



Submission to Senate Standing Committees on Education and Employment

**Inquiry into the operation, regulation and funding of private
vocational education and training (VET) providers in Australia**

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Context for this submission

Organisational context

Melbourne City Mission is Melbourne's oldest charity (established 1854). We are also one of the largest, with a broad service platform encompassing early years, education and employment, homelessness and justice services, disability services, aged and palliative care across Victoria.

A strategic focus for Melbourne City Mission is education and vocational training¹ – research consistently shows that:

- For children and young people experiencing disadvantage, education is a key enabler for social and economic mobility.
- For early school leavers, who predominantly exit into insecure jobs or unemployment², the Vocational Education and Training system can be a circuit-breaker that provides an opportunity to 'reset' by building foundation skills (literacy and numeracy) and industry-specific skills that create pathways to sustainable employment.

This submission is informed by:

- Melbourne City Mission's perspective as a values-driven, not-for-profit Registered Training Organisation in a marketised environment.
- Melbourne City Mission's perspectives as a Registered Training Organisation with a client base comprised of students who have multiple and complex disadvantage³ and concurrent high support needs.

Community context

Nationally, unemployment is at its highest level since 2002⁴. As the economy readjusts in the wake of the mining boom and other changes (such as the off-shoring of manufacturing industries that have traditionally generated significant employment opportunities), a strong Vocational Education and Training system delivering relevant, quality courses is vital to ensure new jobseekers and mature-age workers have the right skills for the new economy.

In the 2012 *Skills for All Australians* report, the Commonwealth anticipated that 70 per cent of the new jobs created by 2017 would require at least a Certificate III qualification, with more than half requiring a diploma-level qualification or higher.

¹ Melbourne City Mission is a Registered Training Organisation. We are also an accredited Non-School Senior Secondary Provider in Victoria, delivering the recognised alternative Year 12 qualification, the Victorian Certificate of Applied Learning (VCAL). In Victoria, Melbourne City Mission is now the largest provider of Community VCAL. Consistent with our prevention and early intervention agenda, Melbourne City Mission also holds licenses to operate child care and pre-school (kindergarten) centres.

² The HILDA survey (waves 1 – 11) found more than 62 per cent of people unemployed in their youth have less than Year 12 education.

³ Melbourne City Mission's student body comprises some of the State's 'highest needs' learners, including young people who are experiencing homelessness, young women who are pregnant or parenting, and young people who have grown up in families characterised by inter-generational early school leaving and long-term unemployment.

⁴ January 2015 data published by ABS.

Melbourne City Mission notes that in Victoria, where some areas have rates of youth unemployment as high as 14.8 per cent:

- In 2011, 60,000 young Victorians (20 – 24 years) had no qualification, having disengaged from education without completing Year 12 or an equivalent qualification. This figure represents 14 per cent of 20 – 24 year olds in Victoria.
- On an annual basis, Victorian Department of Education data shows 16,000 young people are disengaging from education in Victoria **every year**. Six thousand (6,000) of the 7,000 who move into the VET system immediately after disengaging from secondary education go on to disengage from VET after just one year.

In relation to VET graduates, Melbourne City Mission notes the demand-led system has delivered VET courses of widely varying quality. As an employer of aged care, disability and child care staff⁵, Melbourne City Mission's dissatisfaction with the quality of graduates has been such that we have developed through our RTO our own Certificate III course in Early Childhood Education and Care.

Melbourne City Mission's Early Years division is on a significant growth trajectory, with new leading-practice early learning settings being established in partnership with local and State governments. A high-quality workforce is fundamental to achieving our vision for children and families. By delivering our own high-quality training, we are able to train potential employees and meet our future workforce needs in a way that the broader VET sector cannot currently deliver to us.

⁵ Melbourne City Mission also employs staff from many other disciplines, from accountants to social workers. Aged care, disability and childcare are highlighted in this submission, as the majority of frontline staff working in these service areas attain their qualifications through the VET system.

Summary of recommendations

Melbourne City Mission welcomes the Senate Standing Committees on Education and Employment's inquiry into the operation, regulation and funding of private vocational education and training (VET) providers, and submits the following recommendations:

Recommendation 1:

That there is increased recognition that vulnerable learners with high and complex needs require more support – a practical example of what 'increased recognition' would look like is a change to VET policy and funding that would allow students to enrol in up to a maximum number of 'hours of funded education' rather than a maximum number of courses.

