

Submission on the Productivity Commission Interim Report on the National Agreement for Skills and Workforce Development Review

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Introduction

This submission is being made in a personal and professional capacity as an independent researcher into vocational education and training public policy. The views expressed in this document should not be attributed to Charles Darwin University, the Industry Skills Advisory Council NT, the Australian Industry and Skills Committee or from my participation as a panel member of the Education Council's national Review of Senior Secondary Pathways.

In keeping with the interim report's presentation, this submission will sequentially respond to selected interim findings, reform directions and information requests (Productivity Commission 2020, 36-48). Other issues raised in the full report will also be addressed as required. A full reference list is included at the end of this submission.

Contextual framing of this submission

The original National Agreement for Skills and Workforce Development (NASWD) included the statement that 'these reforms are highly desirable and represent a shared vision for reforms to the national training system'; including taking steps to 'encourage responsiveness in training arrangements by facilitating the operation of a more open and competitive training market' (Council of Australian Governments 2008, 6).

This re-iterated the politically bi-partisan approach to perceived benefits of increased choice and competition in the training market that had been laid out in the Deveson Report (1990, 9-11) which served as the national catalyst for introducing contestable market policies in the Vocational Education and Training (VET) sector. Following on from these initial explorations of the benefits expected from increased competition in a government-created VET market, the policy direction was confirmed by the Commonwealth Government's *Working Nation* white paper on employment and growth (Keating 1994). With the agreement of the states and territories, the establishment of the Australian National Training Authority (ANTA) (1994, 4) established the mechanism to reform VET 'based on an open and competitive training market consisting of both public and private training providers'.

The Productivity Commission has previously taken an even more purist pro-market position than ANTA's initial view by denying the existence of an economic case for VET public provision. In so-called 'thin' markets, subsidisation of delivery is posited as a viable alternative to public ownership; while in 'thick' markets 'public production is arguably not justified' (Productivity Commission 2012, 42). Advocacy for the market-based provision of education and training has its genesis in a highly influential, but remarkably short, mid-20th century paper authored by the noted American economist, Milton Friedman (1955). His basic proposition was that education was not a valid area of government activity and that public ownership of education had resulted in 'an indiscriminate extension of government responsibility' in countries that were philosophically aligned with free enterprise (Friedman 1955, p. 1).

To give effect to this 65-year-old theoretical argument against the validity of the public provision of VET in favour of an ideal market it was necessary to envisage a single VET market. The emergence of the New Public Management (NPM) governance paradigm in the

1980s conceptually enabled a mechanism of procuring VET qualification delivery where a government 'principal' contracts managing 'agents' to deliver expected outputs (Hill and Hupe 2002, 110). 'In that particular paradigm, implementation is being contracted away; and with that, the responsibility for failures related to it. It may, however, be said that another aspect of the implementation issue emerged with this: the implementation of effective regulatory policy' (Hill and Hupe 2002, 110).

Guided by NPM, the VET reform advocates invoked the primary mode of thought that imposes order in mainstream economics in order to visualise and operationalise a single national market. This use of dualism - 'the practice of organising thought by means of all-encompassing mutually exclusive categories with fixed meanings' (Dow 1990, 143) – conceptually reduced a rich and diverse range of training provision to a simple dichotomy of market or non-market; arguably simplistic dualism has never existed in Australian VET. However, the impetus to better align technical and vocational training with national economic imperatives dated back to the early 1970s, when it was becoming increasingly apparent that the 'confusion of institutional eccentricity' (Whitelock 1974, 269) represented by the chronically disparate State training systems were producing neither the number of skilled workers nor the right skills for a national economy facing a global trading market driven by rapid advances in technologies.

Given that one of the most intriguing aspects of the Interim Report is the absence of examples of when and where Australia's long-standing policy of having open and competitive markets for VET have been successfully implemented and sustainably operated, the underpinning basis of this submission continually probes the validity of the concept of the singular VET market. Rather than being constrained by the past 30 years' focus on dualistic economic conceptualisation that forces 'either-or' policy making as demonstrated in the NASWD, it is time to consider how to optimise the national training system from a 'both-and' perspective and take advantage of some of the system's still existent 'institutional eccentricity'.

