

# Productivity Commission Issues Paper

## Human Services: Identifying sectors for reform

June 2016

ACPET submission

## Introduction

Established in 1992, ACPET is the national industry association for private providers of tertiary education and training in Australia. ACPET has over 1,000 members who deliver a range of vocational education and training (VET), higher education, and English language programs across all states and territories, as well as internationally.

ACPET's mission is to enhance quality and choice in Australian tertiary education and training. Its members include commercial and not-for-profit entities, community groups, industry providers and enterprise-based training organisations. ACPET works with governments, industries and other stakeholders to ensure VET, higher education, English language and international education programs are well targeted, accessible and delivered to a high standard.

The future prospects of the Australian economy and business and industry depend, more than ever, on having a highly skilled workforce that is able to respond to an increasing global market, the growing pace of technological change and innovation and can deliver services that meet the needs of increasingly discerning customers.

To meet those future skills needs, Australia needs to continue to develop its world class tertiary education and training sector with reforms that support provider diversity and choice that can respond to the needs of students and industry.

While there has been some 20 years of reform in the VET sector there remains considerable opportunity for further competition, contestability and user choice. More importantly for this sector, perhaps, is the need to consider the governance frameworks and other mechanisms that are required to support high quality service delivery in a more contestable environment.

Conversely, the higher education sector has been largely untouched by public funding and other microeconomic reforms that support greater competition, contestability and user choice. A key priority for ACPET is to see equitable public funding for all higher education institutions and their students so that they can pursue higher education that best meets their needs.

Accordingly, ACPET is pleased to provide the following comments on the issues discussed in the *Human Services: Identifying sectors for reform* issues paper.

## The attributes of human services

The attributes of human services outlined in the Productivity Commission's issues paper are supported. It is apparent from some recent experiences with competition, contestability and user choice in the vocational education and training (VET) sector that a focus on efficiency, particularly in light of constrained state and territory government budgets, has dominated at the expense of other attributes of training services.

There has also been a view that 'more is better'. It is only very recently, as the shortcomings of some poor program design have become evident, that consideration of other dimensions has become more evident.

At the same time, the impact on outcomes of services has not been as prominent - the focus has been on throughputs, including training hours or competencies delivered, rather than program completion and employment - the desired outcome in most circumstances.

Accordingly, there may be a need for greater emphasis on the outcomes for clients - perhaps as part of the quality dimension - in articulating the attributes of human services and subsequent scoping of potential for greater competition, contestability and user choice.

Mostly, across the tertiary education sector there are existing mechanisms to measure each of the dimensions outlined in the issues paper. The challenge is more one of ensuring a balanced range of measures/key performance indicators and 'bringing together' data from various agencies and regulators. The dispersed responsibilities of a range of agencies and regulators is a barrier to bringing together the data and information necessary to scope service requirements.

## Identifying services best suited to reform

In the VET sector there has been a long-standing dominant government-owned provider of services that has become an integral part of many communities with significant stakeholder support. This community ownership is particularly strong in some regional communities. No doubt there are other government delivered services where such 'ownership' is also strong.

Whilst this should not preclude consideration of greater contestability (indeed this ownership may instill some complacency) it needs to be taken into account in assessing services for reform. It is one of the considerations that needs greater emphasis in the *adapting to new arrangements* element identified in framework detailed in Figure 2 of the issues paper.

The government stewardship role is particularly worth highlighting given the recent experience with a number of contestable VET programs. It is clear from the various state and federal government reviews that stewardship has been lacking with an immature or naive approach to program management. The capacity and preparedness to provide this stewardship is a fundamental consideration in identifying services 'ready' for contestability reform.

## Scope for improving outcomes

There has been, particularly in light of recent concerns with the federal government's VET FEE-HELP program, a view from some stakeholders that tertiary education services are in some ways incompatible with greater competition, contestability and user choice. There have been calls to wind back contestability in the sector. These calls ignore a long and successful record of reform.

While there have been some recent issues with VET FEE-HELP, and to some extent several state VET programs, there has been more than 20 years of successful contestability in the sector. Since the 1990s (and in some states the 1980s), for example, apprenticeship and traineeship training has been delivered successfully through the User Choice arrangements across the country.

States and territories have also progressively opened up some of their other VET programs to increased contestability, with most now having a diverse range of public and private providers delivering their government-funded programs. Of course, TAFE remains a key and valued provider particularly in some of the trade areas and regional communities.

National Centre for Vocational Education Research (NCVER) data indicates that around 575,000 government funded students attended TAFEs with a similar number (554,000) attending private and other providers in 2015.

