

Victorian TAFE
Association



VET Funding Review Issues Paper

Submission from Victorian TAFE Association

August 2015



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VET Funding Review – Response to the Issues Paper

Key messages from the Victorian TAFE Association

The *Issues Paper* brings together practical ideas that can improve stability in the Victorian VET funding system. Such proposals are welcomed by VTA because they incorporate an emphasis on quality and accountability. Victoria needs a VET funding model that explicitly acknowledges variations between providers and local industry, student and community demands on the VET system.

Better targeted funding:

- a. VTA supports the introduction of a system to afford a transparent basis for discerning which providers have access to government funding within a contestable funding model.
- b. The vast majority of VTA members support in-principle the development of a provider classification system. A well designed provider classification system presents an opportunity to shift the balance decisively towards quality and desirable training outcomes. It offers a firmer guarantee that only providers that can meet, or exceed, the high expectations of stakeholders have access to government funding.
- c. It is essential that reporting requirements of regulators and for government compliance requirements are aligned.
- d. quality student support services constitute a keystone element in quality training provision which should be benchmarked in a provider classification system.
- e. A provider classification system must account for local context and needs.
- f. A high quality provider will have a matrix of skills including across vocational areas and teaching qualifications. A high quality provider will have evidence of systematic investment in building the educational skills and vocational skills of their teachers and the skills of staff supporting teaching and learning. High quality TAE courses are fundamental for our VET system. VTA takes the position that only TAFE Institutes and dual sector universities should be permitted to offer TAE courses.
- g. VTA endorses in-principle the *Issues Paper* proposition that government funding be limited to a smaller number of courses, meaning fewer courses will be better funded.
- h. Eligibility criteria for students to access government subsidies must be reviewed. The '2 at level' rule should be abolished. The '2 in a year' rule should be reviewed.
- i. If the funding mechanisms continue to be based on eligibility criteria linked to qualifications held, there needs to be a line drawn in the sand to describe where holders of old qualifications can gain access to government funding because of the public benefit from their future contributions to industry through employment, particularly in defined industries with skills shortages.
- j. VTA supports a close link between labour market priorities and government investment in the training system. It is important that the funding model links training with skills that industry requires both in the current immediate future and in emerging industries.
- k. VTA supports banning \$0 fee courses and introducing a compulsory student contribution.
- l. If a student contribution is introduced it is important that the funding model supports those who are unable to meet the full cost of a student contribution.
- m. VTA suggests the Review considers the potential for offering employer incentives attached to in-kind contributions, each of which would stand as a significant contribution to the training system.



Supporting and protecting students

- n. Students need clear and complete information about their training entitlements, access to independent information about provider quality and employment outcomes and support to use such information wisely when selecting a course or courses in which to enrol.
- o. VTA is unconvinced that third party commercial brokers and aggregators offer a service that benefits the training system or consumers.
- p. VTA endorses tighter regulation of subcontracting.
- q. VTA is cautious about protocols for online and work-based learning. VTA prefers that the provider classification system is relied upon to provide confidence that training designs incorporating online and work-based learning are of high quality.
- r. VTA supports the proposition for separate compliance regimes for private RTOs and public providers.

Sustainable and supported TAFEs

- s. A public statement articulating the role of public providers (TAFE and dual sector universities) is long overdue. VTA categorically supports that the outline design of a new VET funding model which recognises the distinctive role of TAFE as a public provider.
- t. VTA believes the proposal to establish a regional polytechnic requires further, very detailed study to determine if it is a model that can make a material difference to lifting qualification rates within regional Victoria.

Supporting jobs and industries

- u. VTA supports the establishment of an independent body that can provide advice to government about industry training needs, and can provide industry intelligence to providers, employers and students.
- v. VTA is concerned that students undertaking Diploma courses may be disadvantaged and cautions against defunding until it is clear that these risks can be effectively monitored and addressed.

Supporting training for vulnerable, disadvantaged and high needs groups

- w. Careful design of a loadings package is essential. VTA believes that the funding amount for each loading should be reviewed.
- x. VTA suggests that a project is established to link support payments, concessions and enrolment into a coherent and efficient business process. There is a need to streamline and simplify the operation.



Preamble

This submission is made by the Victorian TAFE Association (VTA). VTA is the peak body for Victoria's public VET providers. VTA members include four dual sector Universities and twelve stand-alone public TAFE institutes. Services provided by VTA to members include public policy advocacy, workforce relations advice, education projects, research, government liaison and representation, and professional development. This submission is informed by a VTA convened focus group and member survey. VTA members' views are at times divergent as reflects the differences among the State's public VET providers. VTA members will respond individually to the *Issues Paper* on matters of specific interest.

VTA believes the *Issues Paper* brings together practical ideas that can improve stability in the Victorian VET funding system. Such proposals are welcomed by VTA because they incorporate an emphasis on quality and accountability: quality training; high value training outcomes; capable providers; equitable access to vocational education and training; and industry and student voices balancing the influence of commercial considerations in course choice, design and delivery.

VTA also believes the *Issues Paper* recognises that one-size-fits-all funding approaches inevitably produce sub-optimal outcomes for VET stakeholders – students, industry, government and the community. Victoria needs a VET funding model that explicitly acknowledges variations between providers and local industry, student and community demands on the VET system. For example, under the existing VET funding model regional TAFE Institutes confront particular stresses that flow from a range of interlocking factors including thin markets, distance, and higher concentrations of both income and educational disadvantage. Their size relative to other regional organisations and enterprises means high local visibility and community expectations.

We categorically support that the outline design of a new VET funding model which emerges from the *Issues Paper* recognises the distinctive role of TAFE as a public provider.

VTA's response follows the five categories of consultation questions presented in the *Issues Paper*:

1. Better targeting funding
2. Supporting and protecting students
3. Sustainable and supported TAFEs
4. Supporting jobs and industries
5. Supporting training for vulnerable, disadvantaged and high needs groups.

1. Better targeting funding

A provider classification system

VTA supports the introduction of a system to afford a transparent basis for discerning which providers have access to government funding within a contestable funding model.

While the vast majority of VTA members support in-principle the development of a provider classification system, several members are yet to be convinced that a classification system will drive improved quality and student outcomes. One survey respondent commented 'in my opinion a provider classification system will only reduce the quality of education in already disadvantaged areas. Areas that do not have access to the best trainers, revenue streams and student numbers,



because of their remoteness or socioeconomic location. I feel this may encourage students to not participate in education at all.'

