

# Revisioning the system: A critical analysis and the way forward

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## Introduction

Today's postsecondary education system in Australia is a complex tapestry of different types of institutions with different histories, governance structures, funding arrangements, serving quite different types of students and focusing on quite different sets of activities. For vocational education this makes for an especially murky picture complicated by the federated nature of the Australian system with different roles and responsibilities of the Commonwealth and State governments and further compounded by the lack of a coherent bi-partisan national vision.

## Status of the Tertiary System in Australia, with a focus on Vocational Education

At the apex of Australia's postsecondary education system are 43 universities, of which 40 are designated as an "Australian University." In addition, 133 Higher Education Providers (HEPs) are registered by the Tertiary Education Quality and Standards Agency (TEQSA), the national regulator for this part of the postsecondary system. While universities are self-accrediting authorities, the HEPs in the main are not. Of these HEPs, 11 are state-based public institutes for Technical and Further Education (TAFE) delivering higher education programs, predominantly at the bachelor degree level, with some masters degree programs.

The others are private providers, for-profit and not-for-profit, with a number being subsidiaries of Australian universities in the form of feeder or English language colleges catering to the substantial number of international students. Six universities are so-called dual sector universities that, in addition to higher education programs, offer vocational education programs.

As noted in the 2017 TEQSA Statistics Report, 52% of providers had fewer than 500 EFTSLs (Equivalent full-time student load) in 2015, and nearly a quarter had greater than or equal to 5,000 EFTSLs, with the largest universities having well over 40,000 students. Overall, Australian universities are significantly bigger than the non-university HEPs, accounting for 91% of postsecondary enrolments. 70% of higher education students study full-time and 30% part-time (all data: TEQSA 2017).

The Vocational Education (VE) sector is a significant part of the Australian postsecondary education system. A wide range of providers operate in this sector, again highlighting the diversity of provision across Australia: technical and further education (TAFE) institutes; adult and community education providers; private providers; community organizations; industry skills centres; and commercial and enterprise training providers. There are major variations across states in terms of governance arrangements and degrees of institutional autonomy, as well as in funding levels and arrangements.

The VE sector contains approximately 5000 (ASQA,2018) institutions, formally known as Registered Training Organisations (RTOs), the vast majority of which fall under the regulatory umbrella of the Australian Skills Quality Authority (ASQA). The VE sector is built around national curriculum building blocks known as training packages. In 2015 there were 76 endorsed training packages, containing 1,672 qualifications, 1,147 skill sets and 18,101 units of competency, and 1,145 accredited courses (ASQA 2015).

Given that VE students include school leavers taking VE subjects in secondary schools and adults wanting retraining and upskilling, the sector incorporates a very diverse student body. Summary statistics show that 23% of Australians aged 15-64 participated in VE training, that amounts to almost 4 million students.

In terms of types of providers, private providers comprise 62% of the sector, followed by schools (21%), community education (11%) enterprise-based (5%), TAFEs (1%) and universities (<1%). Student numbers, however are distributed quite differently, with private providers still catering to a majority of students (58%), but TAFE being the significant second player (28%), followed by community education and schools and enterprise-based training and universities (NCVER 2016).

There is significant movement of students between vocational education and higher education with many pathway agreements existing between providers and universities for students wanting to pursue higher degrees. But equally, many university graduates enrol in vocational education for some retraining, frequently for a skill set of units, and for whole diplomas or certificates.

## **The challenge for vocational education**

While the Commonwealth was driving and funding higher education, technical tertiary education remained almost totally within state jurisdiction until the 1970s. Vocational education providers have had diverse beginnings with some created by acts of parliament, others evolved from schools of mines and mechanics institutes, and many were driven by local community interests and benefactors (Goozee, 2001). It was the 1974 Kangan Report that effectively created a national identity for TAFE with a series of reforms to build a national system. This culminated in the 1990s with the Commonwealth, states and territories reaching an agreement to establish shared responsibility in areas that have become synonymous with TAFE in Australia: nationally recognized competency training, a central role for industry, the development of a more open training market with competition between public and private providers, and national governance bodies for TAFE and vocational education.

