

## PROPOSED OUTCOMES OF TERTIARY EDUCATION



**1 Provide a universal foundation** that means graduates will: have values of citizenship, the ability to think and participate in modern society, have a depth of knowledge and expertise for a specific occupation or industry, have a foundation for future learning and be prepared for the world of work, not a single job or employer

**2 Supports a range of pathways** that mean graduates will be able to (noting some qualifications will not be able to offer each option): go on to further study, enter the labour market, be prepared for a specific employer, continue in research or academic inquiry

**3 Caters to different learners** (noting some qualifications will not be able to offer each option): traditional academic learning and assessment; applied learning; workplace learning; combination

**4 Cater to different cohorts at their stage of life:** young people with school qualifications; adults (18 and above) who need LLN and foundation studies (only VET); adults without school qualifications; adults without post-school qualifications; adults supplementing post-school qualification; adults building expertise in post-school qualification; adults choosing to change careers; adults needing to change occupations because of changed conditions

**5 Ensure skills sets/modules/short courses that are not formal 'qualifications' are available** or can be constructed by learners and enterprises, so specific skills and knowledge can add to a person's foundational qualification

## LESSONS FROM A DECADE OF REFORM



- 1. We need a universal entitlement that is sector neutral.** An entitlement model should be the central approach that underpins a single funding system.
- 2. A universal tertiary system needs to be funded by government** (through: a subsidy and an income contingent loan), **and the individual.** A costing exercise should set a base to determine the efficient cost and the ratios of private and public contribution.
- A demand-driven system is challenging to manage and **loans need to be designed around the student cohorts.** Cost and the ratio of public and private benefit should inform contributions. Governments need flexibility to alter a subsidy to reflect their priorities. Loans should be fair across the two sectors but must be designed around circumstances of the student cohort.
- 4. The tertiary education market needs changes before full fee deregulation can be effective across all cohorts.** Improvements to market information, contract management and price signals precede any reform. Learners should be charged a small up-front fee although this fee should not be prohibitive. Fee deregulation does not work for all student cohorts.
- The **regulator needs to differentiate between providers, and the funder must put in place strong contract management to mitigate quality risks**, some of which are created by access to government funding. Contract management is the role of the funder and should include access to real-time data, the ability to freeze or remove government funding, and the ability...
  - ... to require providers to publish market information. The regulator should have the appropriate powers to differentiate high-risk and low-risk providers. The funder and regulator should be able to withdraw government funding and suspend operations to protect consumers and government investment where warranted.
  - Market information cannot remain in the 'too hard' basket; **market information has to be a top priority and a single site should be created that follows a learner's decision-making process.** Government can contribute general course level information eg. price, subsidy rates, average loan repayment times, and broader labour market data such as job vacancy rates. Providers should be required to contribute relevant data.
  - The **public provider (TAFEs and public universities) must be supported but private providers are also needed.** The role of the public provider should be clearly defined. Public providers cannot be allowed to become residual providers and governments need to fund them appropriately to avoid this fate. Public providers have an obligation to taxpayers to ensure they have a competitive business model (against private providers).
  - We need a collaborative governance model where each level of government controls their financial contribution.** The tertiary system needs to be a shared responsibility between two levels of government, with responsibilities clearly outlined. The design must allow for each level of government to determine expenditure and priorities without creating perverse incentives.



# THE BUSINESS COUNCIL'S PROPOSED TERTIARY SYSTEM

## FUNDING

**Establish a single funding model that is sector neutral.**

- The centrepiece of the funding model is an entitlement for learners made up of a subsidy and an ICL that can be used across a person's working life (Lifelong Skills Account)
- All accredited providers (public and private) can seek to become an approved provider to offer qualifications with a subsidy, a loan, or both
- Potential learners can use the funding in their Lifelong Skills Account at any approved provider across VET and HE

## INFORMATION

**Build a single source of market information where potential learners can find all the information they need to decide on a future career and select the best provider for their needs.**

## GOVERNANCE

**Implement a shared governance model that clearly defines the roles and responsibilities of each level of government and industry. This model will:**