In general, most VTA survey respondents agreed/strongly agreed that a provider classification system based on, for example, capability measures (eg depth and breadth of programs, staff credentials, students' and employers' satisfactions, destination information) and financial measures (eg audit results, financial stability, revenue streams, and partnership arrangements) will:

- Contribute to a stable, transparent and ethical VET system in Victoria (85%)
- Assist government to better target public funding to providers (98%)
- Assist students to make informed decisions when choosing between providers of VET (91%)
- Assist industry to make informed decisions when choosing between providers of VET (91%)
- Act as an incentive to providers to improve outcomes (89%)

We recognise that careful thought must be given to the structure if a provider classification system is introduced, and to the benchmarks applied for listing a provider in any category. For example, the notion that breadth of program delivery is an indicator of quality, can be fraught. A large scope of registration is not necessarily an indicator of a high quality provider and in fact may suggest a risk if the offering is too wide, whilst a small scope of registration offering could well mean a very good provider in a narrow offering.

To support a coherent response to many of the questions posed by the *Issues Paper*, VTA has adopted the term 'Tier 1 provider'. The term is used to refer to providers that should have greatest access to Victorian Training Guarantee (VTG) funding because they meet defined benchmarks for:

- Quality in training design and delivery, including high quality student support
- Outcomes for learners
- Effective leadership
- Organisational capability to manage quality delivery, including staffing infrastructure considerations
- Financial stability
- Best practice governance arrangements, and
- High levels of industry and/or community interactions.

Because they can meet, or exceed, performance benchmarks in these domains, VTA believes Tier 1 providers should be subject to less onerous regulatory requirements for Government funding contracts. In effect, their benchmarked capability and track record of consistently delivering quality training means government can invest high levels of confidence in Tier 1 providers.

To maintain the power of a contestable system to support innovation and to reward quality in vocational education training, VTA sees the need for other categories of providers which would have more limited access to government funding, and be subject to more frequent, intense monitoring of compliance with VTG requirements. As providers furnish strong evidence of their capacity to meet, or exceed, the benchmarks they may seek recognition as high quality – and hence Tier 1 - providers. Attachment 1 provides a starting point for considering a framework differentiating providers eligible for VTG funding.

It is envisaged that applying high performance criteria benchmarks will mean the number of providers accessing government subsidies for VET would be smallest in Tier 1. A mechanism will be needed to regularly review performance benchmarks so that what constitutes high performance is regularly adjusted to reflect the best interests of industry, students and the community. Such



adjustments may mean that from time to time a Tier 1 provider has its status changed to a Tier 2 provider.

Under current arrangements, once an organisation is registered as an RTO it can seek a government funding contract. A provider classification system establishes an expectation that a provider must meet transparent capability benchmarks to secure the opportunity to bid for government funding. In the schema envisaged by VTA, Tier 1 providers would have access to a substantially greater proportion of government funding than is available to Tier 2 providers. Providers in the lowest tier/s would have no access to government funding.

Reducing the compliance burden on Tier 1 providers

The VET regulatory system focuses on compliance with Standards for Registered Training Organisations (RTOs) 2015. ASQA is the regulator for VTA members' VET delivery. A provider classification system focuses on governing access to government funds. The two systems have different, though complementary, purposes. It is essential that reporting requirements of the two systems are aligned – there is little to be gained from imposing an additional and costly compliance and reporting regime on Tier 1 providers. For the purpose of allocating providers to a category within the provider classification system, VTA supports using data that are already available. The HESG Performance Indicator project may provide a helpful assessment of the reliability and availability of data items that are pertinent to aspects of the operation of a provider classification system. However, VTA is concerned that a traditional, narrow range of financial and staffing data may be used to draw conclusions regarding performance. This is to be resisted. A contemporary view of performance measures must be incorporated into data used for benchmarking.

The present compliance system and associated auditing practices focus heavily on records that are taken to demonstrate compliance with standards. This approach enacts a false equivalence between the quality of records (including record keeping) and the quality of training. A well designed provider classification system presents an excellent opportunity to shift the balance decisively towards quality and desirable training outcomes. It offers a firmer guarantee that only providers that can meet, or exceed, the high expectations of stakeholders have access to government funding. It also provides students and industry with much improved signals on which to base their decisions about purchasing training. VTA refers the Review to international examples including the use of external evaluation and review reports by New Zealand Qualifications Authority (NZQA) and UK Office for Standards in Education, Children's Services and Skills (Ofsted).

For example, quality of teaching learning and assessment in the Ofsted framework is considerate of the extent to which:

- teaching and assessment methods and resources inspire and challenge all learners and meet their different needs, including the most able and the most disadvantaged, enabling them to enjoy learning and develop their knowledge, skills and understanding
- learners are supported to achieve their learning goals, both in and between learning sessions
- staff have qualifications, training, subject knowledge and experience relevant to their roles and use these to plan and deliver learning appropriate to learners of all abilities, reflect good industry practice and meet employers' needs
- staff identify learners' support and additional learning needs quickly and accurately through effective initial assessment, leading to the provision of high quality and effective support to help learners achieve as well as they can



- staff work with learners to ensure that teaching, learning and assessment are tailored to enable all learners to make good progress and prepare for their next steps
- staff assess learners' progress and performance and ensure that assessments and reviews are timely, frequent, fair, informative and reliable
- learners receive clear and constructive feedback through assessment and progress reviews and/or during personal tutorials so that they know what they have to do to improve their skills, knowledge and understanding to achieve their full potential
- employers, parents and carers, as appropriate, are engaged in planning learners' development; they are kept informed by the provider of each learners' attendance, progress and improvement, where appropriate
- teaching, learning and assessment promote equality, raise awareness of diversity and tackle discrimination, victimisation, harassment, stereotyping, radicalisation and bullying
- staff are aware of and plan for individual learners' diverse needs in teaching or training sessions and provide effective support, including making reasonable adjustments for disabled learners or those with special educational needs
- teaching promotes learners' spiritual, moral, social and cultural development
- teaching, learning and assessment support learners to develop their skills in English, mathematics and ICT and their employability skills, including appropriate attitudes and behaviours for work, in order to achieve their learning goals and career aims.¹

Quality student support services

As mentioned earlier, VTA holds the view that quality student support services constitute a keystone element in quality training provision which should be benchmarked in a provider classification system. Under current funding arrangements TAFE Institutes have, in some instances, reduced student support services due to declining financial capacity to maintain them. Such reductions do not serve students well. TAFE Institutes regard rebuilding student support services as important expression of their commitment as public providers to effectively meeting student needs – particularly the needs of those learners who rely on such services as an ingredient in successful course completion and job readiness.

Local context and needs

A provider classification system must account for local context and needs. This is especially pertinent in thin markets where greater scale improves economies in training provision. In thin markets it is likely that competition between Tier 1 and Tier 2 providers may often work against the highest quality training outcomes. A provider classification system could limit the number of providers delivering into thin markets, particularly in regional areas.