The system can be described as “nationally directed, jurisdictionally implemented and industry-driven” (Atkinson and Stanwick 2016, p. 8). As such it is built around two complimentary approaches, namely training young people through an extensive apprenticeship and traineeship system and providing skills to existing workers in the form of additional training, “upskilling” or reskilling (Atkinson and Stanwick 2016).

Coinciding with the introduction of open training markets was a related reform for state governments to move away from being the owner-provider of public TAFEs to being increasingly distant. At this time across Australia TAFEs became less the local one town/one suburb college, and progressively larger entities across geographical/metropolitan regions. The greater mingling of responsibilities between the states, territories and Commonwealth has been governed by a series of National Partnership Agreements. National reforms included the establishment of income contingent loans (VET FEE-HELP) allowing VET students to access loans for qualifications at the diploma and advanced diploma level, much along the lines of the original HECS for higher education. Beginning in Victoria in 2008, the states introduced reforms that allowed funding to follow the student, with TAFE becoming only one of many providers able to access government subsidies for the delivery of training services.

The establishment of the Australian Skills Quality Authority (ASQA) in 2011 shifted greater regulatory power from the states to the Commonwealth. The establishment of ASQA was partly in response to the rapid increase in providers, now working across state jurisdictions and concerns about the capacity of states to manage the number and type of providers. The effectiveness of ASQA has been subsequently called into question, being held responsible for many of the concerns about quality and the massive misuse of public funds following the opening up of the training market. The reforms facilitated the rapid rise of

private providers as major players in the delivery of vocational education and training, and the formation of new models of corporate private providers with a national reach.

## **Training markets and regulation**

At an aggregate level there is little doubt that Australia has constructed a highly successful postsecondary system that delivers quality to its various stakeholders. It has catered to an increasingly mass clientele and has dealt admirably with the increased diversity of an ever-increasing student enrolment. Yet there are issues that warrant attention and, in some cases, significant policy action.

In relation to quality assurance, the newly established regulators for both sectors have had a rough start. The tertiary education regulator from the start has been under severe criticism for being overly bureaucratic, out of touch with the dynamics of the sector and inflexible. Although it appears that under new leadership it is changing direction to becoming more responsive. The vocational sector regulator has proven to be fully unprepared (and underfunded) for the massive task of regulating 4,000 plus providers in the context of a deregulated, competitive market.

While the move to a competitive market has been driven by ideology at both the state and Commonwealth levels, market strategy has been largely absent. Assumed efficiencies have been subsumed in wasteful competition, with particularly negative effects for the TAFE institutions across the board. This has been further compounded by a policy fiasco that resulted from a poorly developed implementation of VET FEEHELP policy. As summarized by Noonan (2016) the initial roll out of FEE-HELP for vocational courses was careful and prudent, however later changes in policy allowed the unscrupulous private providers to massively exploit the system. The scale of this was such that the regulator became completely overwhelmed. Notwithstanding closure of some colleges that were caught out with aggressive marketing, inappropriate targeting of vulnerable people, and widespread use of inducements (in Noonan 2016: 10) the overall cost to the public purse has been significant, both in the short and long term as many of the loans will never be paid back.

## **The question of policy and autonomy**

In terms of autonomy, there is a marked difference between universities and other public-sector providers. Universities traditionally have been autonomous and self-accrediting organizations and still are. Yet the public TAFEs have remained branches of the state public service. While in Victoria this has been accompanied by increased autonomy and appropriate governance arrangements, in New South Wales, Queensland, South Australia and Western Australia an opposite development has taken place, creating state-controlled, state-wide institutions with a broad mission and little to no autonomy for the

constituent parts (Schubert & Goedegebuure, 2017). The effects of this remain to be seen, but the risk of not having agile, responsive and locally engaged institutions is real.

Finally, the university sector has been confronted with a policy vacuum following the introduction of the demand driven system. Originating from a neoliberal policy disaster to introduce full fee-deregulation, no subsequent higher education policies have been passed by the Senate and the existing policy is devoid of any vision or strategy, despite an overall focus on innovation by the current government.

