

## Tracking our success: How TAFE institutes evaluate their effectiveness and efficiency

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## Publisher's note

Additional information relating to this research is available in the support document, *Tracking our success: How TAFE institutes evaluate their effectiveness and efficiency—Case studies*. It can be accessed from NCVER's website <<http://www.ncver.edu.au/publications/2169.html>>.

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# About the research

*Tracking our success: How TAFE institutes evaluate their effectiveness and efficiency*

Josie Misko and Sian Halliday-Wynes

This paper investigates how technical and further education (TAFE) institutes evaluate their effectiveness and efficiency. This issue is pertinent because TAFE institutes are increasingly expected to operate in an environment of high public accountability, greater fiscal restraint and expanded competition for government funding. Council of Australian Governments (COAG) suggestions for the implementation of ongoing market reform in the vocational education and training (VET) system will require institutes to further focus on effectiveness and efficiency.

The authors interviewed nine TAFE institute directors and 59 of their senior and middle managers in South Australia, Queensland, New South Wales and Victoria. A support document of institute-specific case studies accompanies this paper. See <[www.ncver.edu.au/publications/2169.html](http://www.ncver.edu.au/publications/2169.html)>.

## Key messages

- ✧ Externally imposed requirements for funding accountability and regulatory compliance are the main drivers of institute processes and systems for monitoring and evaluating effectiveness and efficiency. This applies both to institutes within centralised governance arrangements and to those in devolved governance systems.
- ✧ Regardless of governance structures, strong managerial leadership is critical to the evaluation of effectiveness and efficiency.
- ✧ TAFE institutes engage with employers and industry bodies to better understand training demand, but employers do not always speak with one voice.
- ✧ TAFE institutes have a general understanding of their markets and business. This may help them to survive in a more competitive environment, but they will require more robust systems for working out the cost-efficiency of their operations.

Tom Karmel

Managing Director



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# How TAFE institutes evaluate their effectiveness and efficiency

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## Introduction

Over the last two decades technical and further education (TAFE) institutes have been required to operate in an environment that has become less predictable. They have had to compete with other providers for government training funds (especially for apprenticeships and traineeships) as well as for commercial fee-for-service activities. There are reforms mooted by the Council of Australian Governments (COAG) to intensify competition for government funds and to simplify national regulatory frameworks for quality assurance outcomes. It is also proposed to give students more freedom to choose where they will get their training. The COAG reforms will require TAFE institutes to focus their attention on effectiveness and efficiency and to supplement government funds through commercial activity. TAFE directors and their management teams are anticipating the COAG reforms and realise that their task will be challenging and complex.

In this study we examine the types of strategies and information sources TAFE institutes use to help them understand their performance and identify areas where improvement is needed. We examine effectiveness and efficiency from four angles: getting the plans right; understanding government and commercial business; meeting client needs; and meeting quality assurance requirements.

We find that institute arrangements for monitoring their effectiveness and efficiency are mainly driven by external requirements for meeting negotiated targets imposed by government funding bodies and for meeting regulatory federal, state (and sometimes international) compliance frameworks. Professional accreditation and quality assurance also prompt attention to effectiveness and efficiency processes in institutes. These requirements necessitate the establishment of regular monitoring and reporting processes that help them to understand their business as well as the training environments in which they operate.

Our findings indicate that institutes are embracing the concepts of evidence-based decision-making. This helps them to monitor their performance against government financial and non-financial targets, the volume and quality of training activity and outcomes, and the adequacy of their support and administration services. All are focused on remaining compliant with the Australian Quality Training Framework 2007 (AQTF 2007)<sup>1</sup> and other formal registration and course accreditation requirements.

The majority of institutes consulted are focused on cost-efficiency and effectiveness, with a number implementing formal processes for calculating the commercial viability of programs, based on in-built margins for attrition and profit. Some TAFE programs and services, while not always commercially viable, are seen as essential (including child care, student counselling and support).

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<sup>1</sup> AQTF 2007 uses an outcomes-focused auditing approach. Institutes will be audited against indicators of performance (including student satisfaction, employer satisfaction and completions).

We have found that the more autonomous institutes (including the TAFE institutes that are statutory authorities in Queensland and stand-alone and dual-sector TAFE institutes in Victoria) do not act much differently from institutes that belong to centralised systems. Both types of institutions are driven by the contracts they have with state training bodies and the need to meet AQTF 2007 requirements.<sup>2</sup> Similarities in their processes can be explained by the considerable information-sharing that exists between institutes within and across jurisdictions (including at service unit level). We cannot, however, disregard the considerable influence that is exerted on these processes by directors and their management teams. Having committed and energetic leadership at executive and managerial levels (including teaching and non-teaching functions) is a key factor in the establishment and maintenance of good processes for tracking progress against targets and for achieving objectives.

TAFE institutes have been preparing themselves for competition ever since the training reform agenda of the early 1990s. They are relatively well placed to meet these challenges and have taken steps to ensure the commercial viability of their operations. What remains is to ensure that TAFE institutes improve access to, and use of, good information.

Traditionally, TAFE has been expected and funded to provide affordable and accessible vocational education in metropolitan and country Australia. If we believe that this should be an enduring role for public providers, then we must recognise the critical challenges they face in a more competitive environment. TAFE institutes will need to ensure that they do not compromise the quality and scope of their provision (including responsibility for meeting needs of equity groups) by reducing costs too far in their efforts to win government tenders.

We begin our discussion with a brief description of the way the information was collected. We then detail the various governance arrangements that apply to TAFE institutes; we examine how institutes go about getting their plans right and understanding their government and commercial business. We review arrangements for how TAFE institutes know they are meeting industry and student needs and how they ensure the quality of training and service provision. In all cases we discuss areas for improvement. We end by drawing some conclusions.

