



# Future of Registered Training Organisations in Australia: A Policy Paper

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# 1 Introduction

International education makes a significant contribution to the Australian economy. It generates local employment opportunities, strengthens access to global networks, fosters demand for services and products, and expands business opportunities for Australian businesses in international markets.

International students also diversify and enrich our culture, globalise our worldview, and enhance tolerance, respect and understanding of other prevailing cultures. This in turn boosts Australia's competitiveness in the global marketplace.

Australia in the Asian Century, however, has been less effective in formulating a consistent, coherent, policy framework towards international education in general, and registered training organisations in particular. In a globalised world of free trade and greater mobility of labour, a clear and robust international education policy is essential to ensure a secure and competitive Australia.

One of the reasons for this policy weakness is a reluctance to deal with the difficult nexus between education and permanent residency. Australian Governments remain resistant to encouraging international students to obtain permanent residency, which is one of the major drivers for students choosing to study in Australia. Policy interventions to deter access to permanent residence for locally-trained international students have been a key element of nationalist and populist rhetoric. Such rhetoric aims to challenge neo-liberal principles that support freedom of movement of labour across the globe.

Unpredictable and inconsistent policymaking ensures that businesses and governments cannot effectively respond to market demands for skilled workers. Whereas governments are supporting the idea of attracting international students to study in Australia, they are also making it difficult for them to obtain permanent residency.

In an endeavour to rectify problems in delivering quality education, the policies introduced in recent years to overcome procedural blockages remain relatively ineffective. The future of Registered Training Organisations (RTOs) in a demand-driven quasi-market system in Australia therefore looks uncertain and requires urgent attention. A recent review of the National Vocational Education and Training Regulatory Act 2011 also highlights the need to impose an appropriate level of regulatory burden on RTOs (Braithwaite, 2018). There is now a need to develop a deeper understanding of the challenges facing the Vocational Education and Training (VET) sector. This would entail knowing the current business, regulatory and market challenges, and identifying key actors/players who can influence public policy and the strategic direction of international vocational education in Australia.



## 2 Aim

This policy paper aims to guide and inform decision-making about the complex and interconnected challenges associated with the future of RTOs in Australia. It is written to frame the issues arising from the delivery of training services by public and private training providers in an open market. A scenario thinking approach is applied to formulate future scenarios for RTOs. A recommendation is drawn from the analysis of the projected outcomes to inform policymaking.

# 3 Policy context

Australia is in the throes of institutional and structural reforms that have aimed at improving the competitiveness and efficiency of the VET sector in the global marketplace. Given the contradictory policy messages, however, RTOs face an uncertain future. This situation has provoked significant debates, characterised by conflicting views, perceptions and ideology. A central question therefore for governments and business is: how best to regulate the VET market in an open economy?

As a part of the neo-liberal policy agenda, a new policy direction with a set of bipartisan policy priorities is being devised and deployed to respond to changing domestic and international markets. The underlying assumption is that increased competition and open systems will promote greater efficiency, and help governments and businesses react more effectively to growing demand for better and improved services (Chhetri et al., 2018). Competitive markets, as argued by the advocates of neo-liberal thinking, are more efficient and effective in the allocation of resources than centralised state planning. This feature in turn provides more choices for consumers.

The pursuit of neo-liberal reforms required governments to abandon the traditional functions as funders and providers of services. The Australian Government has embraced a market-based transaction approach that is often managed through contracts. This contrasts with more conventional public service models that traditionally focus on hierarchical planning, bureaucratic control, and budgetary allocation.

Nonetheless, the transitioning of the Australian education sector into a market-based system has remained contentious since the beginning of reforms in the early 1990s. The sector has been subjected to a prolonged two-decades of reforms under the Liberal National Party and the Labor governments. Such reforms, initially driven by neo-liberal agenda, were focused on the re-structuring of education systems to operate like business enterprises. Such changes were anticipated to inject innovation and efficiency into the state-run system.

The removal of barriers to entry for private operators was expected to increase competition, improve service and product quality, and lower costs for students.

In Australia, the shift towards a market-based education system began in the late 1980s (Dawkins and Holding, 1987). The emphasis of such reforms was largely on fulfilling the needs of employment and the economy, a human capital approach, which in turn claims to benefit society as a whole by creating a stronger economy. The Mayer Committee (Mayer Report, 1992) developed a framework to help structure training to fulfil what Dawkins and Holding considered as a flexible and adaptable training system. The Fitzgerald Report of 1994 (Fitzgerald, 1994) further recognised the need for a market-driven system and introduced the 'user-buys' concept, which would subsequently define the relationship between trainees, training providers, employers and the state.

