets.

- The creation of a pseudo-market will not increase uptake of higher level qualifications and those in areas deemed a priority. Ultimately it is student choice that drives the patterns of participation. The choices students make are the result of a complex and diverse set of factors, and earning potential from higher qualifications is not a significant factor in student’s decision making.²

¹ User choice was evaluated nationally, but at an early stage of implementation (KPMG Consulting 1999). The Senate inquiry into the quality of VET (Senate Employment, Workplace Relations, Small Business and Education References Committee 2000) proposed that an independent national evaluation of competition and market reform in VET be conducted. No such evaluation was subsequently undertaken. (Noted in D Anderson, Trading places: Impacts and outcomes of market reform in vocational education and training, 2006, NCVER, Adelaide, p. 8).

² Research into the perceptions of and triggers for participation in VET has shown that 15 to 19 year olds viewed future job opportunities (gaining a job, not necessarily earning potential), the ability to do something that interests them and being able to gain a recognised qualification as the most important triggers to VET participation. Department of Education, Science and Training, Survey of Vocational and Technical Education: Participation, triggers, perceptions and aspirations, 2005, DEST, Canberra, p. 13.
• Approximately one-third of students at VET providers in Victoria are not motivated to undertake training for employment-related reasons. Presumably therefore, students who elect to participate in VET for further study and personal development reasons will find themselves ineligible for a government supported place.

• Allowing VET providers to compete on price might not necessarily benefit students. Location is an important factor for TAFE students in selecting their TAFE provider, not costs. If the same course is being offered at a number of TAFE providers, they are less likely to travel far from home to undertake a marginally cheaper course. Competition on price might not necessarily improve outcomes for students, especially given the transport costs which would need to be taken into account.

• The discussion paper implies that applicants with higher qualifications are obtaining places ahead of those without qualifications. In our experience, applicants with higher qualifications are not given preference over lesser qualified applicants. Indeed, in Holmesglen’s experience, unmet demand is virtually non-existent at the Certificate IV level and above. Where unmet demand is experienced it is as a result of:
  – Lack of resources to cope with increased student demand (e.g. unmet demand exists for places in Certificate III apprenticeship courses due to institutes not having sufficient space or resources to service demand);
  – Restrictions imposed by professional bodies and regulators; and,
  – Places being capped by the Skills Victoria priorities.

• The discussion paper also implies that there is a high incidence of students undertaking a new Certificate II whilst already Certificate II qualified. It must be taken into consideration that often a student might be undergoing re-training or returning to the workforce. Under these circumstances, it would be imperative for that student to undergo a new Certificate II, and this should not necessarily be discouraged in these cases.  
  – There are significant reasons why some students might need to undergo training at the level for which they have already qualified. For instance,
    - Their initial qualifications may not be recognisable in Australia;
    - They might wish to develop skills in a different industry; or;
    - They desire the development of a broader skills set within the same industry.


4 In the 2005 survey of VET participation conducted by DEST, over half of the current secondary school students and 60 percent of non-school students (15 to 19 years) surveyed viewed the convenience of location as an important reason when deciding to participate in VET or not. (Department of Education, Science and Training, Survey of Vocational and Technical Education: Participation, triggers, perceptions and aspirations, 2005, DEST, Canberra, p.13.)

5 Research shows that pathways are not always particularly ‘linear’. Students move from VET to Higher Education and, conversely, from Higher Education to VET, for many different reasons. In 2003 approximately 110,000 Australian students undertook VET that already had higher education qualifications. Those at university with prior VET were approximately 48,000 (R Harris, L Rainey & R Sumner, Crazy Paving or Stepping Stones? Learning pathways within and between vocational education and training and higher education, 2006, National Centre for Vocational Education Research, Adelaide, pp.21-23.)

