Independent Tertiary Education Council Australia

ITECA Submission

Productivity Commission Inquiry
Into Building a Skilled and Adaptable Workforce

September 2025

Submission Index

Inquiry into Building a Skilled and Adaptable Workforce

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Executive Summary

Inquiry into Building a Skilled and Adaptable Workforce

The Independent Tertiary Education Council Australia (ITECA) welcomes the opportunity to contribute to the Productivity Commission's Inquiry Into Building a Skilled and Adaptable Workforce.

Key to Australia's long-term productivity and economic success is having a highly skilled and educated workforce. To achieve this, Australia needs a tertiary system that is student centric, more cohesive and better positioned to address workforce shortages.

In its Interim Report, the Productivity Commission proposes reforms to secondary and post-secondary education and to occupational entry requirements to build a more skilled and adaptable workforce. It proposes draft recommendations to improve school student outcomes; to build skills and qualifications for a more productive workforce; and deliver fit-for-purpose entry regulations.

Whilst supportive of the intent of a number of draft recommendations, we have drawn on feedback from ITECA members as well as our long experience as the peak body representing independent providers across the higher education and skills sector to highlight some concerns we have with some parts of the Commission's Interim report.

We also encourage the Productivity Commission to consider bringing forward in its Final Report the recommendations from its *2023 Five-year Productivity Inquiry: Advancing Prosperity* which proposed expanding VET student loan eligibility to more students and equalising loan fee arrangements noting that the current arrangements are unfair for students and create an uncompetitive market for education providers, students and business.

[redacted]

Felix Pirie
Chief Executive

Building skills and qualifications for a more productive workforce

Draft recommendation 2.1 – Move toward a national system of credit transfer and recognition of prior learning (RPL)

The Independent Tertiary Education Council Australia (ITECA) acknowledges that both Recognition of Prior Learning (RPL) and credit transfer have the potential to be powerful enablers of student mobility and labour-market responsiveness. However, ITECA simultaneously notes that the few national credit transfer systems in operation around the world are voluntary and have historically yielded only marginal outcomes. Indeed, the system of standardised credit transfer in the European Union cited by the Commission is voluntary and used by only about a third of EU nations.

In Australia, for a national system of credit transfer to be successful, it would likely require a mandatory, regulated system to be put in place that involves all tertiary education providers. Or at the very least a bifurcation of credit transfer between higher education providers only or vocational education and training providers only. Either way, neither is likely to enhance mobility or productivity.

The currently proposed model of a top-down, government-mandated model, requiring providers to assess credit transfer applications before enrolment, will deliver unintended consequences as students will inevitably shop around for the best deal before they enroll. This sets up the potential for a "race to the bottom" among less scrupulous providers which could lead to the erosion of both skills quality and business productivity.

Credit transfer and RPL – not the same thing

It is also important to note that while credit transfer and RPL both allow students to receive credit for prior learning, they pose significant implementation challenges for students and providers. Credit transfer issues usually stem from structural and administrative barriers, such as mismatches between courses, outdated study, or missing documentation, with transfer of units limited to formal education. On the other hand, RPL, presents procedural challenges: students must gather extensive evidence, undergo subjective assessments, and sometimes face higher costs and longer processing times. While credit transfer is more straightforward but narrower in scope, RPL is broader but often more complex and demanding for students to access and more costly for providers to implement.

A mandatory, government-driven system for credit transfer and RPL has the capacity to threaten or stifle dynamism, inhibit collaboration, and introduce major regulatory, privacy, and safety risks across the tertiary education system. This is especially the case should such a system be linked to a single compulsory database for use and storage. Proposals such as these may also place at risk the autonomy of institutions to make independent decisions about student readiness and context, challenging the flexibility and responsiveness of education and business engagement. Mandating pre-enrolment assessment for RPL is likely to add additional compliance headaches for both students, education providers and potentially for business partners as well. It is difficult to see that these additional compliance requirements would be warranted.

