# Comments on Productivity Commission, 2020, *NASWD Review Interim Report*

Gerald Burke 23 July 2020

These comments focus on the information requests:

* Role of competition in the VET market and role of public providers
* Designing a New Intergovernmental agreement—how should it consider other educational sectors, informal training and non‑government funded training?

Comment is also made on government spending of Youth Allowance (Student), Austudy and ABSTUDY which have been ignored in policy statements and research recent years.

# Information Request — Role of competition in the VET market and role of public providers

The Interim finding 2.3 reports that promotion of the training market has stalled. The report advocates measures to promote the training market. Fee regulation and preferential funding for public providers are opposed.

There needs to be a good evidence that the problems experienced in the past are well under control. The Grattan Institute cautioned:

The 2015 Harper Review of competition policy advocated commissioning a diversity of service providers where possible. While this is a sensible idea in theory, execution is everything. The recent examples of both the home insulation (“pink batts”) scheme and vocational education and training reinforce previous experiences: taxpayer funding of for-profit entities to provide services at the behest of individual citizens inherently creates opportunities for poor outcomes, or even fraud that must be carefully managed (Grattan Institute 2016).

More careful managing as noted in the report has included better regulation through ASQA and the jurisdictions’ contracts with RTOs. Better consumer information, career advice and new assessment models involving independent assessment of competency are foreshadowed. These are good developments though implementation of new forms of assessment may be slow and the effectiveness of better consumer information will need to be demonstrated[[1]](#footnote-1).

### Related issues: number of providers and churn

As noted in the Interim report there are around 3800 VET providers. In contrast, there are 170 higher education providers including 37 public universities where around 90 per cent of students are enrolled.

ASQA (2018) in a submission to the Braithwaite review (2018) commented on this:

Whilst the total number of RTOs has been reasonably stable in recent years, there is a considerable churn of provider registrations with around 350 applications for initial VET registration in 2016-17, mergers and acquisitions, and providers exiting the market. A large part of ASQA’s regulatory effort is committed to market entry testing and verification (initial and compliance audits) and provider closure processes.

NCVER analysis concludes that, in 2014, there were three times as many VET students as students in higher education but 35 times more VET providers than higher education providers. In 2014, the top 100 VET providers accounted for around 50 per cent of the total student population, while almost 2000 VET providers reported 100 or fewer students.

The annual churn of providers in VET was larger than the total of providers in higher education.

### Instability of funding and staff quality

A related matter is instability in staffing. An example was the entitlement scheme in Victoria. Student numbers with private providers in Victoria grew 400 per cent 2008 to 2012, from 50,000 to over 250,000 (NCVER 2018b). There was later a decline in students in both public and private providers. Staff quality and the training they provided would have been seriously affected by this. This issue sits alongside the rorts of that period (Mackenzie 2015).

It is difficult to give evidence on staffing. There is no regular collection for VET though staff data for schools and higher education are provided annually. The Productivity Commission in 2011 studied staff in vocational education and commented:

Lack of quality workforce data is an obstacle to effective VET policy making at the jurisdictional and national levels and workforce planning at local and industry sector levels. It also hinders efforts to improve the capacity and capability of the workforce (PC 2011).

The expansion and later contraction may have contributed to the increase in casualisation reported (Knight et al 2020). Nearly 50 per cent of trainers and assessors are part-time, but over 60 per cent in TAFE. About 50 per cent are casual or contract, over 60 per cent in TAFE. Casualisation is higher than in the last collection in 2008 and higher than the rate for the whole national workforce (Guthrie 2010, Gilfillan 2018). Incidentally, this use of casuals means that cost estimates of teaching based on full-time staff may not bear much relationship to actual costs.