## Our approach

We base our findings on in-depth interviews with nine TAFE institute directors and 59 of their senior and middle managers.<sup>3</sup> We have taken into account state and institute strategic plans, annual reports and documented processes. Case studies for each of the institutes in the study appear in the support document to this report.

Our goal was to obtain institute-wide perspectives on strategic planning, financial review, marketing, quality assurance, student and staff support, administration and human resources. Educational managers (of trade and non-trade areas) were included to ensure that specific information about practical delivery issues was collected.

The discussion is limited to the processes that institutes implement to achieve effectiveness and efficiency.<sup>4</sup> This means that, although we can comment on the usefulness of processes and on gaps that remain, we are not in a position to make any definitive comment on the comparative success or otherwise of these institutes.

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<sup>2</sup> TAFE institutes in Victoria have powers to hire and fire permanent staff.

<sup>3</sup> Three institutes in South Australia, two institutes in Victoria, two institutes in New South Wales, and two institutes in Queensland participated in the study.

<sup>4</sup> We define effectiveness to mean the achievement of objectives and targets, and efficiency as the achievement of objectives and targets within resources provided, or with minimum wastage.

## Governance arrangements

All TAFE institutes are public organisations under the purview of ministers responsible for education and training and the vocational education and training (VET) legislation for their particular state or territory. They negotiate annual funding for government business with officials from departments of education and training (or their equivalents). These plans and performance agreements with governments identify key performance measures (KPMs) and key performance indicators (KPIs)<sup>5</sup> used to measure effectiveness and efficiency.<sup>6</sup>

TAFE institutes in South Australia, Tasmania, New South Wales, the Australian Capital Territory and Western Australia operate under a centralised system of governance. In Queensland, two TAFE institutes have become statutory authorities directly answerable to the Minister of Education and Training, while the remainder operate under a centralised system reporting through the Department of Education, Training and the Arts (DETA). Statutory authorities and other TAFE institutes must negotiate funding arrangements for government business with government vocational education and training (VET) financial officers (VET investment officers in Queensland). TAFE institutes in Victoria operate either as separate entities with their own governing boards, or as TAFE divisions of dual-sector universities.

In some states the corporate sharing of administrative functions means that system-wide management information systems operate alongside institute-specific ones. With the exception of the South Australian institutes, all TAFE institutes in this study prepare their own institute-specific annual reports. South Australian institutes provide information to be incorporated into the Department of Further Education, Employment, Science and Technology (DFEEST) annual report.

We did not set out to measure whether different governance arrangements result in better processes for evaluating effectiveness and efficiency. However, we find that institutes in both centralised and devolved systems used broadly similar strategies. We find that the ability of institutes to make decisions that make sense locally helps them to customise training to meet client needs. This happens in both centralised and devolved systems.

## Getting the plans right

Planning is important to making good decisions and preventing the need for remedial action. Institutes have implemented various review mechanisms to ensure that their plans are right, but they acknowledge that even the best plans may not work, especially when actual demand exceeds projections. Nevertheless, the focus on thorough planning indicates a proactive approach to achieving targets. A retrospective approach is applied for evaluating course and module load completions, and student achievement and outcomes, including student and employer satisfaction with training.

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<sup>5</sup> KPMs are meant to be generally few in number, strategic in intent, quantitative and have well-defined scope. They are intended to track performance over time. KPIs, on the other hand, can be either quantitative or qualitative and more ad hoc. These are often used to monitor the effectiveness of specific TAFE programs.

<sup>6</sup> In appendix B we provide examples of the types of KPMs and KPIs used by institutes to measure performance in reports to governments.



## Setting objectives and targets

Institutes have generally adopted the concepts of formal strategic planning.<sup>7</sup> In the main, a ‘cascading approach’ is adopted. Typically state strategic plans will also have some overarching goals (see appendix A) and measurable objectives, which will translate into the strategic plans of the government departments responsible for VET and then be reflected in the goals and objectives. These flow into the work plans and budgets for teaching sections and other business units.<sup>8</sup> TAFE institutes in both centralised and devolved governance systems have considerable flexibility for developing their own institute-specific goals and objectives, which may be influenced by the program objectives of federal funding agencies and local needs analyses.

Institute organisational goals that transcend or complement externally contracted targets for government funding generally relate to:

- ✧ positioning the institute as a premier and quality provider of training
- ✧ raising educational outcomes of specific groups and of students in general
- ✧ achieving success in competitions and awards
- ✧ remaining relevant to industry and the community
- ✧ growing business from industry or international clients
- ✧ adopting innovative and quality teaching and learning practice
- ✧ providing leadership in the community and fulfilling community obligations
- ✧ being a desirable place to work and study.

## Negotiating the purchase agreement

All institutes, regardless of their governance arrangements, negotiate a resource or purchase agreement with their respective state governments. This agreement, which is updated annually, details the number of ‘annual student hours’ that the state is prepared to purchase from TAFE and takes into account federal and state government funding priorities. Financial equivalents are then based on the price that the state will pay for a unit cost for training for particular programs. This price will reflect the cost variations that apply to different programs. Typically, state government VET investment officers<sup>9</sup> (or their equivalents) make decisions about where to increase or reduce government training investments and start negotiation processes.

In preparing a bid for funding TAFE institutes typically take into account their recent provision, the number of students applying for courses or continuing in programs and other known influences on training demand. Information on local job vacancies, projected commercial and industrial developments and other evidence of economic growth or downturn are gathered. Institutes also take into account any market intelligence from state education and training departments, local and regional economic development boards, local government databases, Commonwealth departments (especially about the international student market), and their own commissioned market research. Extensive networks with industry at director and teaching unit level are also used to understand the market for training. Furthermore, some institutes have employed a dedicated researcher to compile reports of published labour market information and economic projections. According to one senior manager, ‘The biggest risk is not lack of information, but pinpointing which information is relevant

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<sup>7</sup> One institute has a ‘charter’ which performs broadly similar functions to the strategic plan.