Academic credentials of teaching staff

On the matter of academic credentials of teaching staff as a possible capability measure, VTA believes it is unwise to limit provider freedom by imposing limits on, for example, the mix of casual and permanent teaching staff, or to assume that higher qualifications necessarily offer a better indication of training quality or outcomes. A casual teacher who works in industry brings industry

¹ <https://www.gov.uk/government/publications/further-education-and-skills-inspection-handbook-from-september-2015>



currency and workplace know-how to training and assessment. These attributes are rightly attractive to industry and students. Raising qualification levels for casual staff may reduce the pool of casual teachers on whom providers can call. VTA also supports the ongoing development of all staff in a CPD style program. A high quality provider will have a matrix of skills including across vocational areas and teaching qualifications. A high quality provider will have evidence of systematic investment in building the educational skills and vocational skills of their teachers and the skills of staff supporting teaching and learning.

Targeting funding to courses

VTA endorses in-principle the *Issues Paper* proposition that government funding be limited to a smaller number of courses, meaning fewer courses will be better funded. Determining which courses are eligible for government funding, and the rate at which they are funded, is a task for an independent panel which has access to data on the labour market and emerging skill needs. Such determinations will be based on transparent processes to target government subsidies and will be communicated in a timely manner offering a degree of stability for TAFEs and dual sector universities to plan for future VET delivery with a sense of surety around government subsidies.

VTA believes that delivery of Foundation Studies and RPL should be limited to Tier 1 and Tier 2 providers. It is regrettable that an earlier version of the existing funding model resulted in poor controls on Foundation Studies and RPL which have led to rule changes curtailing their availability. A provider classification system introduces a means of better targeting funding for these essential components of vocational education and training.

High quality TAE courses are fundamental for our VET system. VTA takes the position that only TAFE Institutes and dual sector universities should be permitted to offer TAE courses.

Eligibility criteria for access to a government funded training entitlement

The Victorian Training Guarantee is not a revenue source: it is a training resource for Victoria. The rules governing access to a subsidised place must turn on the entitlement's ability to meet individual and industry needs, and recognise that neither personal circumstances nor industry contexts are static over time.

Current eligibility criteria are primarily linked to age and prior qualification. Over time policy levers have been applied to influence 'who' has access to the VTG. Many of these interventions have been as a means to check market behaviours of suppliers of government subsidised VET. Two limitations on access to a training entitlement which impede skills formation and skills deepening, to the detriment of individuals, enterprises and the state's economy are known as the '2 in a year' rule and the '2 at level' rule.. The criteria of concern are that an individual may:

- undertake no more than two subsidised courses in any one year, (2 in a year) and
- commence a maximum of two subsidised courses at the same qualification level in their lifetime. (2 at level)

These criteria have little reference to the practical links between training and work. For example, Foundation Studies courses provide many students with baseline competencies that are often the difference between successfully completing a qualification and withdrawing from study. Bendigo Kangan Institute is an example of a provider with a clear strategy to identify and then address the



language, literacy and numeracy needs of its students and an evidence base highlighting the extent of students' needs.

Delivering Foundation Studies as an integrated component of another qualification is a sure way of focusing foundation skills on work related outcomes. VTA refers the Review to the Course in Applied Vocational Study Skills (Course 52626WA) and Attachment 2.

VET students often need to reconsider their qualification pathway once their foundation skills requirements become clear. However, the current system precludes them from making appropriate adjustments within the calendar year because they are unable to enrol in a more suitable course if they have already enrolled in both a Foundation Studies course and another subsidised course. This is a loss to both the student and to the workforce.

The limitation on two subsidised courses at level over a lifetime fails to account for the reality that a qualification that is five or ten years old is unlikely to reflect current skills needs in any industry. Those seeking to renew their skills base through training in a qualification at the same level are obviously disadvantaged. This is true for those who seek to cross-skill so that they can offer a more flexible and adaptive skillset to current or prospective employers. Employers' needs are not met holistically through workforce development strategies that are based on a linear model. Lifelong skill development may include linear pathways in accredited VET training but equally it needs to be flexible and responsive to workforce changes that may be horizontal or tangential. There is public benefit to enabling flexible learning pathways and as such, public investment is warranted.

The lifetime criterion assumes that the necessary individual journey in lifelong learning is up the AQF ladder. This is erroneous. Structural adjustment, closure of an enterprise in which a person has worked for many years, a family move from a regional area to Melbourne, a return to work plan, a bachelor degree holder seeking a career change – these and many other circumstances lead people to seek another qualification at the same or lower AQF level. This rational choice, focused on a work outcome, is not supported by the lifetime criterion.

It is in student and employer interests to review both criteria. We need a more flexible, learner-centred and skills-centred approach to rationing VTG access. We encourage the Review to undertake financial modelling of the cost to the State of Victoria of the '2 at a level' rule with a view to abolishing the '2 at a level' rule. If this rule is to apply, Tier 1 providers should have the flexibility to waive the rule of two courses at level over a lifetime where it inappropriately limits an individual's employment prospects, or limits an enterprise's ability to broaden existing workforce skills

The VTG is based on another flawed assumption that qualifications once gained are relevant into the future particularly for people that may take a break from work for some period of time. The VTA submission to the implementation review of Securing Jobs for Your Future in 2010 raised the issue of the inability of people to access government funding for VET by virtue of holding qualifications issued sometimes decades earlier in areas where the person has not worked for some time. VTA was not alone in raising this matter in response to the 2010 review. In reporting the outcomes of the review to the Department of Industry, Innovation and Regional Development (DIIRD) in August 2010, Ernst and Young noted 'the eligibility criteria of the Victorian Training Guarantee could potentially act contrary to the objective of encouraging lifelong learning. The options therefore are to either identify a period of time after which qualifications are not considered for eligibility purposes or an actual date. The preferred option is to select a period of time. There is almost no guidance about the optimum amount of time for which a qualification maintains its currency. Indeed, currency depends on the qualification in question.'



Various timeframes have been suggested and VTA proposed in 2010 a period of 10-15 years but with the benefit of further insights into the implementation of the VTG we reserve the right to review that timeframe and suggest it should be a much shorter period of time possibly aligned to the cycles for review and re-endorsement of training packages, or a period of (say) 5 years.

Ernst and Young recommended to DIIRD that for the purposes of the VTG, consideration be given to exempting qualifications no longer relevant due to age. This recommendation was not picked up by the Government at that time. This issue continues to be of concern to us and industry and the impact of the policy decision has disadvantaged persons from re-entering education and gaining employment (cost issues) and disengaged industry in investing in gap training (cost issues).

If the funding mechanisms continue to be based on eligibility criteria linked to qualifications held, there needs to be a line drawn in the sand to describe where holders of old qualifications can gain access to government funding because of the public benefit from their future contributions to industry through employment, particularly in defined industries with skills shortages.

VTA believes that an expiry date should be attached to existing qualifications – given the rate of change in industry skills needs a five year expiry date seems realistic.

Labour market priorities and the training system

VTA supports a close link between labour market priorities and government investment in the training system. This was borne out in the VTA survey results where 65% of respondents agreed or strongly agreed that funding rates should target labour market priorities.