These issues are complementary to the concerns about the qualifications of vocational teachers as discussed by Harris (2020), Smith and Yasukawa 2017). Dr Anne Jones, former head of VET at the dual sector Victoria University, puts this in the context of the introduction of competency-based training in the 1990s:

Curriculum was replaced by training packages, learning outcomes became elements of competence, assessment criteria became performance criteria, and responsibility for the development of qualifications was transferred from educators to industry. In the early days policymakers, industry stakeholders and even educators believed that training package documentation could be so explicit that anyone with minimal training could deliver and assess. … the preparation needed to deliver vocational education was reduced from a bachelor or postgraduate teaching qualification to what is now a certificate IV qualification (Jones 2018).

### Large and stable providers

There is a range of reasons for wanting stable and large providers. The key findings of a study on disadvantaged students in VET by Lamb et al (2018*), Improving participation and success in VET for disadvantaged learners* add support to this*.*

* Supporting disadvantaged learners is successful when it is an institution-wide commitment. The institute should have a defined set of initiatives in place, such as providing learning support and matching more experienced staff with high-need learners, rather than relying on ad hoc practices.
* Building strong relationships with employers and other service agencies in the community is important but requires adequate resourcing. These relationships, which help training providers gain a better understanding of the local community, the types of disadvantaged learners within it, and the available employment and labour market opportunities, enable them to better support their students.
* While diverse groups of disadvantaged learners are widely offered support, it is necessary to customise the support to the individual, particularly for culturally and linguistically diverse (CALD) learners and learners with low levels of prior educational attainment. Support includes tailored services to the individual’s specific learning needs, such as extra literacy and numeracy support, as well as promoting the benefits of specific outreach programs in the community.
* The development of regional frameworks that coordinate relationships between local community groups, VET providers and regional labour markets would likely benefit all involved. Collaboration helps to develop a comprehensive and coherent approach to the engagement of disadvantaged learners and may help to strengthen the relationship between VET completion and relevant job opportunities.

# Information request — Designing a New Intergovernmental agreement—how should it consider other educational sectors, informal training and non‑government funded training? (Comment on subsidies and fees is included here)

For VET the arrangements for fees and subsidies differ considerably across states as detailed in the Interim Report.

The interim report defines price for government-supported training as the combined value of the subsidy and the fee. It says:

Subsidies for courses are primarily intended to encourage the take up of training in priority occupations (based on skill lists) or by students facing disadvantage. Subsidies are paid to RTOs to allow them to deliver training with lower fees for students, including for courses that may not be viable without the subsidy (box 4.1) (p.130).

If the objective is a lower fee the case for setting that fee directly could be discussed. I realise that would have to be reconciled with Recommendation 6.2.

In Victoria the greatest concern with the entitlement was the opportunistic providers that offered courses without fees and who provided other inducements (Burke and Veenker 2011, Mackenzie 2015). As discussed in the PC report some states have set non-zero fees to ensure ‘skin in the game’.

Cases of providers charging high fees did not come to light at the start of the entitlement. They came with VET FEE-HELP where the upfront money came from the government.

The Commission reviews circumstances where setting fees might inhibit good resource allocation. It does seem that evidence is lacking on the extent of such effects:

The Commission lacks essential information to assess the relative merits of the different approaches. Ordinarily, information on the structure of the market, the behaviour of participants and outcomes would permit analysis of the relative merits of States’ and Territories’ approaches. However, there is little readily‑available information on prices and student fees in less regulated jurisdictions (PC 2020 p.148.)

Given the lack of information, and the objective of lower fees in some areas to encourage enrolment, the recommendation that governments should not cap the prices of VET courses might be given further consideration.

### Setting the subsidies

It does seem that the starting point of any move towards a national system will be estimates of costs for standard provision and for loadings and concessions.

I am sceptical of our capacity to improve our forecasts of labour force needs well enough to justify many variations from a set share of estimated costs.

Over a long time only a minority of VET graduates other than trade apprentices gain immediate employment even at the 2-digit level of the occupation they have trained for (Karmel et al 2008, NCVER 2019c). Broadening the training as argued by Wheelahan et al (2015) seems a better option than striving after better forecasting and more finely calibrated subsidies.

### Schools and equity

The report says on p.123:

The VET funding system lies between the fully subsidised public school and the generally heavily subsidised higher education systems.