Recommendation 2:

That there is a review of the current 'one-size-fits-all' approach to VET policy and funding, as part of a strategy to ensure ongoing diversity in the VET market, including values-based not-for-profit providers.

Recommendation 3:

That governments provide a more stable regulatory and funding environment for the VET sector, in light of the adverse impacts of regular funding changes on students and small providers.

Melbourne City Mission's response to Term of Reference (i): The access private VET providers have to Commonwealth and state public funding

Melbourne City Mission accepts that it operates in the context of a mixed market which is inclusive of private (predominantly for-profit) providers that can access Commonwealth and State public funding.

We understand the drivers for a mixed market but note that it is a model (to use the term 'model' loosely) which *"over the years, has never been designed, but rather has evolved to meet circumstances as they have arisen"*⁶. We also note that projects to reform/redesign the relationship between government and community services organisations contracted to deliver 'human services' on behalf of government (for example, the Shergold Service Sector Reform Initiative in Victoria), are an attempt to address a range of system barriers and challenges to sector sustainability, efficiency and outcomes that have arisen as a consequence of this vacuum.

In relation to Vocational Education and Training, Melbourne City Mission is **not** suggesting that, going forward, private for-profit VET providers should not be able to access public funds.

However, we are calling for greater equity in the system.

The not-for-profit sector comprises very few large organisations (only 17 per cent according to the Australian Charities and Not-for-Profits Commission) – most are small (67 per cent), based in local communities or communities of special interest, frequently offering one specific type of service and are heavily dependent upon governments for their funding.

The current VET system, characterised by a one-size-fits-all approach, disadvantages small not-for-profit community sector providers that service high needs learners and need to build in greater support and regulation per student relative to large for-profit providers servicing 'mainstream' learners. Although Melbourne City Mission is not, in its whole context, a small community service organisation, our RTO – with a total student population of 250 high needs learners – operates in a market with private for-profit providers, some of which enrol many thousands of students.

The one-size-fits-all approach has not, in practice, delivered a level playing field. Equity measures are vital to the future viability of not-for-profit community sector providers like Melbourne City Mission. A starting point would be to formally recognise that there are different categories of RTOs and to calibrate policy implementation and funding accordingly. Melbourne City Mission believes that this is critical if Commonwealth, State and Territory governments want to maintain diversity in the marketised VET environment.

We would argue a diverse market inclusive of not-for-profit community sector providers is advantageous to governments in terms of culture, outcomes focus and value-for-money. The social and economic 'value add' of community sector providers is evidenced in the significant contributions that providers like Melbourne City Mission – which have an intentional focus on creating sustainable pathways to employment for highly marginalised young people – make to COAG targets on education attainment and youth transitions⁷.

⁶http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/RP9798/98RP15

⁷ Melbourne City Mission's 'Melbourne Academy' (RTO) students face significant barriers to participation and attainment – for example, 90 per cent have complex trauma. Despite this, our re-engagement model saw retention rates across all 'Academy' programs sit at 70 - 75 per cent in the program's first three years of operation, and these rates continue on an upward trajectory. Attainment rates, pathways to further training or employment, and improved employability skills are all being realised, and are being independently evaluated by Victoria University at the time of writing.

In seeking to respond to the needs of young people who want to re-engage with education through flexible learning programs, Melbourne City Mission has not taken an easy path in the current VET environment – as a not-for-profit, community sector provider we have had to identify, secure and integrate different public, corporate and philanthropic funding streams to establish and sustain our model. Specifically, Melbourne City Mission has had to:

1. Attract business and/or philanthropic support for the capital set up costs of each individual classroom.
2. In the **education domain**, Melbourne City Mission has needed to:
 - o Become an ACFE registered Learn Local Provider
 - o Become an ASQA registered RTO
 - o Become a VRQA registered Non-School Senior Secondary Provider (with seven registered sites, each of which have had to be individually applied for and registered)
 - o Establish two separate regional contracts to deliver pre-accredited courses
 - o Establish two community VCAL contract with local high schools
 - o Secure annually a VET provider contract including the following population groups:
 - Out-of-Home Care Provider
 - Foundation Skills Provider
 - o Develop multiple pre-accredited training courses focusing on soft skills for employability and further education
 - o Develop 3 x VCAL curriculums (Foundation, Intermediate, Senior)
 - o Add 5 low level certificates to RTO scope (continuing to add further certificates as development continues).