6 It should be noted that at Holmesglen there is no evidence of students ‘languishing’ at Certificate II because students are not generally employable with skills at this level, and are keen to undergo further and more advanced training. Enrolments at Holmesglen in government funded places at Certificate II level
• Rather than condemning less linear pathways, one should acknowledge that sometimes there must be lateral instead of directly forward movement within pathways in a truly lifelong learning pattern. The linear pathways envisaged in the discussion paper would mean that the following students would not receive a government supported place:
  – A student with an accounting degree undertaking units in an accounting or financial services Diploma, in order to develop more practical skills which were not adequately cultivated at university;
  – A student who wishes to have more than one specialisation studying two Certificate III’s in Hospitality, one in Commercial Cookery and the other in Patisserie;
  – An IT employee with existing qualifications retraining at the same level because of the rapid pace of change within the IT industry;
  – A student who completed a Certificate II within a VET in Schools program and now wishes to study a pre-apprenticeship with a view to securing a full apprenticeship. Pre-apprenticeships are also generally at Certificate II level; or
  – An English as a Second Language student who has completed a Certificate IV in ESL (Further Study) and then wants to undertake a Certificate II or III to gain entry into employment.

• Impact of eligibility criteria on student enrolment in Double Diplomas:
  – Many course areas currently run Double Diplomas, which are an attractive package for students wishing to obtain skills in two separate but correlated fields (i.e. Diploma of Event Management/Diploma of Hospitality Management). The proposed reform’s eligibility criteria may have a negative impact on encouraging students to undertake these types of programs. This would affect TAFE’s capacity to package Double Diplomas and offer students a government funded place, which consequently, would have a negative impact on students obtaining higher qualifications.

• If the government wishes to increase the number of students achieving higher level qualifications, it needs to take into account a number of associated factors. For example, most higher level courses incorporate some form of industry placement. These industry placements are often difficult to obtain. How is government going to support the linkages between TAFE and industry to ensure that all students can have access to on the job training?

• The discussion paper comments that: “Approximately 27,000 students missed out on a TAFE place across Australia last year, suggesting that access to government supported training needs to be expanded and better targeted.” This data is not supported on a practical level at Holmesglen Institute. In 2007 no eligible student was refused entry to Certificate IV and above level courses.

only account for 9 percent of total government funded enrolments in 2007. Over 88 percent of government funded enrolments were at Certificate III or higher; with the single largest qualification category being Certificate III (mainly due to the institute’s profile in apprenticeship training), followed by Diploma.

There are some concerns over the use of ‘unable to gain placement on application’ to effectively measure unmet demand. Did all of these students satisfy the eligibility criteria? It is impossible for readers of the discussion paper to ascertain whether these students represent unmet demand if it is not clear that they were eligible students. In addition, it is unclear to the extent of unmet demand within Victoria, as the data source provides no state by state breakdown; hence we are ill informed as to how relevant these figures are at the Victorian level.
• The example of the Certificate IV in Nursing is a poor choice to illustrate the supposed ‘lack of alignment’ as the quantity of places in Nursing courses is completely outside TAFE institutions control and is dependent upon approval by the Nurses Board of Victoria.

• It is true that the training system is becoming increasingly complex in terms of jargon, but that jargon has been imposed by the various reforms such as Training Packages and the AQTF.8

In conclusion, the alleged barriers in the report are not supported by evidence at Holmesglen Institute. The proposal is not linked to addressing those barriers to access. It is over-simplistic in its understanding of TAFE students, demand for courses and the role that bureaucracy and governments have played in limiting the development of the system. Business often does not support individual students at Certificate IV and Diploma level. Holmesglen believes that a more sophisticated analysis of the current challenges and barriers is required to establish a robust and rigorous case for change and ensure that implementation ramifications are fully explored. Rather than pursue what appears to be a misguided process, we believe that the system could be better improved in terms of student access, flexibility and innovativeness.