Moreover, there is a significant risk of contradictory market signals being sent by government and regulatory bodies, especially where they are perceived to be one and the same. For example, throughout the last quarter of the 2024 calendar year and the first quarter of the 2025 calendar year, the Australian Skills Quality Authority (ASQA) cancelled the qualifications of tens of thousands of Australians. Notwithstanding appeals that may currently be underway, the majority of these qualifications had been gained through inadequate RPL processes, in some cases for experienced workers upgrading their existing qualifications to new standards.

To many it is an odd suggestion that a mandatory expansion in the use of RPL will lift productivity through a top-down government-enforced regulatory regime. This will most likely be a proposition that is very difficult for governments to sell to business and the tertiary education community.

Stifling Learning and Provider Dynamism

The imposition of a government-led, top-down process for credit transfer and RPL is likely to discourage education providers from innovating in course design, pedagogy, and assessment practice. This is because there is likely to be a ‘race to the median’ as education providers seek to converge in the middle path and prioritise their resources to compliance over and above responsiveness to student and business needs.

Mandatory systems absent the capacity for institutional differentiation and responsiveness and instead tend to homogenise content and delivery. This is the opposite of what students, business and the economy need. Instead, greater institutional diversity should be a goal Australia pursues with vigor, one that is supported by students and business.

Government-prescribed frameworks also tend to limit the recognition of rapidly emerging workplace skills and needs and as a result inhibit industry collaboration. Mandating a centralised RPL and credit transfer mechanism is not likely to solve any of these challenges as flexibility in curriculum design and delivery becomes a secondary consideration to new bureaucratic rules and the implementation of those.

Enhancing Engagement Between Sectors

A possible solution would be to enhance the way in which existing frameworks manage requirements for RPL and credit transfer. Currently, the *Outcome Standards for Registered Training Organisations 2025* require that Registered Training Organisations (RTOs) have clear and stringent policies and practices in places for both RPL and credit transfer. Similar requirements are in place under the Threshold Standards for higher education institutions. It might be more practical to work towards a focus on outcomes with better interoperability between these two frameworks. That is, placing students and business at the centre of any review of these two frameworks, rather than view them through the prism of regulations as the place from which a review or revisions commences.

Government-mandated RPL and credit transfer frameworks can erode the incentive for institutions and businesses to form dynamic partnerships, because rigid rules and overly zealous implementation of them, have the tendency to remove the motivation for industry engagement. So, rather fostering collaboration, rigid and mandatory frameworks in this area are likely to result in transactional, compliant-focused arrangements only.

Mandatory Pre-Enrolment Assessment: Challenges for Students and Providers

Issuing a directive such that all tertiary education providers must undertake either, or both, an assessment of RPL or credit transfer claim prior to a students’ enrolment obviously places a heavy administrative burden on the provider. This in turn generates a bottleneck of compliance for the provider and for staff rather than a focus on quality education delivery.

Undertaking a robust process for assessment of RPL or credit transfer is detailed, costly and not undertaken lightly by quality providers. There are often difficulties verifying past learning and this is especially the case where there are claims regarding informal learning or experience, international experience or qualifications. The proposal for a top-down mandatory process imposes a risk into the system of an increased number of inconsistent, rushed, and non-credible assessments undertaken either flippantly or under time pressure.

It is also feasible that this approach may have the unintended consequence of discouraging providers from admitting students who present with complex RPL and/or credit transfer claims, thereby reducing access to the tertiary education system and inadvertently decreasing accessibility for those from disadvantaged or under-represented backgrounds.

Regulatory and Policy Challenges and Data Security Risks

The use of centralised digital databases heightens regulatory, privacy, and cybersecurity concerns whereby the mass aggregation of sensitive student data and correlated credential information presents a potential target for abuse, fraud, and even the potential for financially-induced cyber attacks. These are similar to those that have been experienced in other government databases as well as in healthcare and banking.

The potential for harm to privacy is amplified as student data, staff data, and institutional information is regularly updated, linked, and accessed within an institutional context. Should this data be available in a single national data asset or database, the risks of unintentional disclosure and misuse are amplified.