In doing so it must be recognised the many learners require foundation skills and training at certificates I and II which ready them for courses that have more direct relationships with employment. The funding model including the eligibility criteria must account for their needs. For approved providers there should be an opportunity for students to undertake Foundation courses without limiting access to vocational training.

As mentioned above, it is important that the funding model links training with skills that industry requires both in the current immediate future and in emerging industries. Eligibility criteria must support that link rather than impose constraints on upskilling, cross-skilling, skills formation and skills deepening by linking subsidised training to progress up the AQF ladder. A one-size-fits-all approach, aggregating skills shortages/labour needs across the State has been to the detriment of meeting some regional needs. Many respondents to the VTA survey commented on:

- the need to ensure data used for decision making purposes are fit-for-purpose
- ensuring the funding system has inbuilt flexibility to respond to immediate needs and in particular, to recognise the different needs of different regions.
- the importance of forecasting and planning the funding allocation over longer periods to ensure providers have an opportunity to invest in necessary infrastructure and to get best return on that investment.

Student and industry contributions to the cost of training

VTA supports banning \$0 fee courses and introducing a compulsory student contribution when an individual enrolls in a government subsidised training course irrespective of the provider's classification. The intended effect would be to cause students, - as active consumers - to closely



consider their choice of course and provider and the consequences of losing the benefits of their investment if they leave the course. The devil will be in the detail of implementation. Affordability and access must be features of any student contribution.

It is understood that the *Issues Paper* links the labour market priority for a course and the funding level for a course (p. 38). Where the government derives greatest benefit (addressing skills shortages, contribution to increased productivity, greater employability, building community capability) the government meets a greater share of the cost. Notionally, the student's contribution, as a proportion of total tuition cost, is lower where the government's contribution is higher. That said, the current subsidies rates are based on the notion of the extent of government subsidy linked to the 'public good' of the qualification. This system has lacked transparency, been prone to rapid and frequent changes to subsidies and lacks clarity around the assessment of any qualification's public benefit. More logical and transparent rationale must be applied in the future.

A high proportion of TAFE students and prospective students are eligible for concessions. If a student contribution is introduced it is important that the funding model supports those who are unable to meet the full cost of a student contribution. Concessions are further discussed below.

Establishing a viable mechanism for industry contributions to the costs of training has presented challenges for decades. A focus on in-kind contributions may offer an alternative approach. VTA suggests the Review considers the potential for offering employer incentives attached to the following in-kind contributions, each of which would stand as a significant contribution to the training system:

- provide students and teachers with opportunities to learn about and work with new technology owned by enterprises
- provide work-based learning opportunities for VET students
- implement schemes with providers, or groups of providers, that assist teachers to maintain industry currency.

2. Supporting and protecting students

Supporting students to make appropriate decisions about their training

The notion of an informed consumer underpins a marketised model. The rationale is that market actors who are informed have a greater capacity to understand the importance of their market actions and choices, and are enabled in making better choices. According to the European Union, information is a deciding factor for consumers when making their choices and affects both consumer interests and their confidence in the products and services circulating within the market. The consumers expect to get fair treatment in the market place and avoid unscrupulous or sharp business dealings.

VTA welcomes the canvassing of options that support students to make appropriate decisions about their training and the application of their training entitlement.

The current funding model has promoted student recruitment without linking recruitment to sound student information and advice. As noted earlier, in some instances TAFE Institutes have reduced student support services due to declining financial capacity to maintain them.



Students need:

- clear and complete information about their training entitlements
- access to independent information about provider quality and employment outcomes
- support to use such information wisely when selecting a course or courses in which to enrol.

VTA survey results show high levels of support for information regarding the quality of the provider (95%), the likely employment demand (84%), the impact of certain choices on future entitlements (93%), the financial interest of brokers/aggregators in the course (86%) and the extent of subcontracting of training or third party provision (88%). However, several respondents also stressed the importance of currency of information. The lack of structured access to information and support has seen too many students burn their training entitlement. All providers offering government subsidised VET must have the resources to offer pre-enrolment information and advisory services. Adequate support in the pre-enrolment phase increases the likelihood that training entitlements will result in a valued training outcome.

Regulating brokers and aggregators

VTA is unconvinced that third party commercial brokers and aggregators offer a service that benefits the training system or consumers. Ideally an aggregator model for TAFEs should feature a governance model where the TAFEs are the controlling owners and beneficiaries of any operating gains. However, if brokers and aggregators are to be supported by government policy then it is necessary to protect the interests of students from brokers who focus primarily on student recruitment and have no incentive to offer complete information or to offer support services that assist students to make sound training decisions. VTA believes all brokers who recruit students for government funded training places must be registered, agree to a code of practice, and be subject to substantial penalties if they fail to comply with the code of practice. Linkages to brokerage/aggregator services may be a feature only of Tier 1 providers.

There is concern that on some occasions enterprises act as quasi-brokers, seeking some proportion of government payments to providers as their 'reward' for bringing training business to providers. Tier 1 and Tier 2 providers should not be permitted under their training contracts to make such concessions to enterprises.

Subcontracting in the training system

VTA endorses tighter regulation of subcontracting as the *Issues Paper* proposes (p. 40). At the same time VTA endorses the view put in the *Issues Paper* that subcontracting can make a valuable contribution to training outcomes.

In addition to specialised industries and locations where demand is low, subcontracting is a valuable means of designing holistic training solutions for enterprises. For example, there are instances in which a TAFE Institute may not have in-house access to all the expertise required for a holistic training solution.

VTA suggests that where subcontracting occurs in a subsidised training course:

- Tier 1 providers be permitted to subcontract each other, and to subcontract Tier 2 providers



- providers who plan to use subcontractors take responsibility for a due diligence assessment of subcontractor quality and maintain records that demonstrate how a positive assessment is arrived at.

Applying protocols to online and work-based learning

VTA is cautious about protocols for online and work-based learning. VTA prefers that the provider classification system is relied upon to provide confidence that training designs incorporating online and work-based learning are of high quality.

There is no doubt that some providers of government subsidised training have seen online delivery in particular as a low cost delivery mechanism that has enabled them to increase margins at the expense of teaching quality and student support.

Online learning is here to stay. Understanding how to use it for high quality learning, teaching and assessment is now a marker of quality professional practice in VET as in other education sectors. VTA believes it is essential to provide ongoing professional learning that deepens teacher capability in using digital learning technologies.

Sophisticated online learning environments are characterised by embedded support mechanisms, structured and semi-structured learning tasks, high levels of student engagement, and a focus on building community among learners. They bring learners into contact with a diverse array of learning resources and tools. Blended learning approaches optimise student learning outcomes by incorporating the complementary strengths of face-to-face and online learning.