8 It is not hard to believe that employers and potential students may have trouble navigating the system given that Skills Victoria has changed its name or its department six times in the past 12 years. TAFE is, because of its breadth, not as neat to describe as schools and universities.
3. Will the proposed reforms achieve the objectives?

Overall Holmesglen is not convinced that the proposed reform measures by themselves will address the identified challenges facing Victoria or achieve the reform objectives. It can see no robust evidence given to justify the selection of the measures, such as increasing individual fee contributions or introducing a contestable funding environment.  

Holmesglen also notes that, unfortunately, international experiences, approaches and models from nations other than those with a similar policy philosophy are totally ignored. This is a pity since performance on OECD indicators for nations such as the Nordic and Germanic countries are generally above the OECD average. These nations have achieved world-leading results while consistently raising educational investment as well as growing the share of the public budget, ensuring public funding remains the above-average source of income. They have not introduced contribution models for any level of post-secondary education. It would appear therefore that other traditions and models deserve a more thorough examination before wholesale commitment is made to intensifying investment in a demand-driven model.

Holmesglen believes that a more transformative approach is needed to address the way in which the sector is structured and the mandate assigned to TAFE. As acknowledged in the discussion paper, Victoria has a very sophisticated TAFE sector that consistently leads national benchmarks for efficiency. However, renewal of the TAFE sector will not be achieved by opening the market to an increased number of providers and creating increased levels of provision. Continuing to create a ‘one-type-fits-all’ VET system where all providers are blended together in a homogeneous mass is a missed opportunity. Holmesglen’s proposed solution to achieve the reform objectives is discussed in the following section.

---

9 Research conducted in 2006 suggests that, as a result of market reform, TAFE institutes and non-TAFE registered training organisations are trading places with respect to income sources and organisational identity, values and priorities, with non-TAFE organisations becoming more dependent on government VET funds and TAFE institutes less so. This paper also noted that the real challenge is to find a middle path involving a more creative and judicious mix of market and non-market elements more effectively than current policy settings would appear to be doing. (D Anderson, Trading places: Impacts and outcomes of market reform in vocational education and training, 2006, NCVER, Adelaide, p. 35)
4. **What could the solution be?**

The government has an unprecedented opportunity to transform the tertiary education sector and as a result make a more innovative, flexible and responsive system to better meet the needs of students and the Victorian economy.

The Victorian economy’s single largest export industry is education. Victoria through its educational institutions has outperformed every State in Australia, and surpassed many international competitors. However, whilst the VET sector’s international share of student is increasing, University enrolments appeared to have plateaued. A reduction in demand will have dire consequences for the Victorian economy.

To maintain a competitive edge and transform the VET sector, it is our view that Victoria should raise the capability of some of its key providers and utilise the climate for change in the Commonwealth by creating an environment which allows University Colleges to become a reality in Victoria.

A lesson can be learnt from international education - that international students, like Australian students, will be attracted to vocational education if the Institutions and courses are seen as prestigious and intrinsically rewarding. If the government is serious about attracting students to higher qualifications then the issues of status, value and confidence related to the VET product need to be addressed. Simply relying on private providers to increase the system’s capacity exposes the fact that private providers have been in operation for 25 years and have small, little or no impact on educational access and provision. It is our contention that simply increasing the number of providers will do little to attract students.

**The University College model**

The creation of a University College would give Victoria a competitive edge over all States and increase Victoria’s capability in the ferociously competitive international marketplace as our key export industry. Victoria loses international contracts not because it is not internationally competitive but because of perceptions about status.