- Establish an institution to manage the funding model and market information system
- Allow each level of government to manage their expenditure and priorities
- Facilitate industry leadership, particularly in the VET sector

## STRUCTURE

**Maintain the two sectors of VET and HE with their current approaches to skill development, and unique identity and mission.**

## LIFELONG LEARNING

**Create a culture of lifelong learning.**

- Maintain qualifications for people entering the labour market or a new industry
- Allow graduates to build on the knowledge and skills they have developed through their education and work, including by funding more modular learning



# 'Future Proof' Consultation Questions

## Overall tertiary system

- 1 What is your view on the proposal to move to a tertiary model and why?
- 2 If Australia were to adopt a tertiary model, do you think the proposed five elements of the tertiary system (structure, funding, information, governance and lifelong learning) are appropriate, and why?

## Component one: structure

- 3 Do you agree it is important that the two sectors (VET and HE) maintain a unique identity?
- 4 The continuation of sector specific standards and regulators are designed to support each sector maintaining their unique identify. Do you think any other mechanisms are needed to ensure each sector maintains their own identify?
- 5 Do you think the proposed new institution (the body that will contract manage funding the LSAs and the market information platform) needs to differentiate between the two sectors?

## Component two: funding

- 6 What is your view on the proposal to create a Lifelong Skills Account, and why?
- 7 Do you support the principle that the contribution by learners should be based on the cost of the learning and the ratio of public and private benefit, and why?
- 8 Do you think there should be a cap on the subsidy and/or the income contingent loans? If so, how should the cap be determined?
- 9 Do you support the establishment of a separate fund that businesses can access to develop their workforce, and why?

## Component three: single platform for market information

- 10 Market information has been an issue in tertiary education for at least a decade. What are the barriers to building a single platform, and how can they be overcome?
- 11 What new data sets will need to be created, and what current data sets will need to be accessed or linked?
- 12 What are your views on the Business Council's proposed approach for a learner's decision-making process?

## Component four: agree a shared governance model

- 13 Do you agree with the proposed split of funding responsibilities between the different levels of government? If not, what alternative approach would you propose and why?
- 14 There are some concerns that hard lines between levels of government in funding responsibilities can lead to perverse behaviour. If you have these concerns, what alternate model would you propose?
- 15 Do you support State governments providing base funding to TAFES to ensure their sustainability? If not, what approach would you propose to ensure sustainability?
- 16 What are your views on the proposed methodology that determine the subsidy rates (see proposal six)?
- 17 The governance model has been designed with safeguards to prevent cost-shifting between levels of government (see proposals five and six), as well as cost blow outs. These include:
  - 17.1 Proposing that each level of government commit to maintaining current funding levels for 10 years, with a review at five years
  - 17.2 Proposing that when a government transfers funds to the new institution, the new institution will quarantine the funds for each jurisdiction's use
  - 17.3 Proposing that responsibility for qualifications eligible for ICS rests with the same level of government that fund ICLs (the Commonwealth)
  - 17.4 Proposing that the government that funds the qualification also sets the subsidy provided
  - 17.5 Proposing that governments will determine the level of fee deregulation for each student cohort, including whether providers will be permitted to charge above cost-reflective price and margin
  - 17.6 The ongoing monitoring of all funding across the two sectors. Are these sufficient safeguards? If not, what additional safeguards would you propose?
- 18 The Business Council has proposed the creation of a tertiary system funding and marketing information institution to enact the decisions of government and a range of other responsibilities.
  - 18.1 Do you support the new institution being a not-for-profit company? If not, what governance would you propose and why would it be preferable?
  - 18.2 Who should the Board be chaired by – industry or government, and why?
  - 18.3 Should the Board have any policy responsibility, and why?

## Component five: create a culture of lifelong learning

- 19 What are your views on adopting a more modularised approach to skill development to support lifelong learning?
- 20 Do you support established workers being able to use their LSAs to fund self-constructed qualifications?
- 21 What role do you think business should play in creating a culture of lifelong learning?