In governing the VET sector, governments have increasingly assumed more limited responsibilities for developing strategic policy, facilitating and regulating market conduct, and purchasing training places from VET providers (Gekara et al., 2014). The relationships between government and providers were reframed as market-based transactions managed via contracts. This policy paradigm shift imparts greater responsibility for resource management and service delivery to service providers.

Critics of such reforms, however, pointed to the commodification of education, which benefits individuals rather than society. This ideological shift changes fundamentally what it means for a society to educate its citizens and revises the optimal mechanism through which education can be made accessible (Anderson et al., 2004).

The structural reforms have brought in several challenges. The easing of entry for private operators has seen an exponential growth of RTOs which provide quality-assured and nationally recognised training and qualifications in Australia (Braithwaite, 2018). There are currently around 4,000 RTOs in Australia that deliver nationally recognised courses and accredited Australian Qualifications Framework (AQF) VET qualifications. There are three categories of RTOs:

- public providers who are funded by the government to provide subsidised training to a broad range of trainees (TAFE institutions)
- larger, more established enterprise RTOs (privately owned, including those operated by individual companies)
- smaller private RTOs

Concerns were also raised about training quality, teaching professionalism (Braithwaite, 2018) and adherence to stringent compliance and regulations. Cully (2006, p12) further describes this complex and multi-layered VET system as "a quasi-market for the delivery of training services ... which [is] ... primarily geared towards meeting employer needs". On 1 July 2010 The Australian Quality Training Framework (AQTF) came into effect to provide more guidance on compliance and greater protection for students. Notably, the changes saw the requirement for institutions accepting student fees paid in advance to hold these funds in trust till the delivery of learning. These reforms also mandated a suitably constituted academic advisory board to ensure institutions' decision-making is adequately influenced by the learning and assessment process and not just economic factors.

On 1 July 2007 the AQTF 2007 changes came into effect to reduce the regulatory burdens and to streamline and standardise audit processes for national consistency. The original twelve standards have become three standards and nine conditions of registration. The focus of audits is shifting towards an outcomes-based model, away from the traditional evidence and process-based model. A set of Excellence Criteria for RTOs, a voluntary audit process, is also being developed that will enable high-performing RTOs to market themselves as 'quality-committed' or 'outstanding'.

The links between immigration policy and the international education market are well defined and clearly understood. More liberal immigration policy increases the size of the student population and helps to attract a more skilled labour force. Recent immigration policy adjustments attest to the elasticity of market demand from international students. The VET sector is of particular interest to show the coupling of international education and permanent residency. For instance, the number of international students enrolled in VET institutions in Australia increased from 30,000 in 2000 to 230,000 in 2009. Most overseas students studied at private RTOs. The international student market rose by 45 per cent in just one year between 2007 and 2008 and by a further 33 per cent between 2008 and 2009 (Australian Education International, 2009). Business and commerce, food, hospitality and personal services, and English language courses were the fields of training that typically attracted larger shares of international students.

This unprecedented growth was unmanageable especially given no parallel growth in education services infrastructure. This growth inevitably resulted in strains on the capabilities and quality of the VET sector. The key to this growth was a rapid rise in low-cost private RTOs, operating aggressively in the Asian markets, coupled with a progressive relaxation of immigration policy. It was an easy, low-cost, convenient and least effort gateway to immigrating to Australia. Part of the influx was attributed to the Migration Occupations in Demand list, which included low-skilled occupations. This approach offered the opportunity for international students to translate their student visas into permanent residency.

The reactive migration policy adjustments, for instance in the tightening of immigration policy and a revised Skilled Occupation list, drastically reduced the international student enrolments in VET, which fell by 11 per cent (about 26,000) in the year 2009-2010. Tighter restrictions on granting student visas (e.g. requiring international students to demonstrate the availability of financial resources), changes to the General Skilled Migration program, the rise in value of the Australian dollar, and the resultant increase in the cost of living as well as increased competition from other countries providing high quality educational services might have all contributed to this decline.

Overall, the recent policy adjustments have adversely impacted RTOs on their ability to compete in the international education market. This in turn has limited their efforts to establish Australia as a destination for high quality training and education in the Asian Century. To provide clarity and policy directions, as well as to project the future of RTOs, it is vital to explore deeper into the perceptions of key stakeholders.