## **A national vision**

Australia's lack of policy clarity, inconsistency between States and political parties, chronic under-funding and endless tinkering means our vocational education system is no longer considered world class, even though despite the interference some institutions still meet this benchmark.

The system can be rebuilt and redesigned to be fit for purpose, this is partly demonstrated by Victoria, the self-proclaimed *Education State*, a State that has demonstrated the very worst excesses of a training market and yet now is again, the leading State in vocational education reform (Schubert, 2018).

For the last four years the Andrew's Labor Government has systematically re-established and re-invested in TAFE to make it central to the system. Victoria alone has a governance model for TAFE institutions (originally modelled on the former Colleges of Advanced Education) that is more closely akin to university governance.

A new national vision needs to provide direction on key questions around the very structure of the system. What type and number of institutions are required to deliver the outcomes we need? How are these institutions to be funded? What is to be the governance or independence of these institutions? How will vocational education institutions relate to existing higher education providers? These are fundamental questions that other international jurisdictions have managed to address in redesigning their systems.

## **What are the issues to be addressed, and examples of international (and emergent local) best practice?**

### **Governance**

The centralisation in most of the Australian States with respect to TAFE governance and management sits in sharp contrast to the policy developments in the majority of tertiary education systems around the world (Goedegebuure et al, 1993). With the advent of mass and universal participation in tertiary education has come the realisation of many governments that such systems become too complex to be governed from "the top". Starting in the mid-1980s in continental Europe, there has

been a continuous move to decentralise tertiary education systems by increasing institutional autonomy combined with requirements for increasing accountability. This does not mean that the State is relinquishing its control over the public system; the control remains due to the increased accountability arrangements. Rather it reflects the recognition that complex systems are best governed by allowing differential institutional responses to different contexts (Neave & van Vught, 1991).

Whilst mergers certainly have not been absent from higher education policy globally they have invariably been accompanied by strengthening institutional autonomy so as to maximise the outcomes of these mergers in terms of both efficiency and effectiveness (Goedegebuure, 2012). In similar vein, there is broad acceptance in organisational theory that large, complex organisations are best managed by allowing decisions to be made at the lowest level where an issue can be addressed effectively. This is also known as the principle of subsidiarity. Linked to decentralisation and subsidiarity is the concept of diversity (Meek et al, 1996).

There is a good deal of consensus in the research literature that diversity in tertiary education is a good thing (Coates et al, 2013). First, more diverse systems better meet the diverse needs of students. Second, a diverse system stimulates social mobility. More diverse systems allow for different access points and progression pathways and thus allow for increased participation from a variety of equity groups. Third, the potential for experimentation and to find different solutions to persistent problems is much greater in diversified systems, enhancing their effectiveness.

All of the international experience referred to above would equally show that decentralisation, subsidiarity and diversity are not a panacea to solving all problems and issues for tertiary education systems and institutions. Yet, as also identified by the OECD in its comprehensive review of tertiary education "the governance challenge is ... to achieve the appropriate balance between governmental steering and institutional autonomy in the pursuit of a better alignment between institutional initiative and the nation's economic and social development goals. ... The objective is to put arrangements in place which are effective and efficient in addressing national economic and societal needs" (Santiago et al, 2008, p.71).

Whilst the review is explicit about the fact that there is no single model of effective tertiary education governance, nor a global best practice, it is equally clear that three major elements are required: the capacity to articulate a vision for the system, appropriate policy instruments to implement this vision, and a way of monitoring performance (ibid, p.143).

### **Innovation and Applied Research**

The established concept of innovation has focussed on process and internal control within enterprises and

organisations. This paradigm is no longer fit for purpose in a rapidly transforming global economy; innovation is now best described as a network. Australia has long recognised the need to innovate, and the launch of the National Innovation and Science Agenda (NISA) continues this tradition, heralding the way for significant changes in our innovation system. However, the NISA has some significant limitations. Although it recognises the internationally well-established concept and practice of innovation ecosystems, it essentially fails to recognise the role of higher vocational education in these systems.