<sup>8</sup> This has not always happened in this order and there have been instances where institute strategic plans have preceded the strategic plan of the government department.

<sup>9</sup> This term is used in the Queensland VET sector to identify government officials responsible for negotiating the purchase agreement.

and business-critical and which [information] can be ignored' (Senior Manager, Quality and Business Improvement).

When institutes receive the government's purchase proposal, they commonly compare government decisions with their own bids or projections. Where there are discrepancies, institutes need to make a business case for increased funding. The negotiation with centralised VET agencies is a dynamic and interactive process which precedes the establishment of the agreement and the targets. This negotiation continues throughout the life of the agreement—should institutes require more funds—and in preparation for the next year's bid.

The need to develop a bid for the purchase agreement is the catalyst for TAFE institutes to apply considerable effort to strategic planning and to the development of information systems and processes for monitoring performance. Such processes can then be used to monitor the achievement of other internally set objectives and targets.

Based on our conversations, we find that the answer to whether these processes are effective or efficient lies in the quality of the information that is used to arrive at a realistic funding bid and eventually a good purchase agreement. The ability of state departments and TAFE institutes to achieve a mutually beneficial funding arrangement depends on their access to good information and analyses that help them to make relatively accurate forecasts of immediate, intermediate and long-term demand. This continues to be a challenge and there is a need to invest more widely in activities to help institutes develop more realistic bids for funds.

## Understanding their markets

Getting the plans right is predicated on institutes understanding the markets in which they operate and understanding what their competitors are doing. Institute-specific market research activities and those conducted by contracted market research organisations help institutes to understand what is happening in their local or broader environments. Typically they will also access information on competitor course offerings and durations from competitor websites or newspaper advertisements. They monitor costs of courses and fees either by undertaking 'secret shopping'<sup>10</sup> activities, checking advertisements in local papers, or having individuals enrol in courses.

Increased competition from all institutes within and between jurisdictions has encouraged institutes to enter non-traditional niche markets and to apply business models (including the franchise model<sup>11</sup>) to selling their products within and across state borders. 'My markets are everywhere', said one institute director whose franchise for small business training had been purchased by interstate providers.

Having apprentices and trainees from different enterprises in the same classes also provides institutes with timely opportunities to gather market intelligence. In this environment, students discuss technological changes being applied at their workplaces and comment on events that have had an impact on delivery, including economic downturn or industry expansion. This valuable information can be used by educational program managers to identify areas of decline or of training demand, with a subsequent adjustment of course offerings to meet changed economic circumstances.

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<sup>10</sup> Secret shopping is a tool used by market research companies and individual organisations to measure the quality of retail service or gather specific information about products and services. Secret shoppers posing as ordinary customers perform specific tasks, for example, purchasing items, rating customer service, asking questions, registering complaints etc., and then provide detailed reports or feedback about their experiences to their employers. When secret shopping is used in an educational context the institute is applying these techniques to find out about the courses being offered by other providers.

<sup>11</sup> The franchise model refers to businesses allowing other businesses to use the same concepts, designs and practices for a fee.

Nevertheless, the dearth of easily accessible and accurate data for making informed decisions about training demand concerns many directors and their managers. Institutes want readily accessible statistics on training demand, preferably located in a single source. TAFE institutes in New South Wales have access to a comprehensive document which details statistical predictions on the demand for each occupation group in each regional catchment area. This information aims to help institutes to understand general changes in their economic landscape. It is felt by some senior planners in institutes that such predictions, although of some interest, rarely provide reliable or robust estimates of demand that can be used at specific teaching program levels. This may require closer attention to local developments, which can only be provided by the institutes themselves. In other states the arrangements are more ad hoc.

Educational managers and planning personnel believe that national statistics about skill shortages are deficient for both metropolitan and regional areas. This is especially true for locations where the labour market is dominated by small and medium-sized enterprises.

Institutes continue to be concerned about the lack of information on the volume and nature of private provision and the preferences of students. Such information would help them to understand the market for training and consequently enable them to offer the types of programs they desire.

In a more competitive environment institutes will have to become more adept at understanding their markets, especially in metropolitan areas where there is greater competition from other providers vying for students and government funding. One consequence of all providers undertaking their own market research activities is considerable duplication of effort. This has the potential to reduce the amount of money allocated to the core business of teaching and learning.

Institutes say they need to understand the extent of skill shortages. It is possible to gauge current levels of local demand using published material on job vacancies in local newspapers and national media. However, these may not provide good data on future training demand. Skills forecasting is notoriously difficult (Richardson 2006)<sup>12</sup>.

## Understanding their government and commercial business

It is clear that TAFE institutes are committed to understanding their business and that they need to remain so, if they are to remain viable. This means meeting purchase agreement targets and supplementing these with profits from commercial business.

### Customising the purchase agreement to local needs

The purchase agreements signed with state governments are based on estimates of what institutes believe they will be able to deliver. It is only when the student enrolment period has ended that institutes have a better idea of the number of hours that may be delivered in the semester. Where annual student hours are not needed by one teaching area, 'trading' or a re-allocation of hours between teaching sections or faculties takes place. The first goal is to re-allocate within faculties and then to put any surplus hours up for re-allocation amongst other faculties. Recently, faculties responsible for the traditional trades have been the beneficiaries of a great number of these re-allocated hours. Hours are rarely re-allocated between institutes; when this does happen it is done via the state training authority.

This means that institutes are actively engaged in aligning their overall strategy to practical realities. This constant readjustment requires institutes to be especially dependant on good information systems.

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<sup>12</sup> Richardson, S 2007, *What is a skill shortage?*, NCVER, Adelaide.