## 4 The scenario thinking approach

Recent reviews of VET and media commentaries highlight the need to gather evidence on key business, regulatory and market challenges and formulate possible alternative scenarios for the future of RTOs. A scenario thinking method is therefore applied as the primary methodology for this study to enhance deeper and collective understanding of what the future of RTOs may look like. Scenario thinking is a group thinking process, which facilitates knowledge sharing and strategic conversations to create stories about possible futures. A deliberative participatory process was adopted where all viewpoints are considered equal and all ideas are discussed.

Scenario thinking is used not only to provide multiple answers and envisage the future, but also to assess the current situation and provide a better understanding of future uncertainty, ambiguity and the complex interplay of factors (Miller, 2007; Wright and Cairns, 2011).

The scenario thinking method enables the identification and analysis of the apparent perverse problems with ‘critical uncertainties’ to scope plausible scenarios formulating the future of RTOs. This method, however, does not consider the degree of probability of whether any event will happen, but simply its plausibility, or the possibility that it could happen. A five-step procedure is implemented to key stakeholders, including regulators and service providers, to develop a range of future possibilities against which the current regulations and policies can be assessed.

## 5 Key business, regulatory and market challenges

The participants in the scenario workshop identified the driving forces that will affect the emergent future of RTOs. A total of 28 issues were identified and ranked. This comprehensive list reflects the diversity of views of participants. These issues were collapsed into a few key higher-order dimensions based on similarity and then labelled. The coherence of these dimensions was tested by drawing linkages between the drivers within the dimension.

Five dimensions that emerged and were agreed to by all were:

- funding constraints
- regulation and compliance
- cost of operations
- policy and politics
- student informed choices

*Funding constraints* relates to the limitations imposed by the levels of funding from the Victorian and Australian Governments to support student choices and industry demands.

*Regulation and compliance* refers to the challenges associated with licencing and time-intensive approvals, immigration rules, an unclear and unstable regulatory environment, visa choices, and international brokers/agents. Regulations were discussed as both posing threats to the industry and as supporting the market to enhance efficiency and improve quality of service delivery. A key question raised was whether government should be policing the RTOs to ensure high quality, or whether the process of quality control should be internally managed.

*Costs of operations* collectively represents business viability and business continuity, and student-centric versus profit-centred business models.

*Policy and politics* captures the drivers associated with a policy shift with changes of government and under international pressure and social activism, lack of stakeholders’ involvement, and a hierarchical and regimented education structure that places greater importance on university and TAFE over private education providers.

Lastly, *student informed choices* reflects challenges posed by the lack of clarity on choices, options and pathways, job-centred careers, and the role of an industry-led, demand-driven education market.



# 6 Understanding the impact/uncertainty

The higher-order dimensions, namely funding constraints, regulation and compliance, cost of operations, policy and politics, and student informed choices, are assessed and then positioned on an impact/uncertainty matrix to help ascertain their likely impact on the focal issue and the relative degree of uncertainty on the potential outcomes (see Figure 1).

Two factors, regulation and compliance, and policy and politics, were identified to hold a more pronounced effect on the operating environment of RTOs in the future. They were chosen to form the foundation of the scenarios because of the greatest perceived impact with the greatest perceived uncertainty. There was consensus that these two factors will shape the future of RTOs because there is a high level of uncertainty about the actual outcomes.

The emergence of these two factors indicated not only a systemic failure, but also discrepancies in the ability to link desirable outcomes with regulations. Policies were formulated by the government to achieve its aims and goals, while regulations are created and imposed by authorities through sanctions for non-compliance to ensure organisations follow the desired code of conduct. There was an overall agreement that the future of RTOs is heavily dependent on good policy formulation and an effective regulatory regime. These factors were considered crucial for generating an efficient market and to prioritising the student experience and outcomes.