Progress against the NASWD

Interim finding 2.3 VET market competition and efficient training delivery

Early efforts to promote a 'more open and competitive training market' have stalled. Improving the efficiency of training markets is no longer an explicit priority for most governments. Further work is required by governments on the policy settings that best facilitate a responsive and efficient training market. This includes a more clearly defined role for public providers (Productivity Commission 2020, 35).

The phrase 'early efforts' does not specify a particular timeframe for the introduction of an open and competitive training market. It could refer to the initial stages of the NASWD in 2008 or it could be taken from public competition policies advocated for the VET sector at any stage since the mid-1980s and the repeated recommendations for increased levels of privatisation and marketisation (for example, Deveson 1990, 9-11, Moran 1998, 175-185, Australian National Training Authority 1994, 4, 2003, 10, Productivity Commission 2012, 19, Joyce 2019, 73-75). As demonstrated in a speech to a major national conference on markets in VET (Robinson and Kenyon 1998, iii) the Australian Government Minister for Schools, Vocational Education and Training, Dr David Kemp (1998, 1), the vocabulary associated with the establishment of an 'effective and responsive training market' has remained remarkably consistent. As described by the Minister (Kemp 1998, 2-8), key features of VET reform include:

- Make training more flexible and responsive (p. 2)
- Public or private providers (p. 3)
- Public or private funding (p. 3)
- National training framework for providers and qualifications (p. 4)
- Increased competition (p. 4)
- Expansion of market mechanisms (p. 5)
- More efficient use of government funds (p. 5)
- User choice (p. 6)
- Access and equity (p. 7)
- Efficient use of resources – ‘it is important to establish accurate costs for vocational education and training’ (p. 7) and
- Increasing VET in Schools because ‘in the past 15 years the pathway to employment for students who do not go onto university has disintegrated’ (p. 8).

The NASWD Interim Report reconsiders each of the areas that Dr Kemp addressed all those years ago. These items keep being revisited on the apparent basis that they remain aspirational goals and are yet to be achieved. Despite the promised benefits associated with the New Public Management paradigm of governance that have repeatedly been agreed to by each state and territory with successive federal governments that linked VET with competition policy (Perron 1991), the same basic understandings and ways of framing the policies that guide the National Training System (NTS) re-surface as problems in 2020. After thirty years of repeated attempts to implement all but identical policies in the absence of political opposition, indeed furious agreement, why do policy-makers keep asking the same questions about what has gone wrong and what do we need to change to create an open and competitive VET market?

With the same levels of enthusiasm as displayed by advocates for competition as the means of micro-economic reform, some critics dualistically believe that education and training are not suited to NPM principles and that their markets will always fail (Quiggin 2017, 2019, Wheelahan 2015). Several find fault with the entire Australian economic rationalist version of the NPM paradigm (Quiggin 1996, Self 1993, Pusey 1991). Obviously, the VET policy area is difficult terrain given that the same policy elements have not been able to be fully realised after many years’ worth of concerted attempts by multiple governments; even the current Chair of the Productivity Commission recounts that ‘I am still scarred by VET’ in relation to his involvement in the marketisation and privatisation of VET in Victoria (Brennan 2019, 1).

Given this track record of implementation of NPM and competition policy driven attempts to reform the National Training System, it is not exactly clear what yet another visit to the same policy prescriptions contained in the NASWD Interim Report will achieve that the previous attempts have not been able to do unless some more fundamental issues are addressed. For many in the VET sector, the preferable means of operationalising a consistent NTS has been to have the Australian Government take control as was done for the universities. This is not a new idea as it was first seriously recommended in WGK Duncan’s report into the state of adult education in 1944 (Whitelock 1973, 148-151), but this suggestion was not acted upon. In the era of NPM both major political parties have also pursued the concept of a federal assumption of responsibility for VET (Keating 1992, 55, Department of Prime Minister and Cabinet 2014).

While that states and territories were willing to relinquish some control of specific areas of their TAFE systems and other locally-based providers for the federal funding and benefits of

a national training system, they were not prepared to cede total control to the Australian Government (Goozee 2013, 353-355). In practical terms, VET is one of the few powers the states have retained and it plays a key policy role in providing solutions to the various problems faced by state ministers when crafting responses to the whole gamut of socio-economic problems faced in their jurisdictions (Ramsey 2012, pers comm). The eventual compromise reached between the state, territory and federal governments resulted in the creation of ANTA which was a tripartite body of industry, state and Commonwealth representatives tasked with operating a national training system (Goozee 2013, 354).