The flexibility and adaptability of digital learning technologies offers benefits to learners because courses can be shaped to meet the needs of particular groups of learners. A one-size-fits-all definition of quality online learning is liable to cramp innovation.

Online learning can improve access to quality training for some learners, notably those who live at considerable distance from their training provider or whose personal circumstances mean that they cannot allocate fixed times on a consistent basis to face-to-face learning environments. Many younger students expect their learning to be enriched by high quality online delivery and assessment. We recognise, too, that online delivery is challenging for students who have limited computer skills, or limited access to good download speeds and low cost internet services. Providers need to offer online and blended learning environments that respond to the needs of all students, including structured support early in a course for those who have limited computer skills. Often a course at a lower AQF level (say a Certificate II) will have less online learning than a course at a higher level. Part of the learning in these instances is in developing greater facility with online learning.

It must be acknowledged that many enterprises actively seek online learning designs as a delivery mechanism for work-based learning.

Quality online learning may offer efficiencies in some instances, and they are welcomed. Frequently, though, quality online learning is not cheaper than face-to-face delivery. There can be considerable up-front investment in developing learning resources and preparing training designs that optimise the impact of blended learning.



Capability in managing, designing and delivering online or work-based learning and assessment would form an important reference point for listing as a Tier 1 or Tier 2 provider. Protocols may assist in describing attributes of high quality online and work-based delivery.

Separate regulatory regime for private RTOs

VTA supports the proposition in the *Issues Paper* (p. 42) for separate compliance regimes for private RTOs and public providers. The status of TAFE Institutes and dual sector university providers as publicly owned entities entails high levels of transparency and reporting expectations that are distinctively different from private providers.

The *Issues Paper* advances three options for separate private provider regulatory arrangements. Whichever option is taken up, VTA believes it should require levels of transparency and reporting sufficient to give VET stakeholders confidence that assignment of a provider to a tier in the provider classification system is based on a well-informed assessment of their:

- quality in training design and delivery, including provision of high quality student support
- organisational capability
- financial stability.
- effective leadership and management
- outcomes for learners
- financial stability
- governance arrangements, and
- industry interactions

Tier 1 providers should be subject to lighter touch compliance monitoring than other providers.

3. Sustainable and supported TAFEs

The role of TAFEs

The *Issues Paper* suggests (p. 42) that the role of TAFE Institutes be articulated in a government statement much like a vision for TAFE. Such a statement goes beyond the usual letter of expectations provided by the portfolio Minister.

VTA agrees that a public statement would assist government, industry, learners, the community, and public providers to grasp the expectations of TAFE as a public provider and will inform community expectations. It would assist government to determine appropriate levels of resourcing for TAFE. It would assist Institutes to steer strategy, operations and resources to address the expectations of it.

At present the role of the public provider is tacit and asserted rather than clearly agreed or understood. This submission identifies below some aspects of the public provider role that fall to TAFE Institutes and dual sector universities, and which VTA believes should figure in a government statement.

In common with other public providers, and some not-for-profit providers, TAFEs and dual sector universities are regarded as having a specific responsibility to provide high quality, accessible



training to groups that experience educational disadvantage, are marginalised in the job market, and have limited financial means to meet learner contributions to the costs of training. Proactively responding to the needs of these groups means that TAFEs and dual sector universities must have a depth of training expertise and breadth of student support services that maximises the chances of course completion.

Public providers are expected to provide affordable, supportive, pre-tertiary and tertiary preparation programs that offer alternatives to traditional schooling and 'second chance' learning opportunities to Victorians aged 15 and older. VCAL and VCE VET studies figure large in these expectations. TAFE Institutes are also expected to support VET in Schools programs. The current funding model underfunds these programs and limits Institute ability to cross-subsidise them.

VET stakeholders, including employers, expect TAFE Institutes to provide training that is the best on offer in terms of quality and graduate outcomes. To fulfil this role, TAFE Institutes must have the resources – time, skills, funds – to invest in innovative training designs, delivery and assessment. It is also expected that Institutes will share their expertise with the sector as a whole. This is a difficult balancing act in a contestable market. Essentially TAFE is seen as having a leadership role in setting benchmarks for professional VET practice. TAFE's carriage of this role has faltered in recent years. If a provider classification system is to work well then the TAFE sector must reclaim its role in setting quality benchmarks.

As described in our April submission to the Review about thin markets, the view is consistently put that TAFE Institutes are expected to address training needs, even when student numbers are low. This view is commonly raised in respect of regional training markets, small or niche industry segments, and new and emerging industry sectors.

TAFE Institutes are the guardians of government funded assets – plant, equipment, properties, facilities - provided by government in the expectation that the assets will be maintained and used for training and related purposes. The maintenance backlog has grown in recent years. In addition, TAFE Institutes are expected to provide learning facilities adequate for learners' needs. The capacity to invest in refurbishment and new buildings has progressively diminished in recent years.

TAFE Institutes are public institutions with a public service charter, at once serving the Government of the day, the student, industry and their communities. TAFE Institutes are expected to work actively with other organisations to promote VET as a valid study option, and to lift aspirations for tertiary study (particularly among groups under-represented in tertiary enrolments and completions, and in certain industry sectors). Institutes are also expected to fulfil a leadership role in communities with which the Institute is associated having a strong understanding of local needs and issues and a role to building local capacity. The extent and nature of this leadership role varies from one location to another – however, it is notably prominent in regional locations where the TAFE Institute is a large employer, and regarded as an unmatched resource for social and economic development. These kinds of leadership roles result from active, highly visible engagement over time with their local communities. TAFE Institutes serve an array of community needs, actively participating in a plethora of community organisations, providing community leadership and mentoring support.

A regional polytechnic

VTA believes the proposal to establish a regional polytechnic requires further, very detailed study to determine if it is a model that can make a material difference to lifting qualification rates within regional Victoria. Further investigation should assess whether TAFE Institutes have the capacity to deliver the kinds of applied learning programs that regional communities require at AQF level 6 and



above. The investigation should also assess whether a polytechnic model would unnecessarily duplicate TAFE Institute functions.

It is acknowledged that the programs of university providers in regional locations are limited in scope, such that specialisations of most pertinence are unavailable. It is unclear whether a regional polytechnic is the answer to this shortfall, or whether it can be better addressed by extending the capacity of existing TAFE Institutes to better meet demand.

Many regional TAFEs already have strong and strategic relationships with universities, including co-location of facilities and the provision of solid education pathways for students.

4. Supporting jobs and industries

Industry intelligence

VTA supports the establishment of an independent body (such as the mooted Skills Commissioner) that can provide advice to government about industry training needs, and can provide industry intelligence to providers, employers and students. Access to reliable, synthesised data about training needs is valuable to TAFE Institutes which can then link such intelligence to more granular data they collect from their immediate interactions with local industry, community and agency networks.