This work has been required to facilitate funding streams for approximately 250 annual enrolments of severely disengaged and/or hard-to-reach learners presenting with multiple and complex needs. This diversity of registration, curriculum development and funding streams allows us to attract maximum funding per enrolment possible in the Victorian system, which is critical given the high support needs of these learners, but has required significant back-of-house work and investment.

3. In the **education/student support domain**, Melbourne City Mission has needed to:
 - o Contract to deliver a range of Commonwealth-funded services (such as the recently-defunded Youth Connections program, Reconnect and Job Services Australia) and State-funded programs (including Springboard and homelessness services) to mitigate the participation barriers that challenge successful pathways and provide necessary case management support. Each additional support contract is underpinned by additional reporting and compliance regimes).
 - o Attract additional philanthropic funding (adding additional reporting requirements on administration **and** 'hands-on' staff). We actually require an additional \$20,000 per classroom each year in order to effectively fund the entire Melbourne Academy program (this is separate to the initial capital set-up costs).

Whilst the model is an effective evidence-based education intervention, the complexity and number of funding arrangements present significant challenges, with regards to resourcing multiple compliance and reporting requirements.

Melbourne City Mission's response to Term of Reference (iii): The regulatory regime private VET providers operate within

As a not-for-profit VET provider from the community services sector, Melbourne City Mission's Registered Training Organisation operates within the same regulatory regime as private for-profit providers.

In the past decade, the regulatory system has been characterised by constant policy and funding changes (some recent examples of these changes are provided later in this submission). In the past five to six years most of these changes have been driven by the need to tighten up access to public funding, to mitigate unintended consequences of contestability⁸.

The constant shifting of the rules that this creates causes significant (and often unmerited) administration pressure on small VET providers. In particular, the regulatory burden has a disproportionate impact on values-driven, not-for-profit community sector providers like Melbourne City Mission which:

- Do not have the same discretionary resources as private for-profit providers to weather these (often sudden) changes, and are working in the RTO space often at significant risk and cost to their broader organisation
- Service student cohorts that have negligible discretionary income (as part of our focus on re-engaging marginalised young people, Melbourne City Mission offers education fee-free where legislation allows it⁹, or with full scholarships).

The stakes are high for both organisational sustainability and, more importantly, student wellbeing:

- Melbourne City Mission notes that the Australian Council of Social Service has recently made the case for transition funding and support to community sector organisations impacted by sudden changes to Commonwealth policy and funding – whilst the trigger for the conversation was the last tendering round of Department of Social Services grants, the bigger picture context for the conversation includes vocational education and training.
- As described earlier, Melbourne City Mission's VET programs are targeted to learners who face significant barriers to participation. Our student body comprises some of Victoria's 'highest needs' learners, including young people who are experiencing homelessness, young women who are pregnant or parenting, and young people who have grown up in families characterised by inter-generational early school leaving and long-term unemployment. Most of the students have a two to three year gap in their education attendance history, and approximately 90 per cent have complex trauma – we have had to embed specialist youth workers in our classrooms to overcome barriers to re-engagement. Regulatory changes – such as those described on the following pages of this submission – give rise to a whole set of other risk factors for the health and wellbeing of highly vulnerable young people, as well as their future education, training and employment participation and attainment.

⁸ Many of the changes have been driven by the VET sector's ability to circumnavigate various 'rules' in the system in order to attract maximum dollar (both private providers and TAFE providers have been implicated in this).

⁹ In Victoria currently, we are legislated to charge students a fee towards their own education (except students from the out-of-home care sector). Whilst this is absolutely appropriate for most students, it is usually not for our high needs student cohort.

Case study:

Examples of policy and funding changes in the Victorian VET sector

- Changes to Foundation Skills (more context on foundation skills is provided in the case study over the page):
 - The approved foundation skills course list was changed and Certificate 1 Vocational Preparation was dropped from the list (part of our ‘core business’ in the context of our student cohort and a key factor in our business planning for both our RTO and Job Services Australia programs).
 - A separate category of provider was created and only successful applicants to this new category were able to access foundation skills funding¹⁰.
- A ‘young parents’ initiative was introduced, for which we successfully applied, then the initiative was dropped without warning. Melbourne City Mission had developed a whole program, marketed it to new students, and had already enrolled students at the time of this change.
- Constant changes to Victorian Training Guarantee eligibility that disadvantage learners with high support needs, including:
 - Introduction of two course starts per year (irrespective of completions)
 - Introduction of two attempts only at a given level of course in a lifetime
 - Introduction of no dual enrolments (meaning a school student cannot also enrol in a RTO or TAFE course).