## Regular budget reviews

Once budgets have been approved, a regular budget review (also reflected in performance reviews of managers) is the main strategy used to track progress towards financial and non-financial targets at work team, faculty and institute level. Typically, it is the role of educational managers to review budgets for their teaching sections, and faculty directors (or their equivalents) to review the financial progress of the faculty as a whole. In a number of institutes financial officers assist managers in faculty or business units to interpret emerging budgetary trends and identify potential issues early on in the budget cycle. Budgets are monitored against targets for revenue and expenditure, including costs related to staffing (for example, sick leave, workers' compensation, and any other associated costs). Employee costs and supply and service costs as a percentage of total revenue are also examined. Statewide and institute-specific online financial systems, more sophisticated in some states and institutes than others, help institute directors and senior managers track progress against their overall budgets.

When it is clear that programs are unlikely to meet their completion targets for the year, institutes may adjust delivery and assessment mechanisms to make up the shortfall. This includes increasing online delivery, clustering competencies, or combining classes so that one teacher is allocated to larger groups of students with support from a tutor. It may also include increasing RPL (recognition of prior learning) assessments and supplementing courses with full-fee-paying students. Institutes also reduce the nominal hours suggested for a program. This accelerates the completion of programs to meet targets. However, this practice is rarely used for access and equity programs as it is felt that these students require all the hours allocated to a program. Such activities are clearly focused on efficient use of resources.

Decline in the health of an industry will affect the viability of programs, and faculty directors and their educational managers need to be aware of any changes. For instance, the decline in demand from a specific sector of an industry may require a TAFE institute<sup>13</sup> to review the focus of the training provision. 'You need to have as much planned as possible, and be on top of the plan. You also need a plan B if plan A fails and you need to change direction' (Faculty Director, Trades). The impact of the global financial crisis may also require institutes to change direction to ensure that they are delivering skills training that will help students once the financial crisis has abated.

The purchase agreement is the catalyst for institutes to establish mechanisms to measure progress towards targets. However, it is the commitment and energy of institute directors and their executive and managerial teams that ensure that attention is constantly focused on the business. The words of one institute director reflected a common sentiment, 'We make sure we deliver what we have been contracted to or promised to deliver.'

In appendix B we give examples of the mandatory information that institutes need to provide to state funding bodies.

## Expanding commercial activity

Institutes are acutely aware that they will need to grow their commercial business if they are going to survive in a more competitive environment. They are increasingly applying common business strategies to guarantee they meet or exceed their financial and non-financial targets. These include incorporating in-built margins for profits and for student attrition into costing structures and funding bids.

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<sup>13</sup> One case in point was the sudden decline of demand for boat-building at the high end of the market (industry may be scaled back with some production being moved to China). This will affect the direction of apprenticeship training, especially for marine mechanics. Adjusting to the demand may mean shifting attention to skills required at the lower end of the market. Currently the institute is meeting with the industry and state department to determine the direction.

Institutes are keen to increase their fee-for-service programs to increase profits. They have ventured into new markets, within and across state borders and internationally, and have used profits to free up monies for programs considered to be high priority. In some institutes high demand for apprenticeship training takes precedence over fee-for service courses aimed at up-skilling or licensing existing workers (including trades). This means that fee-for-service courses may only be run at certain times of the year when they can guarantee that the course will be full. Classes for such programs are advertised well in advance so that if the course does not fill it can be postponed to a later time.

Additional revenues can be derived from state and federal government special initiatives, alternative sources of students (including existing workers and international students) and new industry and community partnerships. Institutes often cross-subsidise programs that may be at risk of not meeting targets with funds derived from commercial programs. These funds are also used to fund internal review and improvement processes. The development of measures which bring together cost inputs and employment outcomes is an extension of these. The pooling of profits produced by different commercial programs to finance strategic reviews and strategic projects helps institutes to stay focused on effectiveness and efficiency through continuous improvement.

Institutes are keen to enter national markets for training, but cross-border regulatory anomalies are seen as major barriers to establishing training provision for national enterprises. Accurate knowledge of the international market is also difficult to come by. Institutes are often dependent on their relationships with education agents in key countries and the information provided by the government agency, Australian Education International.

## Benchmarking their performance against other organisations

Institute directors and their managers have embraced the concept of evidence-based evaluations for determining effectiveness and efficiency. Some institutes have built local online systems and processes which enable them to have immediate access to running summaries of training and budget activity. There is a keen focus on the 'bottom line', although the committed approach of one institute director who claimed 'If we can't measure it we don't do it' is not always echoed by others.

Ready access to state online databases or reports enables Queensland institutes to compare their own performance with state averages and with other institutes. This enables them to monitor how they are progressing against financial and non-financial targets and against state averages. This information prompts institutes to find explanations for their own over- or under-performance and to implement remedial action.

The results of a range of external surveys like the national NCVET Student Outcomes Survey (SOS), the Survey of Employer Use and Views (SEUV) and state-based surveys of business satisfaction (where available) are used both for strategic planning and evaluation. Findings help managers to track trends in client satisfaction and employment outcomes and to understand areas of improvement and decline. The Student Outcomes Survey is often used by institute marketing departments. Conducting external audits for other institutes is another benchmarking mechanism. One issue that relates to the effectiveness of these practices is that, in many instances, survey response rates and sample sizes are too low to provide any meaningful information at program level. Another issue relates to the currency of the information, when analyses are only available once students responding to the survey have left the organisation.

NCVER publications on students and courses and apprentices and trainees are consulted more frequently by directors and senior administrators than by education managers or teachers. The NCVET publications help institutes get a general view about how they are travelling in terms of participation.