An issue that could be discussed further is why most students in certificates I-III in VET pay tuition fees while secondary students in government schools pay no tuition fees. A comparison of socio-economic status suggests that a smaller proportion of VET students are in the most advantaged socio-economic quartile. Perhaps the move to Free TAFE has been affected by this comparison.

Incidentally, NCVER and the Department of Education, Skills and Employment report annually on the distribution of VET students using the Index of Relative Socio-Economic Disadvantage (IRSD), an index in the SEIFA suite. Schools and higher education also report using SEIFA. The Productivity Commission Report on Government Services (2020b) has not used indicators of socio-economic background.

### Higher education -- effectiveness

The report suggests some of the funding arrangements in higher education might lead to less than optimal outcomes. Overall, there does not appear to be evidence for this. If we take the system as a whole pre-COVID 19 Australian Universities appeared to perform well. Two recent findings:

UNIVERSITAS 21 reports on rankings of higher education systems:

Countries were graded on four modules, resources, output, connectivity and environment. Australia, where not-for-profit universities dominate the system, came tenth of fifty countries in the overall rankings but it was second to the US on environment: A well-designed policy environment is needed to ensure that resources are used well. A consensus is emerging that the preferred environment is one where institutions are allowed considerable autonomy tempered by external monitoring and competition (Williams & Leahy, 2018).

The publicly funded and not-for profit Australian higher education providers are seen here to be in a competitive environment —which includes pursuit of the many different international rankings.

The universities have autonomy in the use of funds and can cross subsidise including to research. This the interim report suggests might undermine labour market outcomes (p.290). That is a possibility though it does not seem to have occurred recently:

When the Bradley review was published, 40 professional and managerial occupations typically filled by graduates were on the Government's skill shortage list...Additional student places were created in all skill shortage occupations that can be matched with enrolment data during the demand‐driven period…By the time the demand‐driven system ended, only five professional or managerial occupations remained in skill shortage (Norton 2019, Norton & Cherastidtham 2018, Section 9.2).

### Higher education -- equity

VET caters for many more students in all the equity groups than higher education and many more students over 40 years old. The numbers of Indigenous students in Total VET is seven times that of higher education. Yet very strangely, research in equity in higher education appears to have a much higher profile than research in VET. Part of the reason might be the Higher Education Participation and Partnerships Program (HEPPP), which provides over $6m annually for research with the largest element going to the National Centre for Student Equity in Higher Education. The centre undertakes research, administers a competitive research grants program and an equity fellows program (NCSEHE 2019, 2020).

There is now nothing similar in VET. Research on equity got added focus and some support from the National VET Equity Advisory Council (NVEAC) in operation 2009 to 2014. It commissioned a range of reports and a major review of equity in VET (Rothman et al 2013).

### Community providers

Community providers cater for a small proportion of total students but have a more important role for older and less advantaged persons. Their not-for profit status could get further attention. In an interesting change of heart somewhat similar to Terry Moran in Australia, Julian Le Grand chief adviser to Tony Blair in 2003-05 has moved from supporting market provision to support for mutual companies (Moran 2017, Le Grand & Roberts 2018). Le Grand reflects:

“The 1980s we can view as a period of state failure …Then in the 1990s … everyone believed the market was the answer in one form or another...maybe there ought to be some form of alternative to either the state or the market” (Williams, 2017).

### Employers’ expenditure

Employer expenditure on training was a focus of government policy in the late 1980s and early 1990s. Dawkins (1988) stressed the importance of training in industry and the need for industry to pay more. He introduced the short-lived training guarantee (Fraser 1996).

It is clear that employer expenditure is large and that it is divided between in-house trainers and purchasing formal (with qualifications) and non-formal (structured/unaccredited) training from external training providers.

Employer expenditure to RTOs could be expected to be largely on fee-for-service. There were over 300 million hours of training in fee-for-service courses in 2018 (NCVER 2019). If fees were (only) $5 per hour we get an estimated fee revenue of $1500 million.