Whilst accountability and outcomes are crucial elements of a robust publicly-funded VET system, Melbourne City Mission would advocate that the system needs to have some ‘give’ for high needs learners who are still identifying their goals, interests and preferred pathways after a significant period of disengagement. These students are usually enrolling in very short courses, for example the newly-introduced foundation skills courses which are often unhelpful in our context as they are too short and disadvantage a student by using up one of their allotted two annual enrolments (for only 100 to 150 hours of funded education).

- Unforeseen changes to funding levels for various courses, ostensibly driven by skills shortage areas (but changes regularly and appears to take little account of organisations which are trying to use education courses to re-engage young people who are disengaged).
- Introduction of maximum course hours (as distinct from hours assessed per module).

¹⁰ This change imposed a significant administrative burden and cost on Melbourne City Mission as a charity and RTO – in order to continue delivering foundation skills courses, we needed to implement new pre-enrolment requirements. Associated with this, Melbourne City Mission had to find resources to develop a new pre-enrolment assessment process and associated policies and procedures, and re-shape its overall enrolment process. (Additionally, elements of this particular policy change created barriers to enrolment for students only wanting to enrol in a foundation skills program).

Case study: Foundation Courses

Foundation courses develop skills in core competencies such as literacy and numeracy. They are often a critical first step for students entering the VET system with a history of school disengagement. In Victoria, as a consequence of poor targeting and over-servicing in some parts of the VET sector, wholesale changes were made to foundation skills funding.

As a consequence of policy and funding changes in Victoria:

- **Certificate I in Vocational Preparation is no longer considered a foundation course**

Helping a young person return to school or training and stay engaged requires a significant level of support and flexibility. The longer a young person is disengaged, the harder it is to return.

As a Registered Training Organisation with a strategic focus on young people who have experienced a disrupted education or had negative educational experiences, Certificate I Vocational Preparation was a critical enabler for Melbourne City Mission's re-engagement work.

Removing the Certificate I Vocational Preparation from the 'Foundation' category effectively eliminated a foundation level course that was a key pathway for our client group to establish basic work place skills and advance into industry specific VET courses at Certificate II level and beyond.

- **Foundation courses are no longer exempt from the VET-wide funding rule that a student can only attract funding for two courses per year – all courses now count toward a student's maximum of two funded courses per year.**

The previous Foundation Skills Training Package comprised a range of courses designed to address core competencies. These courses typically provided 100-200 funded hours with some courses stretching to 380 hours.

The application of a cap on foundation courses has meant that students who need intensive support to pathway into a Certificate level II and beyond can only access 300 to 400 hours of appropriately targeted study in a single year under the Victorian Training Guarantee (well short of a full-time course load of 1000 to 1200 hours).

This is a significant concern because:

- The 'two courses per year' rules can discriminate against those students who are disadvantaged, as their circumstances are typically such that they need to access lower level courses (often less than 250 hours of education funding, creating a maximum of only 500 hours of funded education per year), whereas students who are able to access courses at a higher level can access longer courses valued to well over 1500 hours (across two courses) if they choose to (course hours as per Victorian government payment for courses).

- As detailed elsewhere in this submission, the majority of students serviced by not-for-profit community sector VET providers such as Melbourne City Mission:
 - **have an extensive history of disengagement** (for example, they have grown up in households or communities characterised by intergenerational early school leaving and unemployment)
 - have slipped through the cracks of mainstream education and **have significant ‘catch-up’ work to do in core competencies** such as literacy and numeracy (approximately 95 per cent of students we educate do not have the requisite literacy and numeracy level for their age, and have insufficient education to undertake industry specific training)
 - want to make a positive change in their lives but **require wrap-around support and structure, as well as foundation literacy, numeracy and core employability skills to effect that shift.**
- In Melbourne City Mission’s experience, if these young people are engaged in part-time (rather than full-time) study or vocational training, then:
 - **they are at significant risk of becoming disengaged again** (a full-time study load is 1000 to 1200 hours over a year, compared with two foundation courses usually totalling 300-400 hours)
 - if they disengage again at this point, any ‘early intervention’ window closes, making **meaningful long-term engagement more complex, more expensive and less likely.**

In seeking to reform the system, Melbourne City Mission is concerned that those students for whom foundation courses were originally intended are once again confronting significant systemic barriers to participation and attainment.