Surveys of staff conducted by state agencies enable institutes to monitor staff numbers, characteristics, turnover and absenteeism. In some institutes these surveys, along with institute-

specific surveys of staff (including exit surveys), are used as an indication of the health and culture of the organisations and in the identification of areas for improvement. In others a staff ‘intentions survey’ enables institutes to develop organisational development responses for succession planning and for mentoring and coaching junior staff. There is some use of exit interviews with staff and students but these are not widespread.

## Monitoring costs for training and services

All jurisdictions have determined a unit price per annual student hour<sup>14</sup> which reflects cost variations between different programs, including costs of management and teaching and administrative staff and costs of goods and services. Such an indicator is often used by states and by institutes for benchmarking performance against other providers. It may also be used to work out whether programs are profitable and whether any major restructuring must occur. One institute has come up with a measure for evaluating the continued viability of different programs by integrating targets, staffing and costs. This has also been used to launch and implement workforce cross-skilling, upsizing, or downsizing. Although other institutes may not have such a sophisticated method for understanding their cost-efficiency in real terms, they are also interested in calculating unit training costs to re-evaluate funding and staffing.

Most institutes are aware that their permanent staffing costs are the major component of their expenditures and, although they may be able to reduce numbers of casual staff, it is more difficult for them to cut the numbers of permanent staff. This is especially true where states have implemented policies to protect employment of public servants. Institutes have no control over state-negotiated industrial relations settlements, which influence costs for staffing. This is the case, regardless of governance arrangements.

Nevertheless, institutes commonly try to understand whether their staffing is adequate. One way this is done is to calculate a ratio of teacher contact hours to full-time equivalent staff. If there is a mismatch—more staff than required for a certain area (who cannot be justified by special circumstances)—there will be a need to work out ways for ensuring that staff are relocated to areas where required. If they are still surplus to requirements, there are generally processes in place to offer them targeted separation packages. Victorian institutes have more autonomy to ‘hire and fire’ staff.

Expecting all institutes in a jurisdiction to apply a uniform cost per hour in a particular program is perceived to be an issue by some managers. This is because the cost does not take into account the ‘real costs’ of delivery in some rural and remote locations and for programs (including flexible learning programs) in which students require considerable personalised learning support.

There is a perception that each year the budgeting process becomes more difficult because of state cost-saving measures. Institute directors and their senior managers accept the need to establish realistic and routine cost savings.

Several institutes have their own online systems for helping faculties track their finances and costs for training. The lack of fully integrated statewide financial and human resources systems continues to limit the ability of institutes to derive an exact picture of training costs. ‘If we want to know how much it costs to train trainees we can’t make an accurate costing; it is only an estimate [albeit] a good estimate,’ commented one finance manager.

Not everyone thinks that benchmarking oneself against other providers is useful. A small group of TAFE leaders is of the view that it is much more fruitful for TAFE institutes to benchmark themselves against their own prior performance. The notion of implementing a ‘fair price’ for

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<sup>14</sup> Queensland and South Australia use the term ‘Annual hours curriculum’ (AHC), New South Wales uses Annual Student Hours (ASH) and Victoria uses Scheduled Hours.

annual student hours was also mentioned, with 'fair' meaning that institutes would not be disadvantaged by having to meet any unanticipated occurrences like the salary costs of staff who have extended sick leave, along with the cost of recruiting and paying for substitute staff.

Institutes want national statistics to provide meaningful and reliable data about total VET provision, as well as data they can use to benchmark to their own provision at the course level. All institutes submit data to state agencies as part of their national and state reporting responsibilities. Mechanisms to ensure that institutes are able to validate their own information may improve accuracy and streamline reporting.

Comparisons of delivery costs across jurisdictions are also perceived to be problematic. This is especially the case in jurisdictions whose benchmarked costs turn out to be higher than the national average. These concerns could be addressed by ensuring that attempts at benchmarking costs use the same items in the mix to calculate unit costs. This includes being aware that different award conditions regarding maximum work loads for full-time teachers may also affect the cost of delivery.

## Sharing information with others

It is common for institutes within and between jurisdictions to share non-commercially sensitive information about teaching and learning, management practice and financial reporting. This is regardless of governance arrangements. Teaching and administrative staff are supported to attend regular meetings of program or function-specific groups and networks. State agencies and networks for curriculum development and maintenance (or their equivalents) continue to play a critical and welcome role in providing access to information on policy initiatives, new legislation, and the moderation and validation of assessments. Institute directors and senior managers also visit other institutes across the country to learn about new programs, systems and processes.

## Meeting client needs

We divide the major clients into industry and students.

### Meeting industry needs

Institutes commonly employ similar formal and informal mechanisms for gathering intelligence on what industry wants. Formal course advisory panels, industry forums and other industry engagement arrangements help them to keep up to date with workplace change, advances in technology and industry requirements. The employment of part-time instructors from industry also helps them to maintain relevance and currency.

All institute directors and many senior managers sit on key state, regional or national committees and boards. Conversely, many influential industry leaders sit on TAFE boards and councils. These high-level forums are especially useful for gathering intelligence on emerging issues and developing relationships with key employers. This is another indication of their focus on proactive planning activities to ensure they are able to respond to industry needs.

The majority of educational managers and many teaching staff (especially in the trades) are members of industry networks and associations. Through these networks, institutes aim to increase their understanding of commercial and industrial developments. This helps signal the emerging skill requirements and assists in identifying employers who need training for workers. There is scope for them to market new courses or 'up-size' existing training provision. In addition, teacher-employer collaboration in the development of training plans, teacher or assessor visits to students in workplaces, consultations with employers and assessment of workplace training also enable TAFE institutes to understand whether students are performing to industry standards. Institutes gather

feedback on how well they are preparing students for the workplace through close partnerships with industry in delivering on-the-job training for apprentices and trainees and providing work experience and placements for students in non-trade programs (especially for nursing).