We do not know how much comes from employers. Some indication is given by an ABS household survey of Work-Related Training. It shows that 40 per cent of persons aged 15-74 participated in work related training: about 20 per cent formal (towards a qualification) and 20 per cent non-formal (structured). It reports the variation by occupation and industry, age, sex, qualifications, labour force status, socioeconomic status and remoteness. About 85 per cent of persons receiving training said they did not bear any costs for their most recent training (ABS 2017).

NCVER’s survey of employers’ interactions with the VET system shows that about 50 per cent of employers use the VET system (NCVER 2019). TAFE is the main provider for apprentices/trainees, private providers have the major role for nationally recognised training. For unaccredited, non-formal, training less than half employers used external providers and scarcely any used TAFE. Research studies on employer training confirm the greater use by employers of non-TAFE providers (Smith, Smith et al 2017, Shah 2017).

The lack of information on employer expenditure may be one of the reasons why a major policy 30 years ago is now neglected (Dawkins 1988). However a sign of renewed interest in employer expenditure might be implied in the VET Roadmap (COAG 2020). In summary point 6 it says:

Government VET investment supports economic and social priorities and complements the investment of industry and learners’ and ‘The system has agreed principles for shared investment in VET by governments, industry and learner’ (my emphasis).

###### Incentives

When employer expenditure was last surveyed nearly 20 years ago government incentives for the employment of apprentices offset about 10 per cent of estimated total employer expenditure[[2]](#footnote-2)..

The interim report considers incentives and suggests moving away from, or complementing them by using other approaches, including mentoring and pastoral care (PC 2020a p.2).

Reservations or opposition to incentives was expressed in the reports by Kirby (1985), Deveson (1990), Carmichael (1992) and McDowell (2011) and in (Burke 2019).

### Domestic students’ fees

Domestic students’ fees and charges paid to public providers for government-supported places were reported up to 2017 when they totalled almost $500 million. Domestic students will also pay for some part of fee-for service.

### International students’ fees

Following reviews of overseas aid in 1985 tertiary institutions could charge fees with the minimum to be the full-economic cost and the student numbers to be unlimited. Universities were fastest to take part (Marginson 1993).

There were about 25,000 international enrolments in vocational education in 1995, 50,000 in 2005 and by 2010 over 200,000. Most were with private providers. The growth was fuelled by the very easy access to permanent migration for those who held a qualification on a list of occupations in demand. Reviewing this Baird (2010) found:

… frequent allegations of vertical integration of agents, providers, employers and landlords, exploiting international students anxious to achieve permanent migration. In some cases students appear to collude with these people for mutual gain. In such cases this usually results in poor education outcomes, poor living conditions, low pay, poor working conditions and visa conditions being breached by students working more than 20 hours a week to be able to afford to be here. Australians would not want such dubious, if not illegal, practices in their community (Baird 2010 p.7).

Migration lists and conditions were amended and many occupations linked with vocational education removed. International student enrolments in vocational education fell 35 per cent to 2013.

Since then easing visa conditions have included provision for graduates to work in Australia for 18 months (shorter than for university graduates) if the training relates to a skilled occupation. The numbers of students surged — from 130,000 in 2013 to 280,000 in 2019 (DESE 2020). But abuse has again occurred with a sharp increase in the number of providers after 2014 and in providers subsequently deregistered (Rizvi 2019).

The total of fee revenues were nearly $2.0 billion for 2018-19 (ABS 2019). In addition there was spending on goods and services in Australia by vocational international students, estimated at nearly $5.0 billion for 2018-19. Training services are also provided off-shore and in 2017 yielded $76 million to public providers (NCVER 2018a).

Recently 75 per cent of international students in vocational education were enrolled with private providers. In higher education only about 10 per cent are with private providers (NCVER, 2019, DESE, 2019b).

International education has been affected by COVID-19 though the effects are not clear and appear less in vocational education than in higher education (DESE 2020).