The acceptance of the ANTA settlement set in motion two underlying forces that are of immediate relevance to this review of the NASWD. First, it irrevocably linked VET to competition policy. The national report *Competition Policy* (Hilmer, Rayner, and Taperell 1993) provided the rationale for a large number of micro-economic reforms and a basis for many state-federal financial arrangements that were aimed at economic reform. VET was not mentioned in the Hilmer Report, but had been assigned a pivotal role the restructuring of the Australian economy in the highly influential policy report *Australia Reconstructed* (Department of Trade, Australian Council of Trade Unions (ACTU), and Trade Development Council (TDC) 1987). Deveson's (1990) *Training costs of Award Restructuring* further cemented VET into the process of industrial restructuring and preparing the Australian economy for increased levels of competition and the need for more highly skilled workers. For example, the Interim Report's concern with notions of competitive neutrality demonstrate this public policy lineage that intertwines VET and competition (Productivity Commission 2020, 31).

The second outcome of the ANTA agreement was the re-affirmation of the eight state and territory VET markets. It also did not remove the Australian Government's capacity to create its own VET-related markets which are used as methods for the procurement of services. Examples include *jobactive* provision (The Senate Education and Employment References Committee 2019), the Australian Apprenticeship Support Network (Ithaca Group 2018) and the P-tech STEM for secondary schools program (Westacott 2018). Herein lies a possible explanation as to why the Interim Report into NASWD is treading the same policy and program grounds that were marked out in the late 1980s.

The policy intention laid out in the NASWD and its many genetically related predecessors can only be given effect if there is a single market as described in the Interim Report as 'a more open and competitive market' (Productivity Commission 2020, 35). This conception of singularity arises from the common economic dualistic approach of simplifying complex matters into two mutually exclusive categories (Dow 1990, 143). As the various inter-governmental agreements created this Australian VET market, they were required to accept a necessary economic shorthand of the single market to realise the NPM governance paradigm and apply competition policy. While the ANTA agreement rendered this impossible by funding the eight jurisdictional markets, the real issue is much more complex.

Prior to the 1990s, virtually all formally recognised training was provided by State-owned and operated bureaucracies collectively known as TAFE (which also became a colloquial acronym for training). However, with the entry of private Registered Training Organisations (RTOs) into the quasi-market for training in the early 1990s, the phrase 'Vocational Education and Training' embodied the entire training sector, with TAFE reserved for the public providers (Australian National Training Authority 1994c, 7-11). VET, however, retained

the obviously utilitarian but distinctive definition which had initially identified TAFE. The 1977 Commonwealth *Tertiary Education Act* states:

technical and further education means education provided by way of a course of instruction or training that is or that is preparatory to, a course of a kind relevant to a trade, technical or other skilled occupation or that otherwise meets educational needs, not being -

- (a) education provided at a university or at a prescribed Commonwealth institution
- (b) education provided at a college of advanced education other than education provided by way of a course declared by the Commission, by resolution, not to be a course of advanced education
- (c) primary or secondary education provided by way of a full-time course in a school (Education Advisory Group 1978, 6 emphasis in original).

This defines VET by what it is not. It is not a school, a college of advanced education or a university. As long as the policy space was not occupied by one of these institutions, VET was anything left over. The creation of ANTA and its remit to fund a single contestable VET market saw adult education, mechanics institutes, university extension courses, Workers' Educational Associations, TAFE, Community Colleges and community education progressively subsumed into VET (Whitelock 1974). Foley (1995, 95) describes that the 'provision of adult education is notoriously diversified' and includes five major categories of provider:

- formal education institutions
- adult education centres and other community and voluntary associations (e.g., churches, clubs)
- government departments (e.g., health, agriculture)
- enterprises, professional associations, unions and other work-related providers
- private providers (e.g., business colleges, private tutors and coaches).

In more recent years and in response to open and competitive markets trading organisations with a mission rather than a private profit motive, social enterprises, have emerged as active participants in the various VET segments as well (Zoellner 2019f).