Institute directors and their senior managers use the results of a range of external surveys, including state-based surveys of business satisfaction (where available), for both strategic planning and evaluation. Findings help managers to track trends in client satisfaction and employment outcomes and to understand areas of improvement and decline. National surveys like the NCVET's Survey of Employer Use and Views are used by senior managers. The recently released national employer satisfaction surveys are aimed at helping institutes to collect the type of information required for compliance with AQTF 2007 audits.<sup>15</sup> As such surveys have only recently been introduced, it is still too early to tell whether they will provide the information required.

A Customer Relationship Management system being purchased and trialled by some institutes allows them to track interactions with customers and identify their most important clients. Similar commercial systems are being trialled nationally. Project planning, monitoring and evaluation through traditional project management systems complement these new approaches.

Other strategies which are proactive attempts to attain good outcomes for industry and for apprentices are industry-specific programs that combine mentorship and training for apprentices, for example, in commercial cookery courses such as the 'Appetite for Success'<sup>16</sup> program. This is aimed at improving training completions and retention in the industry for apprentice chefs.

Despite these broad industry-engagement practices, institutes claim that it is not always easy to understand what employers want. Substantial groups of employers do not participate in advisory, collaborative or information-sharing activities and their expectations often vary and can be contradictory. For example, some institutes have found that employers may want the majority of apprenticeship training to be done in the workplace, while others want all the training to be done at TAFE. Although institutes say they do their best to adapt provision to meet individual needs, the question of 'who speaks for industry' continues to be an issue.

TAFE institutes collect extensive information about training needs in their local areas, but gaps remain. Institutes want ready access to accurate predictions of skill shortages and training demand. This gap might be addressed by planning departments of state training authorities or by regional economic development boards, where they exist. It could also be a task for state-based training advisory bodies. The forecasting of skill shortages is not an easy task, no matter who takes responsibility for it.

Institutes require more information about the characteristics of businesses (especially small business) in their catchment areas and the training needs and values of enterprise clients. They also want further information regarding employer expectations of training and evaluations of whether the training for new and existing workers has been relevant, useful and successful.

## Meeting student needs

Institutes are focused on maintaining current and accurate records of outcomes, especially as these are required for funding purposes. Key outcomes for the institute as a whole and for individual programs include enrolment numbers, subject completions, module load completion rates, course completions, retention rates and attrition rates (for specified groups identified in the purchase

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<sup>15</sup> Under AQTF 2007, registered training organisations are required to collect and use data on three quality indicators endorsed by the National Quality Council (NQC). These are: learner engagement, employer satisfaction, and competency completion.

<sup>16</sup> The 'Appetite for Success' program aims to provide support to apprentices throughout and beyond their apprenticeship to improve retention of chefs in the trade.



agreement). Outcomes may include the percentage of students who gain employment in any job or in their specified field. Institute performance in national and international competitions and awards are also used. These methods are also invaluable for evaluating the institute's performance in meeting student needs.

Common strategies for giving students 'a voice' include focus discussion groups, one-on-one discussions with teachers, representation on governance bodies, and complaints and suggestion box arrangements. Student responses to internal course or program surveys (run at teaching section levels by teachers or by institute quality units) provide information on issues related to teaching and learning, resourcing and areas that need improvement.

Institutes say they are poor at tracking what happens to students once they have completed courses and left the institution. There are two questions of interest to institutes: whether students are able to move into better jobs; and whether they progress to higher-level qualifications.<sup>17</sup> One institute director commented, 'We need a better fix on the destinations of students, [including] those who leave before they complete', and this observation was echoed by other senior managers. There are also concerns about the difficulty of getting accurate information on training contract completions and data on those who do not choose to come to TAFE at all. The lack of good alumni strategies is felt to inhibit the ability of institutes to conduct longitudinal surveys or to develop samples of respondents. Institutes that have implemented exit surveys continue to be frustrated by low response rates.

As with domestic students, a formal process for monitoring the destinations of international students would also help institutes to assess the success of their programs. Institutes claim that they develop strong relationships with international students while they are in training, but the lack of formal alumni strategies means that institutes lose touch with the students once they have completed their studies. Another set of problems faced by many of the TAFE institutes often relates to the low levels of English language skills that international students come with when they enrol in TAFE programs. Teachers report that, while agents responsible for promoting international programs are focused on attracting as many students as possible, teachers are concerned about the ability of these students to complete the training.

Institutes are keen to understand the effectiveness of their training and the extent to which it has been successful in the workplace. A number of respondents suggest the need to complement destination surveys with one-on-one conversations and focus groups with TAFE graduates and employers in workplaces. Keeping in touch with students is felt to help institutes in other ways, as institutes could contact students who leave without a qualification and encourage them to complete their qualifications through recognition of prior learning. This is especially important if Commonwealth apprenticeship and traineeship incentives continue to be attached to completion. Quality units (or their equivalents) within institutes are already responsible for conducting internal surveys of students. There is no reason why such surveys could not also be conducted by these units.

Low rates of survey responses to internal and external surveys reduce the reliability and the usefulness of findings for institutes. Institutes report that students comment mostly about personalities of teachers and sometimes the adequacy of services, rather than the quality of course content. It is also felt that the value of survey findings at program level is limited because analyses are only completed once the cohorts of respondents to these surveys have left the institute. Information, which aims to improve the training experience of students therefore cannot help these students. Offering incentives for survey participation and providing students with ready access to

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<sup>17</sup> The Student Outcomes Survey, conducted by NCVER, provides this information to some extent and is used at a high level in strategic planning. Institutes want more institute-specific data to help them better evaluate course-specific outcomes.

online feedback processes have been identified by respondents as possible ways to improve survey response rates.