If identity information used for training, assessment, or migration status were to be unintentionally disclosed, there may be significant risk of personal or professional harm to individuals and businesses.

The policy challenges posed by these risks include the need to ensure the interoperability of systems across the tertiary education framework. Notwithstanding the considerable variety across state, territory and Commonwealth funding frameworks there are different student data systems in skills and higher education as well as the Unique Student Identifier, international student data and migration data. All these systems would be expected to have a role to play in ensuring appropriate and secure system safety, security and interoperability. Added to this, the need to ensure consistent standards for data entry, record-keeping, and credential verification would place considerable risk on a system as any failure would risk regulatory confusion and possibly legal liability to the Commonwealth and system participants.

As an overarching principle, safety and integrity issues are critical. Any implementation that is not of the highest standard risks the proliferation of poor-quality or fraudulent qualifications being inserted into the Australian labour market. That is not something that can nor should be tolerated.

Additional requirements or supplementary data recording beyond existing arrangements risks exacerbating under-reporting or over-stating RPL achievements, particularly where oversight is weak. Regulatory frameworks are likely to have difficulty in keeping pace with the very complex and technical nature of many qualifications and the differentiation that exists across jurisdictions.

Impacts on Student Experience and Operations

Delayed RPL assessments disrupt study plans with students missing enrolment timeframes and course commencement dates, with significant downstream effects on academic and professional progression. This can also impact funding eligibility for students and as a consequence require near daily re-budgeting for educational institutions.

By expressly requiring assessment prior to enrolment, institutions will be incentivised not to undertake thorough RPL or credit assessments, thereby damaging student outcomes. Those institutions that ignore this perversity in incentive will inevitably see a lengthier time between student recruitment and student commencement, meaning greater financial stress for those institutions, resulting in higher costs being passed on to the two simultaneous consumers of the institutions' product: students and business.

Evidence shows that the removal of institutional autonomy and replacing that autonomy with, in this case, mandatory credit transfer systems, tends toward reducing institutional innovation by constraining flexibility in course design. Further, risk-averse and standardised practices are encouraged rather than discouraged. In tertiary education, there is a considerable history of fixed approaches to the implementation of regulatory design pushing institutions to align curricula, avoid innovation, and undermine the ability of those institutions to respond dynamically to local, business and needs, as well as to emerging contexts.

Draft recommendation 2.2 – Better target incentives to lift work-related training rates in small and medium enterprises (SMEs)

The use of targeted incentives to improve training rates and outcomes would be welcomed by the Independent Tertiary Education Council Australia (ITECA). While the notion of incentives, or support mechanisms at a broad and overarching level, to lift rates of training and engagement in the workforce are ones that ITECA supports, the mechanisms themselves require deeper examination and consideration.

Broadly, Australia's incentives for students across the tertiary education system embed a perverse incentive for prospective students to pursue outcomes that may not be in their individual best interest, and in so doing, ensure a workforce disparity that is not sustainable.

Almost 100% of all domestic undergraduate students in Australia's higher education system receive government support for their study through myriad funding systems, principally a Commonwealth Supported Place or an income-contingent loan through the Higher Education Loan Program, and often other supports as well. On the other hand, approximately 28% of the more than 5 million students in Australia's skills training system receive any form of government support. This sends a very clear signal to students about value or at least the perceptions of it. And it is not surprising that research has shown higher education students have minimal, if any, price sensitivity, while students in skills training have been shown to be very price sensitive.

Further, in terms of the perversity of price signals, students at independent higher education providers who access the VET Student Loans program without a state government subsidy pay a 20% loan tax in addition to the income-contingent loan amount. This further embeds the disparity signal in tertiary education.

Financial incentives to increase work-related training for SMEs

In terms of how positive incentives may operate and with a particular focus on SMEs, the current system is poorly geared to their needs. In the context of any mechanisms focused on tax-credits, ITECA would suggest closely examining the pitfalls of previous similar Australian schemes as well as international examples where such schemes have failed to deliver positive outcomes.