# Neglected equity spending: Means tested student income support

Means tested Commonwealth assistance to full-time tertiary students has been available since the Whitlam years. The programs are Youth Allowance (Student), Austudy and ABSTUDY. The outlays are not included in NCVER *Government funding of VET* (2019a). They are mentioned but not discussed by Joyce (2019). They are discussed in Burke (2016, 2018).

The number of students assisted in higher education and in vocational education was provided by the Department of Social Services up to 2015-16 but since then only the total for all tertiary students is reported (DSS 2019). The last data showed for Youth Allowance and Austudy 200,000 students in higher education (over 30 per cent of full-time eligible students) and 50,000 students in vocational education (about 20 per cent of full-time vocational students). On a pro rata basis the outlay on vocational students in 2018 would be around $430 million. About 10,000 students received ABSTUDY perhaps half in vocational education even though the numbers of Indigenous students in total vocational education are seven times the number in higher education.

Higher education students on student income support can also get a Student Start-Up Loan (about $2000 a year) but vocational students cannot. From 2018 Diploma students in vocational education can access student assistance only if attending a provider approved for VET student loans but this restriction does not affect students on certificate courses.

Investigation is needed of why an apparently smaller proportion of full-time vocational students access these benefits given the greater proportion from less advantaged backgrounds[[3]](#footnote-3).. Possible reasons are uncertainty as to full-time status, the tendency for TAFE staff to think of their students as part-time and be unaware of benefits available to full time students, and the low number of counsellors in VET.

There seems to be no recent research on how these forms of financial assistance affect vocational students (Karmel 2013). In part this may be due to the lack of information on the outlays and on the recipients.

Bradley (2008) had recommended:

That the Australian Government undertake a regular process of triennial review of the income support system to assess the overall effectiveness of the support payments in reducing financial barriers to participation of students in need.

This has not happened.

The Group of Eight joined last year with the Australian Council of Social Services to advocate improved student assistance. TAFE Directors Association have joined the initiative (TDA 2019).

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**Gerald Burke**: Adjunct professor at Monash University and honorary principal fellow at the University of Melbourne. Formerly director of the Monash University-ACER Centre for the Economics of Education and Training, member of Skills Australia/Australian Workforce and Productivity Agency, chair of the Victorian Qualifications Authority, member of the Victorian Registrations and Qualifications Authority and member in 2011 of Victorian Minister’s panel for public consultations on a review of fees and funding for vocational education.

1. Braithwaite (2018) advocated increased external assessment. Much earlier an OECD review of Australian VET recommended exit tests: “Several less centralised countries with competence based training also require national or external exit tests to obtain a VET qualification’ (Hoeckel 2008).

The first recommendation by Skills Australia in its Roadmap for VET (2011) included that the national introduction of student and employer demand-based funding [entitlement schemes] should not occur until the quality provisions outlined {on external validation} were in place to ensure quality of delivery is reinforced. They were not in place. [↑](#footnote-ref-1)
2. Until 20 years ago there were regular ABS surveys of employer expenditure on training. Based on the last one (ABS 2003)

	* Of the total $3.7 billion in 2001-02 over **$1 billion was for in-house trainers’** wages and salaries (or adjusting for CPI $1.5 billion in 2018-19)
	* About 40 per cent of employers undertook structured training
	* Of the employers providing structured training a third engaged apprentices or trainees.
	* Employers of apprentices or trainees received at least 80 per cent of all government subsidies to employers —with subsidies reported as 10 per cent of total employer expenditures
	* The large majority of employers providing structured training used external providers for some or all of the training — private providers used by 40 per cent and TAFE a little less
	* The amount spent on external providers was not estimated.Britain and the European Union regularly undertake surveys of employer expenditure (UK 2014, Wiseman & Parry 2017). Smith et al (2008) argued in favour of a similar survey in Australia while accepting the difficulties in the past in collecting reliable data by employer surveys. [↑](#footnote-ref-2)
3. Apprentices can access Youth allowance even though they are part-time students but few do, presumably because of the income test. Trade apprentices also have access to Trade Support Loans from the Commonwealth. [↑](#footnote-ref-3)