There is a perception that the push for increasing trade training, evident in the last few years, has resulted in fewer annual student hours for access and equity programs. There is also a concern that TAFE access and equity programs are used as alternatives to school for adolescents (generally 15-year-olds) at risk of becoming disengaged. Lack of prior knowledge about the poor standards of literacy and numeracy and the behaviour of these students is felt to hinder the ability of TAFE teachers to prepare sufficient resources to help students overcome these difficulties.

## Applying quality assurance measures

Another indicator of effectiveness and efficiency of programs and practices for all TAFE institutes is their performance in AQTF 2007 audits, as well as in audits performed by other external quality assurance organisations.<sup>18</sup> Quality units generally support the need for quality principles to be integrated into the daily operations. Compliance results are used to indicate areas for improvement.

Institutes are especially aware of the need to implement systematic assessment, moderation and validation processes and to have adequate industry engagement in these processes. At the time of writing, institutes were awaiting the results of the national surveys that have been created to evaluate student and employer satisfaction with training. It is anticipated that these will help them to provide the types of evidence of achievement that meet standards for outcomes-based audits. How institutes are to measure successful 'outcomes' continues to raise debate.

As well as national quality assurance standards, institutes must satisfy other legislative requirements (including licensing and occupational health and safety) and standards of industry course accreditation bodies. They must also meet the standards of international bodies, where required (for example, Lloyds of London maritime standards). In a number of institutes the review of processes and practices is an important method for addressing issues arising from quality audits and the implementation of continuous improvement. Quality assurance processes are dependent on the commitment of all staff and the maintenance of adequate documentation and records. Quality units have commented that some staff members are more committed than others to upholding quality standards. An ongoing concern for many quality team staff is ensuring that quality principles are integrated into daily workplace practice. Another concern is the low level of response to internal student surveys.

## International programs

Institutes with international students have to meet a number of additional compliance regimes. Institutes must meet extra legal requirements associated with Education Services for Overseas Students (ESOS) and the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) standards. These are the key standards for managing participation, attendance and performance of international students and ensuring the quality of provision. The progress of international students (especially those who may be at risk of failing) is a key element of these standards and requires educational managers to be especially vigilant.

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<sup>18</sup> The concepts and strategies of the Business Excellence Framework have been adopted by a number of institutes. These relate to the provision of effective leadership through clear direction and goal focus; using information on what customers and markets need and value to drive organisational practice, products and services; applying concepts of continuous improvement, systems thinking and innovation; using data, information and knowledge to improve strategic and operational decision-making; behaving in ethical, and socially and environmentally responsible ways; and focusing on results, values and outcomes that are sustainable.

Institutes are concerned that standards for entry into TAFE programs in Australia for international students are not rigorous enough. For example, students require an International English Language Testing System (IELTS) score of 5.5 for admission to TAFE programs; yet this standard does not ensure that students will be able to perform the requisite tasks.

Ensuring the quality of offshore training provision is also a concern. TAFE institutes need to ensure that their offshore partner organisations guarantee that trainers have the necessary training and assessment qualifications and use the assessments that have been agreed in learning plans. Guaranteeing that the requirements are being adhered to is not always easy.

## Conclusions

The need to evaluate effectiveness and efficiency in TAFE institutes has generally been driven by accountability for government funding and compliance with legislative and quality assurance regimes. These obligations have prompted the establishment of processes for monitoring performance against government financial and non-financial targets. They have also acted as stimulants for developing similar processes for tracking performance against other institute objectives. This holds for TAFE institutes that operate in either centralised or devolved governance arrangements. There continue to be critical gaps in the information that TAFE institutes require to better understand their markets and their performance. These gaps include accurate forecasting of skill demands and more comprehensive information on employer needs and student destinations.

We have also found that TAFE institutes want to link outcomes to specific training interventions and management practices. They are highly committed to being proactive about planning and monitoring their processes to ensure that they achieve their targets. Although evaluating past performance is valuable, there is a sense that adequate planning prior to the commencement of a program and constant review and remediation throughout the life of a program are far more important strategies for ensuring that targets are met.

How are TAFE institutes placed to operate in an environment which is more competitive and less secure? TAFE institutes have developed considerable experience in increasing their business in commercial markets and have been doing so since the early 1990s, when the regulated training market was opened up to the private sector. They have also learned the importance of understanding their markets. These experiences should help them in a more competitive environment.

It appears that governance arrangements have little bearing on the ability of institutes to monitor their effectiveness and efficiency. We must be mindful that our study has only looked at how institutes operate in the current environment, where funding arrangements are centrally driven. We cannot say how governance arrangements might affect institutes if such funding arrangements were to be devolved.

# Appendix A

## State strategic objectives

**Table 1 Strategic objectives for South Australia, Victoria, New South Wales and Queensland**

	<b>South Australia</b>	<b>Victoria</b>	<b>New South Wales</b>	<b>Queensland</b>
1	Ensuring that South Australians have the necessary education and skills to participate in the high-skills economy	1 To achieve a Victorian workforce with the mix and level of skills and knowledge required to meet the current and emerging needs of employers, industry and the community	1 Ensuring improved social and economic wellbeing for the people of NSW through the provision of high-quality education and training	1 Every child and young person will be well prepared for life success through learning and education
2	Providing high-quality employment and workforce development services	2 To achieve increased workforce participation through enhanced access to skilling opportunities, especially for groups with currently low participation rates (unemployed and under-employed)	2 Delivering better services by: increasing levels of attainment for all students, and ensuring that more students complete Year 12 or recognised vocational training	2 Queenslanders will be linked to opportunities that support economic prosperity and enhance lifelong wellbeing
3	Ensuring that young people are supported in reaching their full potential and actively engaged in learning training, work and in their communities	3 To achieve equitable access to skills development opportunities for all individuals to develop the full range of their potential skills and employability	3 Growing prosperity across New South Wales: with more people participating in education and training throughout their lives	3 Queenslanders will benefit from a rich cultural life and thriving creative communities
4	Providing a coordinated whole-of-government approach to the development of an innovative community	4 To achieve provision of systemic opportunities for existing workers to build towards higher qualifications	4 Provision of better access to training in rural and regional NSW to support local economies	4 Productive relationships will be fostered to maximise outcomes for Queensland
5	Building a high-performance organisation			5 Our people's talents will create a dynamic and innovative organisation

# Appendix B

## Examples of information that states are required to provide to state funding bodies

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This information refers to 2008 requirements.