ITECA supports schemes that encompass all SMEs, and in that context, note that a tax-based incentive (including a credit scheme) is not likely to be effective for the not-for-profit sector and sole traders who are likely to need substantial upskilling in a rapidly evolving economy. Evidence from Australia has shown that incentives to lift training in all businesses tend only to be effective for those businesses that have a training or upskilling culture built into their organisation. Those organisations that do not have such a culture have shown a limited boost in training or skilling even with an incentive.

Evaluation of the National Training Guarantee (NTG) revealed this to be the case and further demonstrated that the NTG was perceived as a tax, or burden on SMEs. Yet, fast forward nearly 30 years since the pause and evaluation of the NTG and we are having a similar discussion on how to lift training rates in SMEs without levying or burdening these businesses.

One way would be to offer a post completion incentive. That is, where an employee of an SME completes training that is verified by an industry peak body (it may be a short upskilling program, or a longer nationally recognised qualification), the provider is compensated for that verified training (time out of work, possible full or co-payment etc) post-completion. This would be likely to ensure a more robust framework, particularly given the relevant industry body would endorse the skills and outcomes achieved. Perhaps most importantly, it puts the skilling discussion for SMEs firmly as one between the employee and the employer.

Advisory services for SMEs to support work-related training

The notion of advisory services for SMEs is one that ITECA supports, particularly as the requirements on how to access the required skills can often be a maze that is difficult to navigate for SMEs that are so deeply engaged in existing regulatory burden.

While there are existing small business advisory services across the jurisdictions, there is no such service that specialises in advice regarding work-related training at or for SMEs. Part of the reason for this may well be that government agencies are not equipped to provide this advice to SMEs or to businesses generally.

The provision of this advice *should be a service provided by business for business*. A partnership model where government invests in the provision of advice, but the advice is provided on a B2B basis is more likely to be successful, particularly where the business group providing the advice works collaboratively with government in providing return advice about 'on-the-ground' conditions and concerns for business. Currently, there are significant gaps in understanding and delivery of services and business is uniquely placed to deliver them to other businesses.

Fit-for-purpose occupational entry regulations

Draft recommendation 3.1 – Remove excessive occupational entry regulations that offer limited benefits

There are a number of issues set out in the Commission's recommendations relating to fit-for-purpose occupational entry regulations. While many are focused primarily on matters for employers, the Independent Tertiary Council Australia (ITECA) has a keen interest in aspects of this discussion and will therefore focus our comments on matters that have direct relevance on the tertiary education sector.

As an overarching comment, it is important at the outset to ensure there is differentiation in the discussion between *occupational licensing* and *occupational entry requirements*, as they are not the same thing and should not be terms that are used interchangeably.

Occupational licensing versus occupational entry requirements.

Occupational licensing is a regulatory process that requires a person to obtain official recognition and permission, usually from a government authority or instrumentality, or an industry body endorsed and recognised by government, before they can legally practice a specific profession or occupation.

This type of licensing is generally imposed to ensure public safety and standards of competency, and usually involves the rigorous assessment of qualifications, completion of prescribed training with layers of credible assessment, which usually includes the passing of examination (be it in differing formats). A licensing authority sets explicit criteria that are endorsed by industry bodies, including employee organisations, and only individuals who meet these requirements and hold the licence are permitted to carry out regulated activities, with non-compliance often carrying legal consequences.

In contrast, *occupational entry requirements* refer to the broader set of qualifying conditions that a person needs to meet to begin work in a given occupation, *regardless of whether a formal licence is required*. These requirements can include education credentials, certifications, completion of relevant courses, work experience, or other criteria set by employers, professional associations, or regulatory bodies.

While occupational licensing is one form of occupational entry requirement, entry requirements may exist without any formal licensing. This might include minimum education, skills certifications, or on-the-job training prerequisites. In those instances, they serve as barriers to workforce entry but do not necessarily grant a legally enforceable authorisation to practice.