While so much of the recent public commentary would infer a sector full of 'dodgy providers' and students and employers dissatisfied with the training they receive, the data paints a different picture. A 2015 NCVER national survey indicates 81.7 per cent of employers of apprentices and trainees were satisfied they were receiving the required skills - this was up 2.9 per cent on the previous survey in 2013 and above the level a decade ago. Likewise, students are expressing strong satisfaction levels with a recent survey indicating 86.7 per cent of graduates and 84.5 per cent of module completers in government-funded training were satisfied with the overall quality of their training, similar to the 2014 levels and those over the preceding decade.

These outcomes have been achieved in an environment where the Productivity Commission has identified a 31 per cent decline in real government funding per training outputs over the last decade.

There remains considerable further scope to increase contestability and competition in the VET sector with recent analysis in New South Wales, for example, highlighting the relatively poor performance of that state's TAFE network across what would equate to a number of the dimensions outlined in the issues paper. The State's Auditor-General has also highlighted the shortcomings of the early, limited approach to contestability and the greater benefits that could be garnered from a less restrictive approach.

While there has been some steps to introduce greater competition, contestability and user choice in the VET sector, some aspects are more likely to be quarantined. This is particularly the case in relation to community service obligations and thin markets. There should be greater assessment of programs rather than the default of such programs remaining with government providers.

There are also real opportunities for further competition in the higher education sector where the current policy settings preclude contestability for government funding through Commonwealth Supported Places (CSPs). An additional 25% administration fee imposed on Non University students and not those of Universities is also a significant inhibitor to competition.

A diverse range of higher education providers are playing an important role in responding to the needs of students. They are required to meet all of the regulatory requirements of higher education institutions and are achieving student satisfaction levels on-par with universities, yet are unable to access public funding.

The Australian Government recognised the role that these providers are playing in increasing student choice and opportunity with its 2014 proposals to extend CSPs to them as part of its higher education reforms. Unfortunately with the failure of the Parliament to approve the majority of the reform package, these measures were not passed. There is, then, a real opportunity to improve user choice in the publicly funded higher education sector.

### **Factors influencing potential benefits of increasing competition, contestability and user choice**

One of the factors underpinning the successful delivery of apprenticeship and traineeship User Choice arrangements is the strong government stewardship that includes solid information provision to apprentices, trainees and their employers around the required training and available providers and their performance. It is also clear that the long history of apprenticeships and traineeships means there is a broad consumer understanding of the training 'product' to assist informed student choice and other stakeholders able to assist these decisions.

Beyond these arrangements the government information architecture is generally less developed, more limited and diffused across agencies. The focus of government program administrators and regulators has been more about contractual and regulatory compliance than informed consumers.

There is an opportunity to expand the information on program outcomes and other indicators that are much more relevant and beneficial to students. Initiatives like the higher education Quality Indicators for Learning and Teaching (QILT) initiative provides an example of the potential to provide more user-orientated information to support greater competition, contestability and user choice in the tertiary education sector.

One of the great benefits of increasing competition in the tertiary education sector is the opportunity to bring new delivery strategies that offer greater flexibility and efficiencies for government, providers and students. The challenge facing the government owned VET providers in some jurisdictions is the reliance on existing infrastructure that drives more expensive, less responsive strategies.

While the nature of services provided by tertiary education providers is often a one-off service, prudent program management can respond to the information asymmetry associated with these transactions. The need for strong stewardship was a key finding of the Harper Review.

It is recognised that some specialist tertiary education and training may not be suitable to greater contestability and competition due, for example, to specialist learning resources and scale issues.

However, with new delivery technologies these circumstances should not be assumed. The key is to have robust frameworks to assess these circumstances and not to simply default to existing, long-standing arrangements that preference government providers.

It is also worth noting that in the VET sector the considerable State and Territory regulatory activity that is impacting the benefits of competition, contestability and user choice. Any reforms need to consider the opportunities to harmonise and simplify regulatory arrangements.

### **The potential costs of increasing competition, contestability and user choice**

It is clear from recent experience that government stewardship has been lacking in some contestable VET programs with recent efforts in some jurisdictions to remedy this shortcoming. While this clearly involves more than contract administration, through the adoption of a robust risk-management approach there should be opportunities to re-cast the administrative and regulatory costs, rather than simply adopt a 'one size fits all' approach. That is, a different approach needs to be considered rather than simply adding to the administrative load.

One of the significant costs associated with addressing concerns with the VET FEE-HELP program has been the proliferation of administrative and contractual compliance measures that simply 'punish' quality providers in the efforts to identify poor performance. A stronger risk-management approach would help limit the compliance costs for providers where greater contestability is introduced.