Supporting placement and completions for apprentices and trainees

There is a continuing need to design incentives for employers to engage apprentices and trainees, and to play a role in supporting apprentices and trainees to complete their training courses. The *Issues Paper* puts considerable and appropriate emphasis on ensuring that industry has an influential voice in the training system. An outcome of heightened influence must be a more strategic and practical approach to industry engagement in supporting apprenticeship and trainee placement and completions.

Workplace training innovation fund

VTA supports the notion of a workplace training innovation fund. The *Issues Paper* specifically focuses the fund on co-investment between government and new and emerging industries 'to establish innovative training packages to meet their growing needs' (p. 45). It is suggested that this narrows the potential for such a fund. The fund's impact could be substantial if its purpose and objectives were broadened to encompass development of skillsets and training resources. VTA also notes that the skills base in established industries is continuously evolving and their competitive position may be enhanced through access to a co-investment opportunity.

Funding of Diploma level courses

The *Issues Paper* (p. 46) suggests that funding Diploma level courses be limited to skills shortage areas with VET FEE-HELP becoming the funding source for other Diploma level qualifications. At the same time the issues Paper notes that there are risks in increasing reliance on VET FEE-HELP, such that 'students may heavily discount future debts, allowing providers to increase fees.'



Under the current funding model, when students enrol in a Diploma level qualification the fee may be reduced by a government subsidy. This leaves the student to pay the remainder, which they can elect to pay upfront or take out a VET FEE-HELP loan. The *Issues Paper* proposes that the government subsidy is removed for these qualifications, meaning students must pay the full fee either upfront or by taking out a VET FEE-HELP loan. This shifts the total cost to students. Such a policy will not encourage students to enrol in Diploma level qualifications and flies in the face of economic realities – the skill levels that industry needs are rising and the state would be vacating funding responsibility for qualifications that are in growing demand.

Diploma delivery is a critical tier to Victoria's VET system in preparing students for para-professional vocational roles, up-skilling existing workers, and providing career and learning pathways.

VTA is concerned that students undertaking Diploma courses may be disadvantaged and cautions against defunding until it is clear that these risks can be effectively monitored and addressed.

5. Supporting training for vulnerable, disadvantaged and high needs groups

Loadings

Careful design of a loadings package is essential. During consultations to inform this submission, VTA members described instances where loadings have been used to increase revenue without any apparent benefit to those whom loadings are intended to support. For example, Melbourne-based providers offer courses in major cities close to Melbourne and receive a regional loading as a result. However, they often have no physical presence in the cities, 'cherry-pick' courses that are cheap to deliver and so create thin markets for providers that have a committed local presence. Outcomes like this do not produce material advantages for students. In the case of regional delivery, VTA believes that providers who claim a loading should have a substantive, continuing local presence.

The introduction of a provider classification system may reduce the number of providers who are eligible to claim loadings, and the classification system's quality emphasis should result in improved training outcomes for those who loadings are intended to support. VTA notes that there is interplay between loadings and the role of public providers. An articulated government statement about the role of TAFE (as supported and discussed earlier) may inform a funding model that incorporates loadings, or aspects of loadings, into the TAFE funding base.

VTA believes that the funding amount for each loading should be reviewed. A better alignment is needed between the loading figure and the quality training outcomes that should flow from the additional funding for learners who have high support needs.

Concessions

The training system has a key role in improving the life chances of those who experience disadvantage. A good training outcome contributes to financial independence and, through work, productive engagement in society. Limited financial means must not preclude participation in high quality training. Victoria's VET funding model must continue to encourage participation in training through concessions.

The *Issues Paper* records the observations of stakeholders (p. 21) about the complex array of support payments and services that are available to students. This complexity also confronts service



providers, including TAFE, who must have the capacity to work with and for a student so they secure the best support outcomes. There is an added layer of complexity related to formal enrolment processes. Processes warrant simplification including consideration of concessions being available to young people (say <20 years) without the need for evidence of entitlement. Examples of disadvantage previously provided to the Review are reproduced as Attachment 3.

VTA suggests that a project is established to link support payments, concessions and enrolment into a coherent and efficient business process. There is a need to streamline and simplify the operation. VTA advocates that the VET Funding Review recommends to the Victorian Government greater flexibility in the timing of lodging proof of entitlement to a HCC, to ensure apprentices and young people deserving of access to fee concessions, do not miss the opportunity to post-secondary education.

Conclusion

The VET Funding Review *Issues Paper* has stimulated thinking on the best ways forward to ensure that Victoria is again recognised as having a world-class VET system, and where the government investment is well targeted to meet the strategic needs of the economy and the individual needs of students, employers and communities.

VTA congratulates the Review's focus on quality teaching and learning as the foundation for a world-class VET system. Recipients of government funds must be held accountable for the Victorian Government's investment in VET.

Ultimately, the role of TAFE providers in a competitive training market is to contribute to the effective and efficient use of public funds and to ensure access to and equity of vocational education and training. TAFE accepts the responsibility to provide VET in circumstances where other training organisations will not engage because of the costs involved. In a competitive training market, TAFE must be funded to provide the suite of services needed by the full diversity of student cohorts. TAFE must also be funded for the unique costs borne by virtue of being public entities. These costs must be identified and appropriately funded.