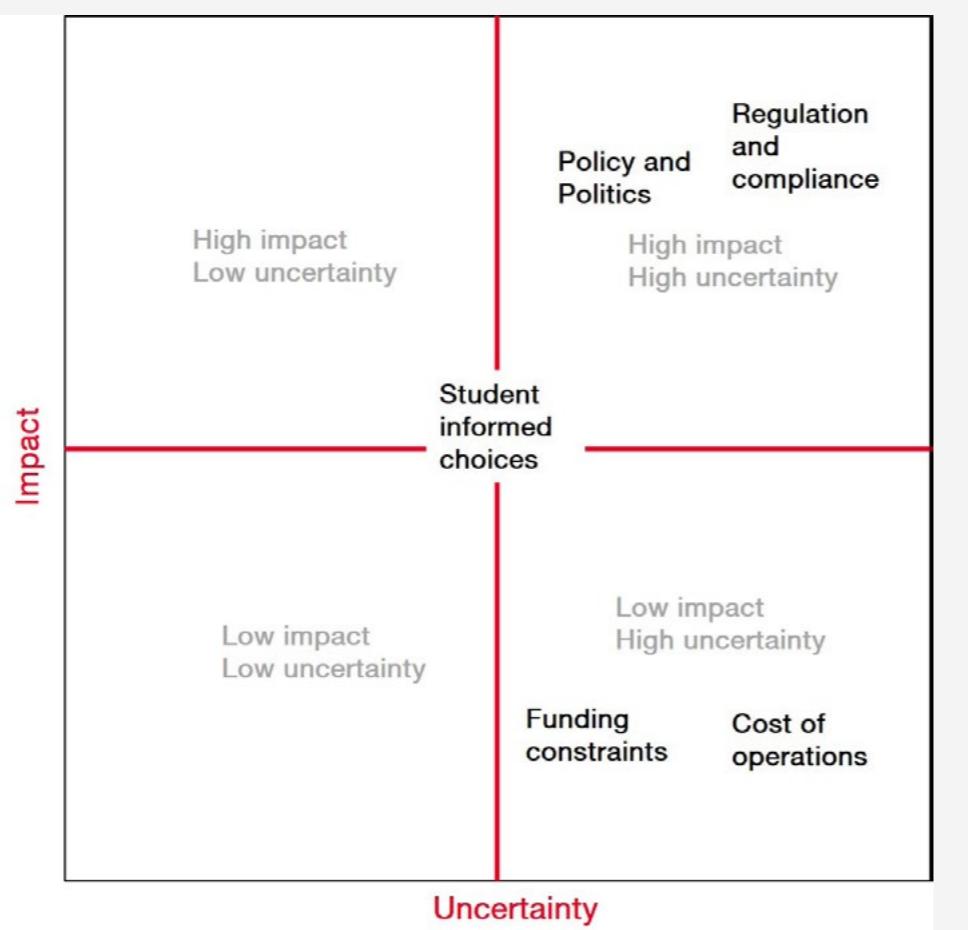


Figure 1: Impact-uncertainty matrix – higher order factors



## 7 Framing and scoping the scenarios

Discussion by the focus group and where the collectives populated the impact-uncertainty matrix led to an agreement on the likely impact and potential outcomes related to two key dimensions: policy and politics, and regulation and compliance.

These dimensions were dissected into four quadrants to provide the basis for scenario building on a best/worst continuum. These quadrants represent a set of conditions to define four possible combinations. In other words, they describe best/best, best/worst, worst/best and worst/worst conditions in which the future of RTOs will unfold. Using four quadrants to show policy on the vertical axis and regulation on the horizontal axis, a set of extreme outcomes characterise the four conditions in which policy and politics and regulation and compliance would affect the quality, efficiency and reputation of RTOs in the future.

The future of RTOs in Australia is dependent upon which scenario eventuates. Storylines are created as illustrations of the extreme outcomes across each of these future states/conditions.

**Best/Best Scenario:** Good government policy and politics along with good regulation and compliance were labelled the Best-Best (BB) scenario (top right quadrant). Under the BB state all outcomes are positive. The BB state is one where reputation of the industry is improved, and qualifications are recognised by industry because they have been consulted on industry needs. A clear, strong framework supports further RTO investment equitably disbursed between providers. Students have an informed choice and are equally eligible for fee assistance. Delivery of programs are cost efficient while providing quality educational outcomes.

**Best/Worst Scenario:** The top left quadrant represents good policy but bad regulation/compliance and was labelled Best-Worst (BW). The BW state shows that good policy and politics, but poor implementation, has some adverse implications. In the BW scenario regulation inconsistency provides uncertainty for the market with a lack of confidence for the future. Students, however, may feel certainty about their futures because of government commitment and funding.

**Worst/Best Scenario:** The lower right quadrant represents bad policy but good regulation and compliance, labelled Worst-Best (WB). The WB state presents a challenging future where poor policy is ameliorated by a good regulatory environment. The consequences of a WB scenario are that regulators provide sufficient clarity to compensate for poor government policy. Regulators can act quickly to rectify issues and ensure quality is maintained, but may be limited in their ability to respond adequately because of poor funding.