A University College would:

- Make the system more responsive to improve the product. Industry wants high level qualifications, which span across TAFE and University, and the current curriculum does not fit that need;
- Improve the product (i.e. curriculum) by removing the training package monopoly and developing courses which allow for seamless transition into higher studies;
- Broaden rather than maintain the existing rigidity and narrowness of courses. Students would benefit from greater flexibility of being permitted to undergo two Certificate III’s simultaneously to broaden their skills set (egg Patisserie and Cookery) or to undertake courses at two levels concurrently, (egg a Trade Diploma);
- Enable students to have confidence in higher level programs. This would assist to enhance the perception of higher courses offered by TAFE and improve the status of TAFE;
- Overcome the tertiary divide which makes VET a second choice or default provider for higher level courses by raising its status;
- Lead to greater innovation educationally, improve pathways and facilitate the entry of the College into higher level fields of education that are in demand from students and the community, egg Health Sciences; and,
Create strong viable alternatives to the existing upper secondary educational offering in Victoria (VCE). With apparent retention rates from Year 10 to Year 12 stagnating, alternatives which have status, educational pathways with credit and which can lead students positively into higher VET qualifications, Higher Education and/or work are needed.

What are the Characteristics of a University College?

A University College would:
- Be non self accrediting
- Offer a wide range of programs from upper secondary education to Masters
- Offer full time and part time courses
- Be sound economically and have a culturally diverse student population
- Be financially strong with strong non-government income streams
- Be significant in scale and size (50,000 students, $150 million plus turnover)
- Have a significant international profile
- Have strong industry and community links
- Provide pathways to PhDs through associations with Universities
- Have a focus on teaching with all staff having teacher training qualifications
- Have high quality student services
- Be a mixture of public and private ownership.

The University College model proposed above is a new type of educational Institution. The University College would provide a broad range of vocationally focused programs from upper secondary level, certificate level to diploma and associate degree level, as well as undergraduate and master’s level. Each program would have occupational outcomes as well as further study opportunities or outcomes. This type of institution would offer options to students that simply are not available today, as well as boasting a broad student cohort.

Minimum measures under the proposed reforms

Should the government pursue its objectives and ignore our comments, Holmesglen believes the following measures would be essential.
- If the government is to seriously consider introducing contestable funding into the VET funding framework, it needs to be a fully tendered situation. Furthermore, an entirely contestable market would need to take competitive neutrality and reverse competitive neutrality into account and the risk associated with non-completions and attrition.
- Utilise innovation project funding for long term sustainable projects or on a three year basis rather than on an annual basis.
- Enable TAFE subsidiaries to operate in the market - to minimise the effect of the MECCA and the uncompetitive work practices.

---

10 Apparent retention rates for full-time students in Victoria from Year 10 to Year 12 have decreased from 82.9 percent in 2002 to 81.8 percent in 2007 despite significant investment in VET in Schools programs. Retention of male students from Year 10 to Year 12 in 2007 was 76.0 percent and has remained constant at this level since 2002. ABS, 4221.0 - Schools, Australia, 2007, Table 24 (a).

11 Holmesglen's position on this issue was documented in its response to the Building University Diversity issues paper which can be found at http://www.dest.gov.au/NR/rdonlyres/19E71618-8E71-4D83-9A39-598689653E14/5391/HolmesglenInstituteofTAFE.pdf
• Provide in the recurrent grant a capital component as enjoyed by Universities to enable institutes to invest in facilities and equipment which can improve access and provide a greater range of programs. This is especially important to Institutes like Holmesglen where libraries and bandwidth are already over stretched with in excess of 40% of students already in Certificate IV or above.

• Create a borrowing capacity for TAFE institutions to jointly invest with industry in key areas that the government will not fund, e.g. industrial skills.

• Remove TAFE from the public service award, enabling TAFE to attract staff by offering competitive salaries and to reward outstanding staff.

• Enable the creation of a private arm for large TAFE institutions and allow industry investment in these private operations.

• Avoid the duplication of loan schemes outside of existing systems of HECS-HELP and FEE-HELP. This is just another example of government making TAFE more confusing to the community.
For further information, please contact

Bruce Mackenzie
Chief Executive
Holmesglen Institute of TAFE

Phone (03) 9564 1503
Fax (03) 9564 2020
Email bmac@holmesglen.vic.edu.au