It is submitted that the dualistic ordering the envisages a single VET market divided into only two possible alternatives – market or government (Wolf 1993) – does not reflect the reality that there are multiple VET segments in existence and that simplistic policy prescriptions impact on them in different ways and produce unpredictable and unanticipated outcomes. Instead of yet again trying to reduce a plethora of VET segments to a simplistic either market or non-market dualism that enables the use of the NPM governance paradigm, it is time to recognise the reality that there is a complex mixture of VET segments that make up the National Training System.

By applying a both-and perspective to the issues explored in the Interim Report, it is possible that more tailored and nuanced policies can be developed that more closely correlate with VET's diverse reality which will, in turn, facilitate better alignment between policy and outcomes. It may be that after 30 years of using the New Public Management paradigm to guide VET policy that all the benefits have been realised and we now need to use more

contemporary ways of deriving public value out of the National Training System. Clearly Australia's social and economic landscape is very different than it was in the 1980s, yet major explorations of VET policy such as this review of the NASWD suggest policies from that era will be suitable for the future.

In the remainder of this submission the use of the phrase public value refers to a governance paradigm, Public Value Management, and that this cannot be used interchangeably with notions of 'public benefits' as suggested in the Interim Report (Productivity Commission 2020, 20).

Information request – role of competition in the VET market

- *What role should competition play in meeting users' needs, including the quantity, type and quality, and regional accessibility of VET services ?*
- *How should efficiency of the VET market be measured?*
- *What is the appropriate (and exclusive) role of public providers and why?*
- *Are additional consumer protection arrangements required to support a well-functioning VET market? What are the costs and benefits of different models of consumer protection established by governments, including ombudsmans' offices (Productivity Commission 2020, 36)?*

Empirically, there are segments of the National Training System where an open and competitive VET market operates quite well. The provision of skill sets by private trainers in response to occupational and industry regulatory requirements, such as first aid or responsible service of alcohol, provide a clear and well-documented example (Stanwick and Siekmann 2019). There were nearly 100,000 skill set enrolments in 2018 (Stanwick and Siekmann 2019, 13). 90 per cent of training package skill sets delivered in 2018 were funded through fee-for-service arrangements (Stanwick and Siekmann 2019, 18) and about two-thirds were delivered by private providers who have steadily been increasing their market share from 35 per cent in 2015 (21-22); TAFE and enterprise providers delivered most of the remainder in 2018.

The provision of apprenticeship and traineeship qualifications has been conducted under programs of User Choice for decades (Australian Government 2015, Masters 1998) and it has become a well-accepted and established mechanism that is directly paid to private and public Registered Training Organisations (RTOs) to provide off-the-job trade training. RTOs are chosen by employers (and sometimes students) and public funding follows the apprentice/trainee's enrolment and completion. It should be noted that while this market mechanism has been successful as a means of allocating public funds, the national number of trade apprentices has fallen from a historic high in 2012 of 215,500 to 173,200 in 2018; non-trade apprentice/trainee numbers have also declined from 299,400 to 96,500 in 2018 (National Centre for Vocational Education Research 2018, table one). Clearly, the market mechanism responds to the amount of funding allocated to the NTS.

To be able to issue nationally recognised qualifications in the open and competitive VET market providers are subject to supervision by one of three regulators in the sector; the Australian Skills Quality Authority registers nearly 3,700 RTOs (mpconsulting 2020, 15). 'Nearly 2,000 providers (around 40% of the total) have 100 or fewer students and these providers tend to deliver highly specialised courses with minimal government funding' (mpconsulting 2020, 15). In early 2019, New South Wales had 1142 registered training organisations headquartered in the state of which 972 or 85 per cent traded as for-profit entities (Training.gov.au 2019). These statistics suggest that Australia has a large number of mostly small RTOs that are trading profitably in the VET market. It is also implied that this

segment competitively operates as intended and that the goal of removing TAFE's monopoly to award qualifications has been achieved (Australian National Training Authority 1995, 10).