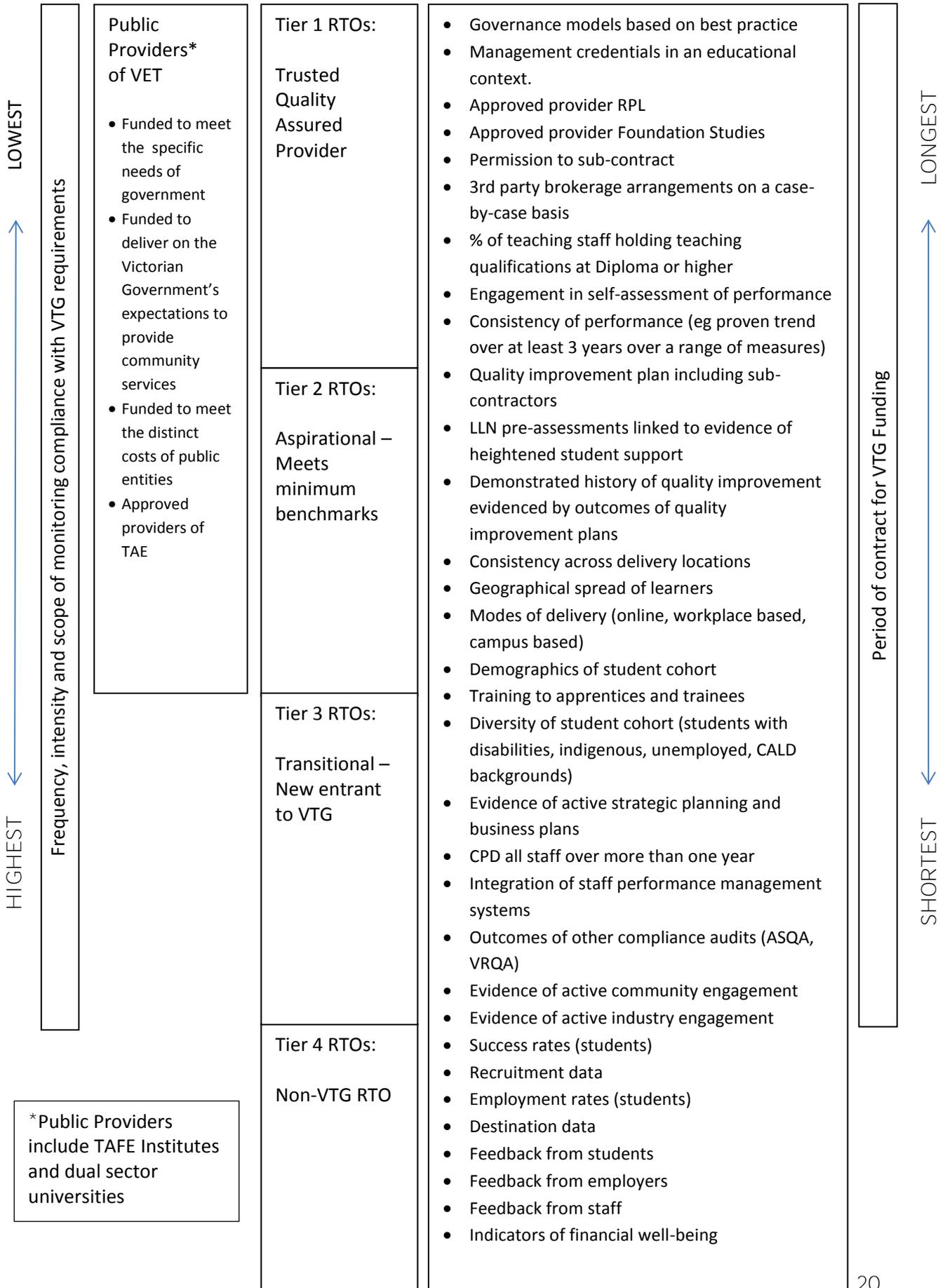
VTA strongly endorses a revitalised focus on the role of public providers, including TAFE institutes. The TAFE system, government owned and not-for-profit, is the critical link to government achieving policy objectives of access and equity in skills development and workforce productivity. Victorian TAFE providers have embraced competition for 20 years, however they need clarity of understanding of their role and the expectations of the government as owner in the current policy environment. A vision statement for public providers of VET in Victoria is long overdue.

VTA does not believe that more public money needs to be invested in VET in Victoria but that the existing Government spend needs to be better targeted. VTA is not convinced that the one-size-fits-all approach to funding government subsidies under the Victorian Training Guarantee has had the desired effect of producing the vocational and employability skills needed in Victoria. VTA supports better targeting funding and is open to discussing the proposal to use a classification system for RTOs contracted by the Victorian Government under the VTG.

The Review provides an opportunity to start with a clean slate to ensure the system supports industry needs, consumers are well informed and providers resourced to meet the expectations of the government and people of Victoria.



Attachment 1: Towards a system of funding differentiation





Attachment 2: Course in Applied Vocational Study Skills (CAVSS)

The title, Course in Applied Vocational Study Skills (CAVSS), perhaps belies the objectives of the course. CAVSS is a framework for teaching literacy and numeracy skills in direct application to VET training activities. CAVSS is a delivery strategy for integrating literacy and numeracy support with vocational training. This course provides a means of assisting students to achieve the industry competency standards in the 'parent' vocational course or Training Package qualification with which the CAVSS is being delivered.

CAVSS takes a different approach to literacy and numeracy for VET students. Traditionally approaches attempt to address literacy and/or numeracy issues by offering remedial support. Students whose low levels of literacy and/or numeracy bring them to the attention of the teacher/trainer are targeted for remedial action. Typically these are the students that are unlikely to demonstrate competence in the training without additional help. Strategies then usually include sensitively withdrawing students from the practical or workshop sessions for remedial sessions with a literacy or numeracy expert or enrolling in literacy bridging courses like the Certificate in General Education for Adults (CGEA). TAFE teachers' own experiences support literature that shows such strategies are not always satisfactory to students and do not necessarily work.² Students may be vulnerable to peer reaction from being singled out, remedial learning does not suit the learners preference for applied learning, while out-of-class sessions may be difficult to accommodate in busy lives and not necessarily vocationally relevant.

Traditional approaches allow some students in a particular learner group to access literacy and/or numeracy support through remediation sessions. The CAVSS strategy enables all students in a particular learner group to build literacy and numeracy skills not just those in the lowest quartile of achievement.

CAVSS perspective involves thinking about literacy and numeracy from a different point of departure. Rather than focussing initially on the literacy skills of the student, the CAVSS approach begins with considering the literacy and numeracy demands that the particular VET course makes on all the students undertaking the courses. For instance, applying literacy and numeracy skills learned at school to the VET activity, use of workbooks and other self-paced learning materials, increasing use of e-learning approaches, new terminology and languages associated with the industry focussed VET Training Packages, and industry practices that are different to generic skills taught in schools. An example of the latter would be the use of millimetres in industry for measurement and the likelihood the exit school student has been used to centimetres in school.

CAVSS is delivered using a team-teaching methodology. Collaboration between the CAVSS and VET teachers is the basis for planning and delivering literacy support in the context of the VET course. The literacy support provided is integrated in that team-teaching ensures that it is directly related to the VET content and activities. The vocational teacher teaches the industry skills and knowledge. The CAVSS teacher teaches students how to do the reading, writing and maths that they need to achieve the industry-related competencies e.g. understanding concepts of scale and ratio to read building plans, or applying formulae to calculate an area to be tiled. The CAVSS teacher is not the 'remedial teacher' and neither teacher is relegated to being responsible for the students who 'can't keep up'. The CAVSS teacher teaches literacy and numeracy processes in the same time and place as the

² <http://www.ncver.edu.au/teaching/publications/1515.html>,
http://www.dest.gov.au/sectors/school_education/publications/resources/schooling_issues_digest/schooling_issues_digest_learning_difficulties.htm#Key_Findings,
<http://rwp.excellencegateway.org.uk/readwriteplus/Research>, and <http://www.dol.govt.nz/publications/research/youth-literacy-report/report-05.asp>



students need to apply those processes to an industry task, using the actual industry tasks as the context for teaching. The teachers share responsibility for making sure that every student is able to complete the task successfully. The collaboration enables the normalisation of literacy support within vocational training. There is generally a stigma associated with needing literacy support, due to the misconception that literacy performance somehow reflects intelligence. By including literacy support as a normal part of vocational training, for all students, that stigma and the barriers it produces are eroded. Literacy skills are recognised by students and lecturers as just another competency that everyone needs to learn or revise in application to industry skills, and literacy support is accepted as a normal, ordinary part of vocational training.