**Worst/Worst Scenario:** The bottom left quadrant indicates bad policy and bad regulation/compliance, labelled the Worst-Worst (WW) scenario. The WW state presents a bleak future. The WW state presents a future where poor funding, poor recognition, inconsistencies in policy, and poor regulation/compliance leads to poor quality education including reduced completion rates, reduced student choice, increased fees and student debt, and possible unethical business practices that would harm Australia's reputation as a quality educational provider.

The extreme outcomes under the plausible scenarios are presented in Figure 2 below.

Policy and politics	Regulation and compliance
<p><b>Best-Worst scenario</b></p> <ul style="list-style-type: none"><li>Strong policy vs inconsistent regulation activity</li><li>Certainty for students</li><li>Investment into infrastructure quality</li><li>Long-term relationships</li><li>Confidence in the market</li><li>Fear</li><li>Inconsistency</li><li>Lack of confidence – marks patterns</li><li>ASQA</li><li>High quality</li><li>Inefficient regulation</li><li>Well-funded</li><li>Poor policy</li></ul>	<p><b>Best-Best scenario</b></p> <ul style="list-style-type: none"><li>Informed student choice</li><li>Improved reputation of the industry</li><li>Clear and strong framework</li><li>Supporting RTO investment</li><li>Representation of broad Industry</li><li>Delivery</li><li>Cost effective delivery</li><li>Stronger workforce (developed from industry)</li><li>Reduced regulation for proved quality providers, quality (product calibre of training/confidence), efficient regulation, Compliance/ethics, appropriate and equitable funding recognition, ideology</li></ul>
<p><b>Worst-Worst scenario</b></p> <ul style="list-style-type: none"><li>Fee debt</li><li>Uncertainty</li><li>Poor quality</li><li>Unethical business</li><li>Reduced regulation</li><li>Increased fees</li><li>Reduced completion rates</li><li>Reduced student choice</li><li>Poor student outcomes</li><li>Reputational change</li><li>Poor funding</li><li>Poor recognition</li><li>Inconsistent ideology</li></ul>	<p><b>Worst-Best scenario</b></p> <ul style="list-style-type: none"><li>Regulator providing clarity to address poor policy</li><li>Acts quickly to rectifying issues</li><li>Low quality</li><li>Efficient regulation</li><li>Good policy</li><li>Poor funding</li></ul>

Figure 2: Scenario scoping – broad descriptions of future scenarios

## 8 Identifying stakeholders – power/interest matrix

The next step was to identify key stakeholders and assess their interest on the focal issue and their power to influence the four projected scenarios through advocacy and action.

Workshop participants were asked to first identify key actors/players to influence the future outcomes for RTOs and then allocate them on a graph with the dimensions of power (vertical axis) and interest (horizontal axis). Each of these actors were positioned in one of the following quadrants:

- Low Interest-Low Power (LI-LP)
- Low Interest-High Power (LI-HP)
- High Interest-Low Power (HI-LP)
- High Interest-High-Power (HI-HP)

As shown in Figure 3, there are no actors/players in the LI-HP quadrant, while the quadrant HI-HP was predominantly populated by the primary stakeholders including domestic students, teachers and unions. The LI-LP quadrant contains society and agents such as private RTOs, trainers, and TAFE. International students, in contrast to domestic students, are perceived to be less influential. Quadrant HI-LP is the most populated and the most dispersed with ranges from medium to high on interest and from low to medium on power.

The key actors/players were grouped on the basis of their similarity of concerns and labelled in eight collectives: RTOs, government, regulators, industry, agents, teachers, students, and society.