Canada, Europe and other places in the world have transformed their economies particularly when key parties in regions have collaborated to create innovation ecosystems. These systems are frequently underpinned and initiated by Tertiary Education Institutions (Universities, Universities of Applied Sciences, Colleges, Institutes, and Dual Sectors) along with local and provincial governments.

Novel-T (Enschede), Brainport (Eindhoven), and Polihub (Milan) are just some of the places with networks that capitalise on pure and applied research; specifically, the talent of staff and students as they form cross disciplinary research groups in open innovation models with enterprises, including spin-offs and start-ups and established companies. It is the dynamic collaboration between these actors and the co-location and facilitated interaction of the partners that further develops the capacity to collectively use the intellectual property generated by the different partners, resulting in the achievement of compressed timeframes in the race to commercialise ideas and products. (Goedegebuure & Schubert, 2017)

Brainport is now considered the third pillar of the Dutch economy, equally as important as the international shipping port at Rotterdam and the international airport at Amsterdam, while Novel-T has fostered and supported at last count 380 innovative companies, which remain connected within the immediate innovation district. The social and economic growth of these three regions is self-evident as is the ongoing commitment by all parties to these models

The governments in Canada and the Netherlands have recognised the need to involve higher vocational education institutions in innovation systems, partly as a means of engaging the capacity of these institutions (and their staff and students), and partly as a mechanism to involve small and medium sized enterprises. It is the small and medium sized enterprises identified as not sufficiently engaged in the innovation system, mainly because they were unable to navigate large complex institutions to reach university researchers and access their expertise. These reforms for Colleges and Institutes has built a highly effective, yet relatively low cost applied research capacity, supported by national funding grants and with in-kind contributions from enterprises both small and large. The results are

remarkable and underpin real economic growth. (Goedegebuure & Schubert, 2017)

In the Australian context, traditional TAFE Institutes have in recent years developed capacity in the delivery of niche and targeted higher education, particularly at the bachelor degree level. A different situation exists for Dual Sector Universities who for much longer have been bridging both the vocational and higher education domains, and who also have longer history of basic and applied research compared to TAFE.

In the last two years, several major TAFE Institutions across jurisdictions have supported the development of an applied research capacity. It is this combination of higher vocational skills and applied research with SMEs where TAFE Institutes, and Dual Sector Universities through their TAFE programs, can make an invaluable contribution to Australia's innovation system. Victoria is the only State government to have an open competitive application round (Workforce Training and Innovation Fund) to fund applied research projects.

## **Training Packages and the case for change**

Our economy is transitioning away from its reliance on mining and traditional manufacturing, into a technology and innovation driven future focused on services and high-tech industries. In the five years from 2006 to 2011, firms less than three years old created 1.4 million jobs while employment in mature businesses dropped by 400,000.

With the changes in the workforce already underway, so how then can we equip current and future students for the challenges and changes that they will undoubtedly face, and what does this mean for our current system of training packages and how to conceptualise these changes? Increasingly being used in the UK and European vocational education systems is the concept of a "T shaped student/graduate" with the "I" being the development of technical skills, and the "T" being the broad employability/core skills necessary for employment now and in the future.

The analysis provided in the series of 'Vocations' reports illustrate the flow of employment over time with a churn for workers highlighting the urgent need to develop their capabilities to move between types of work within a vocational stream and to develop their ability to change. (Wheelahan, Buchanan, & Yu, 2015)

Training packages (TP) have been a cornerstone of the Australian vocational education system for the last 20 years, and by definition, training packages "detail the range of knowledge and skills (known as competencies) required by individuals to successfully operate in different industries and occupations". TP also detail how the competencies can be packaged into nationally recognised qualifications that align to the AQF. They are also supposed to assist in the development of course curricula.



Training package qualifications and competencies have become by design granular, and narrowly defined in terms of tasks and job roles. The narrow and very specific outcome focus for workers significantly limits their ability to move between occupations and to then upskill, when clearly the evidence points to an increasing requirement for workers to be able to move between employers, and to take on diverse roles within their working life.

Vocational education providers and TAFEs need to be at the centre of where skill development meets industry needs, however they are limited by funders who largely require providers to deliver state funded courses using training packages. Low risk, trusted and mature providers need the flexibility of being self-accrediting for their courses, equivalent to how universities operate.