A central principle of the CAVSS model is that no student should be singled out in relation to supporting literacies. The aim of this is to position literacies support as a normal, unremarkable element of vocational training and something that every student and teacher is engaged in. When literacy support is directed to all students and no-one is singled out and made to feel deficient, and when the support that students receive is wholly relevant to the industry training or assessment activity that they are undertaking in that moment, the evaluations show students respond very positively.

Outcomes of CAVSS

During 2009 the University of Ballarat (TAFE) trialled the CAVSS course in the Vocational (trade) courses. The vocational courses represented in the trial were plumbing, bricklaying, hospitality, engineering and carpentry. An evaluation in May 2010 by trade teachers trialling CAVSS has indicated that ‘... the apprentices have greatly benefited’ and CAVSS ‘... worked well with students in conjunction with the trade teacher in explaining mathematical principles and meanings of concepts’. In 2010 it is envisaged that the trial groups will expand to include other vocational courses, but also professional courses, for example, information technology.

Plumbing apprentices at the University of Ballarat commented:

‘the CAVSS teacher has definitely helped.’

‘Liked the way the maths related to plumbing.’

‘...they did have interesting ways of teaching us about volume capacity.’

‘Great to have someone to help them work through their workbooks as they can be difficult to understand sometimes. Explained things very clearly.’

‘CAVSS teacher great to talk to about their work, before they hand it in for assessment.’

Victorian TAFE Association convened a forum in 2010 to collect TAFE providers’ views on the impact of introducing CAVSS. There was unanimous agreement that apprentices’ literacy/numeracy skills were enhanced and comments echoed those contained in the extensive evaluation and review by the Western Australian Department of Workforce Training in late 2007.

A search of the NTIS website in October 2010 showed eight Victorian RTOs had CAVSS on their Scope of Registration including 2 dual sector universities and 4 TAFE. In 2015 no Victorian public providers have CAVSS on their Scope. VTA invites the Review to consider specific funding (100 hours per student) for Tier 1 providers to deliver CAVSS.



Attachment 3: Inflexibility of funding guidelines and student disadvantage – student fee concessions³

The VTA is the peak body for Victoria's public VET providers. The VTA fully supports the Victorian Government's objective for a more stable VET funding system that can adapt to Victoria's changing economy and support investment to allow the training system to thrive.

The Victorian TAFE Association has consulted widely across its membership (TAFE Institutes and dual-sector Universities) to inform the VTA submissions to the VET Funding Review.

In the course of these consultations, stories have come to light that VTA would like to share with the VET Funding Review as real examples of the impact of the VTG funding arrangements on individuals. These are not isolated examples. They reflect similar stories passed on to VTA in the course of preparing for the Review.

These two examples speak to terms of reference of the VET Funding Review that funding models and settings ensure eligibility to access subsidised training is fair and well-targeted.

Riley's Story

Riley commenced the Holmesglen VCAL Foundation program in the second half of 2013. He continued with VCAL Intermediate in 2014. Riley was not entitled to a fee concession in either of these years. Riley was a minor.

On turning 18 in January 2015, Riley approached Centrelink for Youth Allowance and a Health Care Card (HCC), expecting as a young adult without assets, he would be eligible to the HCC and could use this to obtain a concession on the enrolment fees for his program at Holmesglen in 2015 (the VCAL Senior & Certificate IV in Design). This program of study started February 4, 2015.

Riley made initial contact with Centrelink on 9th January 2015. Riley's mother explained to VTA that Riley had experienced difficulty with the Centrelink claim and Riley not being able to progress beyond certain questions. Despite advocacy by Riley's mother, Centrelink stated the claim would not be recognised for any period prior to 18 February.

The VTG 2015 Guidelines about Fees, Version 1.0, clause 3.6 state:

For enrolments in courses at the Certificate IV level and below, the RTO must charge the concession fee to an individual who, **prior to the commencement of training, holds a current and valid:**

- a. **Health Care Card issued by the Commonwealth;**
- b. Pensioner Concession Card; or
- c. Veteran's Gold Card; or
- d. an alternative card or concession eligibility criterion approved by the Minister for the purposes of these Guidelines

As the discussions with Centrelink were protracted and went past the commencement date (February 4), Riley could not supply a current and valid HCC. Consequently his enrolment was at risk. Centrelink, in recent correspondence, state that the earliest date for recognition of entitlement to a Health Care Card would be February 18, 2015.

³ This paper has been submitted to the VET Funding Review under separate cover.



The non-VTG enrolment fee for semester 1, 2015 is \$2212.40 and there are additional costs to the student. Examples of relevant costs for the Certificate IV in Design include specialised computer equipment and a light box.

Riley's mother, who works casually and takes responsibility for Riley's education expenses, found the funds to pay the \$2212.40 in fees for semester 1, 2015. Fortunately Riley was able to receive a scholarship from Holmesglen of \$1000. However, instead of the scholarship funds being applied to the extra-curricular costs of the program, these funds have had to be applied to offset the student fees.

Riley is focusing on his studies as a full time student and does not have part time work.

It is hoped that Riley will obtain a HCC to claim a concession under the VTG in Semester 2. The matter is yet to be resolved with Centrelink and without the concession it is unlikely Riley will be able to continue with his studies in semester 2, 2015.

Holmesglen has supported Riley through the VCAL Foundation and Intermediate. From this nurturing environment Riley has taken the important step into vocational studies at the Certificate IV level with the goal of employment.

The inflexibility of the VTG 2015 Guidelines about Fees coupled with Riley's difficulties navigating the requirements of Centrelink has nearly resulted in Riley leaving the education sector.

As reported in the Age newspaper (August 26, 2014) "The average Victorian youth unemployment rate for the year to July 2014 was 13.8 per cent, up from 12.3 per cent from the same period a year earlier. Victoria is the third worst Australian state for youth unemployment after Tasmania and South Australia." Every effort must be made to enable young people like Riley to continue with tertiary education.

First year apprentices

Riley's is not an isolated example. VTA members cite examples where first year apprentices are severely disadvantaged. A first year apprentice must apply for their Health Care Card as part of the process of applying for Youth Allowance. This process requires 8 weeks of payslips before Centrelink can assess their claim and there often can be a further delay especially at the beginning of the year when many apprentices, trainees and students are applying. This often results in the apprentice not having their Health Care Card in time for enrolment, but when they are provided with that card, it is valid at the time they enrolled.

Recommendation: That the VET Funding Review recommends to the Victorian Government greater flexibility in the timing of lodging proof of entitlement to a HCC, to ensure apprentices and young people deserving of access to fee concessions, do not miss the opportunity to post-secondary education.