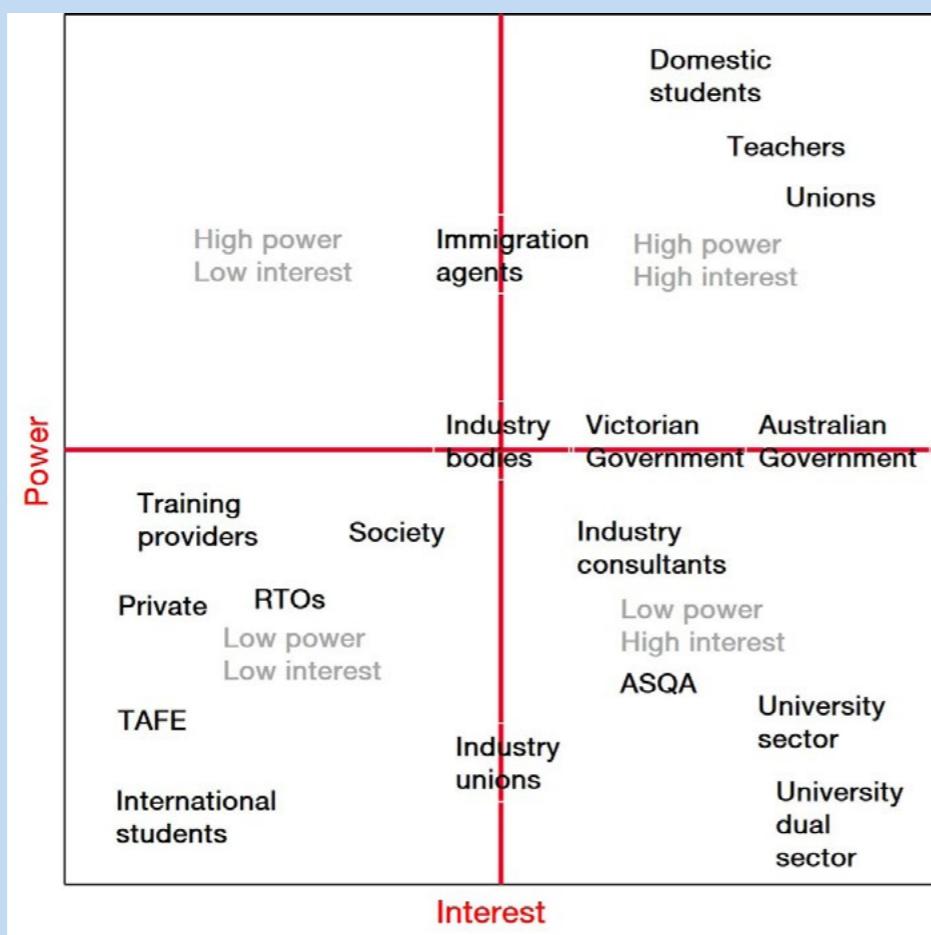


Figure 3: Stakeholder matrix – actors and players to influence decision-making

## 9 Conclusion

Overall, the workshop participants clearly understood the reasons for regulating the VET sector. Nevertheless, it was generally agreed that over-regulation and complicated compliance have not only been counter-productive and costly in the past for small training providers, they have had no significant impact on quality education and training outcomes. The costly and constant shifting of politics-driven policies resulted in an extra cost of \$1-2.4 billion to government for education reforms in 2016 alone and an estimated \$1.2 billion in inappropriately issued loans to “unscrupulous providers” (KPMG, 2018). These changes are symptomatic of an ineffective public policy response to tackle the challenges and uncertainties of market-driven quality education.

The regulatory environment of vocational education was found to be inconsistent across training providers. In addition, conflicting, context-varying and incoherent immigration policies and visa requirements for international students have created confusion for potential students to access a demand-driven open market.

All providers were constrained by operation and compliance costs with inadequate funding support from government and little financial assistance for students.

The quality of education and training was variable. Competition for students encouraged programs that appeared attractive to students, financially and in delivery (e.g. attendance and course duration). Nonetheless, industry training requirements were not generally met, and completing students were often not work-ready.



## 10 Recommendation

The workshop concluded with the following recommendation to the Australian Government that it should initiate an independent national review of the VE sector, devoting particular attention to:

- funding and financing
- quality assurance
- compliance standards
- the nexus between training and immigration
- scenario-based policy making
- forming a [revised] national advisory body for the Vocational Education sector to include representatives of all stakeholder groups and organisations



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## 12 Appendix: Participant list

Organisation	Role
Australian Council for Private Education and Training	CEO
Australian Council for Private Education and Training	Director (Victoria)
RTO 1	General Manager
Holmesglen Institute	Lecturer
Australian Council for Private Education and Training	Victorian Executive Officer
RMIT University	Senior Lecturer
Victorian TAFE Association	Executive Director
Deakin University	Senior Lecturer
Victorian TAFE Association	Director, Policy and Advocacy
Migration Agent 1	General Manager
Migration Agent 2	Director
RTO 2	Managing Director
RTO 3	Manager
RTO 4	Managing Director
William Angliss Institute	Lecturer