### South Australia

Institutes must provide their state training authorities with information on student, financial and workforce activity, which is then used to develop a set of productivity measures.

Student activity indicators comprise:

- ✧ number of students, subject enrolments, annual hours curriculum, module load completions
- ✧ percentage of module load completion to annual hours curriculum.

Hours are reported against state and Commonwealth Government recurrent and special purpose funding (including FSI 500<sup>19</sup> hours in the Resource Agreement, Aboriginal education, User Choice, SA Works program, other special funding, and fee-for-service, including commercial ventures and overseas students and overseas delivery activity).

Financial indicators are reported in terms of:

- ✧ expenditure on teaching and non-teaching salaries, goods and services, and capital
- ✧ total revenue from non-government-funded general revenue, student fees and fee-for-service, and government-funded general revenue, User Choice and recurrent allocations
- ✧ operating result (one set of figures based on the inclusion of capital expenditure and another based on its exclusion).

Workforce indicators are reported in terms of effective full-time equivalent staff. They include teachers (including lecturers and hourly paid instructors) and non-teaching staff).

Productivity measures are reported in costs per curriculum hour. These are calculated in terms of:

- ✧ curriculum hours (including gross total expenditure for all FSI programs)
- ✧ net cost to the state based on total expenditure less non-government-funded revenue
- ✧ total expenditure less the total revenue (operating result).

It is in the reporting of these mandatory requirements that institutes need to keep in mind the push to keep the unit cost data down. Institutes are particularly keen to ensure that the real costs of delivery in certain locations are measured. This is especially so for Regional Institute which has a much larger geographical footprint across the state, than the other two institutes. As such it is particularly prone to downturns in regional industries and or labour markets.

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<sup>19</sup> Fund Source Indicator 500 refers to funding allocation under state recurrent funding for courses.

of regional industries and/or labour markets. In the case of industries collapsing in towns or regions, the institute will have to modify its targets to take into account changed circumstances.

## Victoria

Victorian institutes also need to provide Skills Victoria with information on how they have fared against the purchase agreement, including their performance on ASH targets for P (profile funding), L (apprenticeships and traineeships), Q (pre-apprenticeships and advanced trades) and LQ (special projects). Institutes also report on staffing, revenue for FTE and increase in growth of fee-for-service programs. The VET in Schools programs auspiced by TAFE institutes or delivered as stand-alone programs are provided as fee-for-service programs. These mandatory reporting requirements measure what institutes have been contracted to deliver.

## New South Wales

Institutes in New South Wales also report against objectives of state–Commonwealth bilateral agreements, state programs, and institute purchase agreements. In all cases the major indicators are annual student hours (ASH), enrolments, student numbers and completions.

### Commonwealth Government Programs: Skilling Australia’s Workforce Initiative (SAW)

- ✧ total ASH (divided into SAW core and fee-for-service ASH)
- ✧ SAW enrolments at certificate III or above for Indigenous students
- ✧ SAW enrolments for disability students
- ✧ SAW enrolments for 20 to 24 and 45 to 64-year-olds
- ✧ SAW commencements in trade and non-trade skill shortage areas
- ✧ SAW total enrolments for Indigenous students
- ✧ non-core, core and total SAW recognition of prior learning (RPL)
- ✧ SAW fee-for-service RPL.

### MCVETE commitments

- ✧ completion of diplomas and above
- ✧ average module completion rates for Aboriginal students
- ✧ graduate satisfaction with overall quality of TAFE.

### TAFE NSW strategies

TAFE Peak Education Group: Workplace delivery

- ✧ increase in module/unit enrolments workplace/employment-based delivery
- ✧ increase in percentage of workplace of workplace/employment based delivery (ASH).

### Best practice adjusted

- ✧ progress against adjusted best practice (ASH generated through use of core funding).

## Delivery of services

- ✧ gross and net revenue from external activities
- ✧ percentage of net revenue compared with all revenue
- ✧ percentage of net commercial return
- ✧ overall indicative cost per ASH
- ✧ invalid enrolment rate.

## Queensland

Institutes in Queensland (including statutory authorities) must report on specific performance according to resource agreements and state initiatives: These include:

- ✧ ACH (annual curriculum hours)
- ✧ number of high-level qualifications
- ✧ percentage of RPL
- ✧ number of 15 to 17-year-olds (Education Training Reform for the Future Initiative)
- ✧ number of Indigenous students
- ✧ number of mature-age students over 45 years of age
- ✧ number of module completions
- ✧ number of FTE students
- ✧ number of apprentices and trainees
- ✧ number of people with a disability.

# Support document details

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Additional information relating to this research is available in *Tracking our success: How TAFE institutes evaluate their effectiveness and efficiency—Case studies*, which can be accessed from NCVER's website <<http://www.ncver.edu.au/publications/2169.html>>.

- ✧ The case studies
- ✧ Hunter Institute
- ✧ North Coast Institute of TAFE
- ✧ Gold Coast Institute of TAFE
- ✧ Metropolitan South Institute of TAFE
- ✧ RMIT University
- ✧ Sunraysia Institute of TAFE
- ✧ Institutes in South Australia
  - ◆ TAFE SA Adelaide North
  - ◆ TAFE SA Regional
  - ◆ TAFE SA South
- ✧ References