

SUBMISSION TO PRODUCTIVITY COMMISSION ON SKILLS AND WORKFORCE DEVELOPMENT AGREEMENT

20 December 2019

INTRODUCTION

Universities Australia (UA) welcomes the opportunity to comment on the review of the National Agreement for Skills and Workforce Development (NASWD). The NASWD plays a key role in Australia's Vocational Education and Training (VET) system.

UA recognises the importance of a robust, reputable VET system for Australia's future. VET offers training and practical skills that equip Australians for immediate entry into the workforce. Higher education offers students the academic, analytical and technical skills required for long-term professional and academic careers. Both are critical to Australia's economic and social wellbeing.

UA is the university peak body for Australia's universities and has expertise on higher education. This submission will not focus on proposing VET solutions but it does raise considerations to ensure Australia's tertiary education system remains world-class, with higher education and VET playing different, but complementary roles.

HISTORICAL ISSUES

VET has been subject to significant pressures following many years of funding cuts of State and Federal Governments and unsuccessful policy experiments.

This has reduced the capacity of public providers to deliver training, especially in the regions and other less advantaged areas. It has also affected their capacity to fulfil broader community engagement functions that are not well supported in a supposedly market-based system. More broadly, the resulting problems have damaged the reputation of the entire VET sector.

UA supports the direction of the recent Joyce Review, and the Council of Australian Government's (COAG) decision to make skills reform a priority. Addressing the core issues of funding, currency of training packages and raising quality across the sector will enhance the reputation and attractiveness of the VET sector.

SOLUTIONS

Current and historical VET sector challenges – such as inadequate funding and poorly designed policy – can only be fixed by improvements to VET funding and policy.

The discussion paper highlights commentary on the future direction of the post-school education sectors. Some of these proposals appear not to have been sufficiently informed with evidence. Likely unintended consequences of such proposals have not been adequately considered. For example, proposals such as moving to a sector-neutral tertiary model were made on assumptions that there is a lack of information

about the cost of delivering teaching, there is questionable public benefit of investment in higher education and that employers were increasingly unsatisfied with graduates. UA's 2018 submission¹ to this proposal highlighted there is substantial data and evidence which demonstrate that these assumptions are wrong.

A world-class Australian tertiary system is one that has higher education and VET working more effectively together. The review processes (see more detail below) provide Governments with the foundations to ensure higher education and VET continue to have different but complementary roles in a world-class tertiary system.

Outcomes of Government review processes

There have been several recent Government reviews in the post-school education system. Some of these, such as the review into Senior Secondary Pathways and the review of the Australian Qualifications Framework (AQF), have clear intersections between the VET and higher education sectors. The Productivity Commission's discussion paper asks how implementation of the various reviews would improve operation of the VET market and pathways between VET and higher education.

As already stated, UA supports the direction of the Joyce review. The establishment of the National Skills Commission (NSC) should provide an evidence base for an efficient pricing model and forecasting labour market demands for skills. UA also understands from its dealings with VET stakeholders that improving the relevance of training packages will be important to meet the needs of industry and students.

In its recent submission to the Review of Senior Secondary Pathways, UA highlighted that communicating the possibilities of VET to the broader Australian society will continue to be important to raise the profile of the sector and make prospective students (and those who influence them) more aware of opportunities. The message should be that rewarding careers are available through both VET and higher education pathways. Part of this involves providing current and contextualised data to students on career options.

UA also supports in principle the direction of the Australian Qualifications (AQF) Review. Among other things, the review seeks to make credit recognition more effective, while ensuring that students are well prepared to meet the demands of the courses into which they transition. It is worth highlighting, however, that the current system allows students to take a flexible path towards higher education. For example, enabling programs prepare potential students by building literacy, numeracy and critical thinking skills. Pathways also exist through articulation arrangements for students studying vocational qualifications into higher education, depending on the existence of formal agreements amongst providers. These can be focused on certain disciplines where there is a linear progression for professional occupations, for example in nursing. The focused nature of these arrangements safeguards the quality and reputation of Australian higher education and ensures students are not disadvantaged later.

FUNDING, PRICING AND LOAN ARRANGEMENTS

The discussion paper asks "what aspects of funding and pricing administration or supervision can be improved (within VET and across VET and higher education)?"

Administration and supervision of funding and pricing is already stringent for universities (although arrangements are different for private higher education providers). Commonwealth Supported Places (CSPs) are funded by a mix of Commonwealth contributions through the Commonwealth Grant Scheme and student contributions. Both Commonwealth contributions and student contributions vary by field of education. The *Higher Education Support Act 2003* caps student contributions. Regional universities also receive a regional loading depending on their remoteness.

These national pricing and supervision arrangements for universities contrast with the VET sector, which varies across jurisdictions. The NASWD may be an appropriate vehicle to consider what, if any, principles

¹ Universities Australia Submission in response to 'Future Proof', January 2018 - <https://www.universitiesaustralia.edu.au/wp-content/uploads/2019/05/FINAL-sub-to-BCA-Jan-2018-2.pdf>.

for supervision or pricing administration are appropriate if consistency across jurisdictions is the intended policy outcome.

The discussion paper also asks for “views on options for achieving greater consistency in funding and loan arrangements between the VET and higher education sectors, and the likely benefits, costs and impacts of these options.”

UA supports in principle equitable funding and loan arrangements between both sectors. Differences in access to loans mean some VET students are faced with up-front cost barriers that are not an issue for domestic higher education students.

There are a wide variety of courses offered across the two sectors and corresponding differences in cost of delivery. There are also differences in graduate employment and salary outcomes. Consistent, fair and equitable funding across two sectors is not a simple matter. VET FEE-HELP is one example of what can go wrong when policies are made without consideration of the differences between the two sectors – including course design, course delivery, graduate outcomes and student profiles.

UA notes work currently being done by Education Council’s review of senior secondary pathways as a useful starting point in the conversation surrounding student choices on post-school options.

PUBLIC AND PRIVATE BENEFITS OF EDUCATION

The discussion paper talks about the allocation of subsidies based on the relationship between public and private benefit, and the implications such an approach in VET would have with higher education.

The higher education funding clusters could already be characterised as hybrid model of teaching costs and the benefits (public and private) from studying a particular course. In an era of increasingly rapid workforce change, students can expect to move through a variety of occupations and industries. Initial education, training and employment outcomes are stages on the way, rather than destinations. In such a world, upskilling, retraining and lifelong learning are a necessity.

UA suggests caution about setting expectations, or limits, for educational pathways based on narrowly focused concepts such as public versus private benefit.

Recommendation

UA recommends that State and Territory Governments work with the Federal Government to improve funding and policy settings for VET after careful consideration of the unique characteristics and purpose of the VET sector.