Maintaining Occupational Licensing where necessary for public safety

ITECA acknowledges the Productivity Commission's concern that excessive occupational entry regulation can create barriers to workforce participation and may constrain labour mobility. At the same time, ITECA does not support any measure or policy that would weaken occupational entry requirements or requirements that act as a type of 'gate-keeper' to practicing in an industry. This is sometimes the case in an industry where jurisdictions have differing levels of a standard for entry. Australia should be seeking the highest standard for entry *even where that places an initial challenge for labour mobility*. To do otherwise will inevitably lower the bar for occupational entry and Australia will move toward the median at best, or more than likely a standard of entry below that.

It may be appropriate to selectively review instances where entry and licensing frameworks impose costs without delivering a clear public benefit, however, from the perspective of the independent tertiary education sector, it must be noted that these regimes that are imposed for the purpose of safeguarding community safety and consumer protection.

Occupations such as electricians, gasfitters and plumbers are regulated due to the inherent safety risks associated with these occupations. These regulatory arrangements ensure that only individuals with the requisite training, technical expertise and licence can enter these trades, thereby protecting both workers and the broader public. These forms of occupational licensing both justified and essential, and they should be preserved as part of an effective workforce system.

Support for harmonisation across jurisdictions

While the core protections should remain in place, ITECA supports reform directed at improving the consistency of licensing frameworks and entry requirements across jurisdictions. At present, there are instances where licensing rules differ substantially between jurisdictions without a clear safety or quality rationale. Such disparities impose costs on workers seeking to move between jurisdictions and add compliance burdens for businesses operating nationally without yielding meaningful benefits.

The approach of preserving licensing regimes that are essential to protect public safety, while removing jurisdictional inconsistencies that unduly constrain the adaptability and responsiveness of Australia's workforce, would reduce unnecessary barriers and improve labour mobility.

Draft recommendation 3.2 – Expand entry pathways and streamline qualification requirements for occupations

The Independent Tertiary Education Council Australia (ITECA) notes the Productivity Commission's recommendation to expand entry pathways and reduce reliance on qualifications for entry to some occupations. While ITECA supports the notion of streamlining qualification requirements where there are inconsistencies across states and territories, we note that the task of dismantling entrenched state, and sector-specific requirements for trade-based qualifications will be costly, resource intensive and in some cases, practically difficult. ITECA is eager to highlight the importance of ensuring that worker and community safety is not compromised in the event such a process as outline by the Commission is undertaken. Further, the need to ensure alignment with other regulatory and legal requirements, such as those identified in the Banking Royal Commission relating to financial advisors should also be matters that are at the forefront of considerations in any such process.

Viability of alternative pathways for trade-based occupations

ITECA is keen to take this opportunity to highlight the outsized importance that trade-based occupations play in the Australian economy. In relation to the proposal for alternative approaches to acquiring competencies in trade-based occupations and expanding access to non-apprenticeship pathways, ITECA notes that trade-based qualifications account for less than 3% of the Australian economy.

Notwithstanding the critical importance of trade-based occupations to the Australian economy, these occupations account for a relatively small proportion of occupations. Implementing the proposals put forward by the Commission are likely to require significant time, substantial resources, and a degree of cross-sector collaboration as well as ensure extensive layers of Commonwealth, state, and territory legislative requirements are managed concurrently. This, alongside the issues raised previously regarding occupational licencing and industry standards.

While there are clear benefits to expanding the trade-based workforce, recognition of qualifications and broader trade experience, whether through accelerated apprenticeships or other mechanisms, need to be considered carefully including through the prism of necessity, safety, risk, business and worker imperatives.

Worker Safety and Provider Impacts

The importance of including a strong focus on issues of worker safety when revising entry pathways and qualification frameworks cannot be overstated. Alternative and non-traditional competency pathways must continue to ensure that graduates can safely and effectively perform the tasks required in their occupation.