Case Study: St Kilda Youth Service RTO

St Kilda Youth Service (SKYS) was a small, highly respected not-for-profit with a 10-year history operating as an accredited education provider providing support to highly disengaged young people with multiple and complex needs. Most recently, SKYS was awarded a three-year VET Provider Contract with the Victorian Government (2013-2015). SKYS operated locally in the City of Port Phillip area which retains severe pockets of disadvantage.

During 2013, SKYS invested heavily (in excess of \$50,000 – a significant amount for a small NFP) in the development of a Certificate II in Transport and Logistics. This included establishing a partnership with Toll Transport and with the Port of Melbourne Authority and creating all the course materials to deliver the program to previously disengaged learners. The investment decision for this development was based on business planning that included an assessment of the VTG subsidy as published at the time (2013). The following year the subsidy was cut heavily and the project was unable to progress as it would not be viable; a story of unnecessary waste.

The rationale for the setting of fee subsidies is based on a skills shortage assessment. This assessment does not take into account the requirements of the students in our cohort: neither the challenges in re-engaging marginalised young people, the hands-on courses that are a critical element in facilitating their return to education practice, nor the social and economic cost of failing to do so.

Very small not-for-profit RTOs are being squeezed out of the market. It is becoming increasingly difficult to sustain business viability in a highly marketised environment with regular, unforeseen policy and funding changes. SKYS now no longer exists as a standalone organisation – it has become a program of Melbourne City Mission, and the SKYS RTO is now closed for business.

If the VET industry was truly market driven, then more comprehensive data and environmental analysis (beyond skills shortage data) would be taken into account when setting course subsidies.

Case Study: Typical student presentation to Melbourne City Mission

As well as operating as a Registered Training Organisation, Melbourne City Mission is Victoria's largest funded provider of youth homelessness services. Only 30 per cent of young people aged 20 – 24 who present at Frontyard Integrated Youth Services (the State's principal access point for young people seeking homelessness support) have completed Year 12 or higher, compared to 81 per cent of their (non-homeless) peers in metropolitan Melbourne. The following case study is representative of the barriers to education re-engagement for our student cohort at the Melbourne City Mission RTO, The Melbourne Academy. It also illustrates the challenges for a not-for-profit community sector provider delivering VET to high needs learners.

A 21-year-old presents at Melbourne City Mission and tells us a bit of his story. He has been a substance abuser for several years. Due to the divorce of his parents in regional Victoria and subsequent turmoil and movement, he has not been enrolled in school since Year 9. Prior to that, he had underachieved anyway.

Two years ago he moved independently to the city and has been homeless ever since. We conduct an assessment of his literacy and numeracy levels and they rate about 1-2 on the ACSF.

We put him in a classroom for the day because on that day he is ready to re-engage. Staff turn their attention to his enrolment. We need to enrol him into some serious foundation skills courses but due to the two courses maximum can only enrol him in about 300 hours of funded education or in a high school curriculum (VCAL) which is inappropriately targeted for his age.

We have two options remaining:

- tell him he can study with us for about four to six months, but after that he will have to wait until the following year to continue his study; or
- attract the funding for as long as we can (up to six months) and then 'carry' him as an unfunded student (as his current circumstances mean he has no capacity to pay his own fees).

Conclusion

A diverse VET market inclusive of not-for-profit community sector providers is advantageous to governments in terms of culture, outcomes focus and value-for-money. Community sector providers like Melbourne City Mission – which have an intentional focus on creating sustainable pathways to employment for highly marginalised young people – make a significant contribution to Commonwealth, State and Territory objectives to lift rates of education attainment and improve youth transitions to labour market participation.

However, smaller not-for-profit RTOs are being squeezed out of the market. It is becoming increasingly difficult to sustain business viability in a highly marketised environment in the context of regular, unforeseen policy and funding changes.

Greater regulatory and funding certainty is required.

Additionally, given that the current VET system, characterised by a one-size-fits-all approach, disadvantages small not-for-profit community sector providers that service high needs learners and need to build in greater support and regulation per student relative to large for-profit providers servicing 'mainstream' learners, we seek policy implementation and funding to be calibrated accordingly.