## The way forward

It is, of course, a challenge to suggest “the” way forward to further a tertiary sector that indeed can navigate the set of complex challenges that are facing us. But let us take a shot at this, focussing on actions that can be achieved in the short to medium term.

What we definitely do not need is yet another all-encompassing long-winded review of the tertiary sector. Leaving aside that we already know what is wrong, as elaborated throughout this volume and elsewhere (e.g. James, French & Kelly, 2017; but see also Productivity Commission, 2017; CEDA 2017). Frankly, we cannot afford to waste time in making the changes, as the world around us is moving rapidly. One needs only to look at the investments that are currently being lined up in Europe for tertiary education and innovation for the follow up to Horizon 2020 to realize that doing nothing will trigger increased marginalisation.

So, the first thing we need is a stable framework. Having tertiary education as the punching bag for every election and potential change of government is detrimental to the continued success of the sector. So far, what success that has been achieved has been almost “against the odds” as discussed before. But continued uncertainty breeds conservatism, and that is exactly what we don’t need. Almost irrespective of the actual level of funding – and it can be argued that the higher education part of the tertiary sector in effect is not underfunded, although this is not true for vocational education with a significant disparity and decline in funding (Goedegebuure & Marshman, 2017) – what is needed is a multi-year funding framework, say 5-7 years, that extends well beyond an election cycle to allow institutional strategies to be bold, visionary and focused on the innovations in teaching and learning and research that Australia needs for the 21<sup>st</sup> century.

Ideally such a mid-term funding framework would be accompanied by performance agreements that codify Commonwealth and State expectations and institutional ambitions and include a serious “end of term” evaluation

to assess performance and provide the basis for the next term funding allocation. Such a system provides stability at the sector level, allows for mission diversity, and has sufficient teeth through the evaluation component to be a serious incentive for the institutions.

With this comes the recognition that our tertiary institutions can be international as well as national and regional players. A knowledge society by its very nature is international in orientation, but we should not neglect the fact that innovation systems are place-based. This is of particular importance to Australia given its unique geography and the fact that its state capitals are bursting at the seams.

Key to effective innovation systems is an operating quadruple helix: state, industry, the knowledge sector and civil society collaborating, each from their own position of strength, to achieve something that is significantly bigger than the sum of its parts. Conceptually this is nothing new. Practically, Australia has a poor record of this type of institutional (in the neo-institutional sense of the word, see Powell & DiMaggio, 1991) collaboration and cooperation. It would require government, at both the federal and the state level, to take on more of the entrepreneurial government role (Mazzucato, 2013). It would require industry to recognize that competition and collaboration are the two sides of the same coin, that governments and the tertiary sector are not their common enemies, and that dialogue can actually be constructive and productive. It requires our tertiary institutions to be truly serious about their commitment to innovation, industry-engagement, in particular with respect to the small and medium sized enterprise sector, and community engagement. And it requires civil society to take a real seat at the table through self-organization and upscaling and upskilling of its action repertoire.

Very clearly the above cannot and will not be achieved overnight as it will have to be a learning process, with inevitable setbacks and misadventures. But we have some very inspiring models in other parts of the world. Culture change is not easy, but for Australia to truly become an innovation and knowledge-based society, it is an absolute necessity. Where we currently are may be the resultant of 29 years of uninterrupted economic growth, it also is the resultant of a complacency and a policy vacuum that we cannot any longer afford.

Finally, with respect to TAFE, it needs to be loosened from its centralised regulatory shackles, lead the change and earn the autonomy it so desperately needs to become a full partner in the afore mentioned quadruple helix. Mass tertiary education systems are too complex to be regulated and controlled from a state capital. Autonomous institutions with serious accountabilities in place as regards the use of public money are the only way forward. For this to be achieved, TAFE will have to get rid of its second-class status and claim its righteous place in the tertiary education landscape, with a strong focus on place-based innovation and community engagement. An inevitable component of this will have to be the demise of

the competency-based training package as the basis for operation as this is totally unfit for the changes required to successfully address current and future challenges.

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