Reforms that affect how skills and competencies are acquired may also have downstream impacts for vocational education and training providers, particularly in requirements for curriculum, assessment, and compliance. ITECA urges that any changes be subject to rigorous evaluation to avoid unintended consequences, uphold safety standards, and maintain public confidence in trade-based qualifications.

Alignment with other regulatory requirements

ITECA notes the Commission's recommendation to reconsider the qualification requirements for registered company auditors by introducing a tiered licensing system to allow for lower-risk assurance activities. While increasing flexibility may facilitate entry into the profession and address market needs, ITECA queries these proposals in the context of the recommendations arising out of Banking Royal Commission and other reviews.

The Banking Royal Commission placed strong emphasis on robust oversight, accountability, and professional standards in financial services to protect the interests of consumers and ensure the integrity of Australia's financial system. Any move to introduce differentiated tiers for assurance services will need to be carefully managed to ensure that it does not undermine these protections or lead to inconsistent regulatory outcomes across jurisdictions.

Draft recommendation 3.4 – Incentivise occupational entry regulation reform through National Competition Policy

The proposal to incentivise reform of occupational entry regulation by leveraging the National Competition Policy (NCP) framework is one that the Independent Tertiary Education Council Australia (ITECA) supports.

At the same time, however, the Commission is strongly encouraged to view these issues in a broader context and must expand its analysis of NCP to include a rigorous assessment of the policy arrangements as they relate to the broader tertiary education sector.

Specifically, to examine existing policy arrangements that have enabled wholly government-owned entities as well as statutory authorities such as public TAFE institutions to operate in the same market as independent institutions (not-for-profit, for-profit, community-based organisations etc) in a manner that may be viewed as anti-competitive and openly restricts the ability of independent institutions to service the market. Across jurisdictions, and nationally, this is done in a manner that is not underpinned by transparent evidence or sound competitive principles.

This is important in the context outlined by the Commission as independent institutions support the majority of students enrolled in a tertiary education program in Australia, so incentivising fair competition in the outcome they are seeking (occupational entry) is core to their business and to students' interests.

Abolish the uncompetitive and unfair FEE-HELP Loan Fee

Perhaps the most obvious and egregious example of existing arrangements discriminating against different entities and ensuring unfair competition is in relation to the 20% loan fee imposed on students studying with independent higher education providers and students who access a VET Student Loans program without a state government subsidy.

Under the current arrangements, students at independent providers who rely on a FEE-HELP loan to finance their higher education studies at an independent institution are subject to an additional tax on their loan of 20%. This imposes a significant financial burden on students and creates an inequitable barrier to participation in higher education.

This additional tax is not applied to students at public institutions and is discriminatory, ensuring an uneven and unbalanced competitive environment. It also undermines national objectives to widen participation and support lifelong learning.

The 20% loan tax is also applied to students accessing a VET Student Loan in a place where there is no state-government subsidy (regardless of the size of that subsidy). All places at public TAFE courses are subsidised. In 2024 there were more than 1.22 million government-funded skills training students in Australia. Fewer than 25,000 typically receive a VET Student Loan; nearly all of those at an independent institution pay an additional 20% tax. This tax is a huge disincentive from taking out a loan to fund career and life ambition through the skills system.

In its *2023 Five-Year Productivity Inquiry: Advancing Prosperity*, the Productivity Commission highlighted the need to reduce inequities across the tertiary system and recommended abolishing the 20% loan fee. ITECA encourages the Productivity Commission to consider bringing forward this recommendation in its final report on *Building a Skilled & Adaptable Workforce* as this reform would align well with the draft recommendations in the Commission's Interim Report and would strongly support the ambition of building a more skilled and adaptable workforce.

Independent Tertiary Education Council Australia

The Independent Tertiary Education Council Australia (ITECA) is the peak body representing independent providers in the skills training, higher education, and international education sectors.

ITECA members are united, informed and influential. They share an interest in creating an environment in which independent providers deliver students and their employers the quality outcomes they are looking for.

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