This more open market not only benefitted the for-profit RTOs, it allowed, indeed encouraged, a range of other interests to deliver nationally recognised qualifications to groups that had previously been marginalised by what they perceived to be monolithic and unresponsive TAFEs. The story of the Indigenous owned and operated Wontulp Bi-Buya College (WBBC) in Cairns provides a case study in the success of introducing the VET market:

The opening up of the training market to mission-driven providers such as WBBC has had the positive impact of preserving and helping to maintain cultural knowledge and processes by allowing non-government providers to use public funding to deliver formal training. WBBC has embraced the market and the leadership team believes that complying with the law of the land to deliver training is an important mechanism for 'our Indigenous people to be acknowledged and have a place to enter the [mainstream social, political and economic] systems'. The college continues to carefully choose sensitive, appropriate pedagogies and inclusive courses that are relevant to the training needs of Aboriginal and Torres Strait Islanders. Driven by its Christian mission, the college's activities are congruent with the pivotal goal of lifelong learning for the individual as identified in the Kangan Report (Zoellner et al. 2016, 11-12).

However, going to the market for VET delivery also produces some ostensibly unexpected outcomes. As the early mover on the implementation of the NASWD, Victoria (Department of Innovation 2008, 23) decided to marketise and privatise the delivery of government-funded VET by introducing the Victorian Training Guarantee which was designed to encourage a 'wider range of providers' and to give students 'more choice' in accessing government-subsidised training from mid-2009. Coincidentally, the 'first attempt to identify the range and scope of social enterprises in Australia' was also being undertaken in 2009 (Barraket et al. 2010, 4) and found that 'education and training (41.6 per cent) and arts and recreation services (31.7 per cent) were the two most frequently cited categories within which participating social enterprises operated' (Barraket et al. 2010, 21).

The Victorian State Government (2017, 1) believes that it provides 'national leadership in social enterprise policy' with the launch of its 'first social enterprise strategy' that seeks to position that state's social enterprises as 'national leaders in driving employment participation and inclusive economic growth' (Castellas et al. 2017, 7). Given the close links between public policies encouraging an outsourced fully contestable VET market, the large percentage of social enterprises with an education and training mission and support from the Victorian State Government to increase the variety of providers; it could reasonably be expected that a significant number of social enterprises would have taken up the opportunity to trade in the expanded and more competitive VET market.

The second national survey of the Australian social enterprise sector, based upon an amended version of the 2010 research (Barraket et al. 2010), was conducted in 2015 (Barraket, Mason, and Blain 2016, 63). It found a significant change in 'the two most frequently identified industry categories' had taken place in the intervening period (Barraket, Mason, and Blain 2016, 16). Retail trading (24.5 per cent) and social assistance (22.2 per cent) had replaced education and training (down from 41.6 to 18 per cent) and arts and recreation studies (down from 31.7 per cent to 16.5 per cent). This major shift in the

business of social enterprises corresponded with the widespread implementation of the NASWD in the states and territories.

The introduction of more open and competitive VET markets corresponded with a significant number of previously profitable social enterprises leaving the education and training trading area. Rather than expanding the participation in the education and training industry, the creation of the VET market coincided with a very significant shift in the mission and operations of many social enterprises that had previously been successful training businesses, particularly in regional areas. Prior to the introduction of the VET market education and training was the major activity of almost 42 per cent of social enterprises and the single most common area of trading. In the relatively mature Victorian VET market, education and training is no longer reflected in the top five missions of social enterprises with more recent studies suggesting falls to well below 20 per cent of major industry activity (Zoellner 2019f, 13).

With private for-profit RTOs making up about 80 per cent of providers operating in the Victorian training market in November 2018 (Zoellner 2019f, 8) and a shrinking TAFE share, it appears likely that for-profit providers pushed many social enterprises out of VET. Another example of the impact on Australian social enterprises of full for-profit market competition in delivering employment services has seen a massive reduction in the number of Job Network providers from about 300 (many of which were social enterprises) in 1998 to only 42 *jobactive* Network providers in 2019; 'forcing out small community-based organisations who are unable to achieve efficiency of scale' (The Senate Education and Employment References Committee 2019, 88).

The marketisation experience of social enterprises nationally in the *jobactive* Network and the Victorian training market indicates that the financial surpluses generated by trading for a mission have resulted in monies that would have been allocated to serving community, social and local economic purposes being converted to private profit. It seems unlikely that this was an intended outcome of the VET market given Victoria's support for social enterprises and their role in increasing employment in regional areas and moving disadvantaged groups into employment. Money that would have been recirculated into more training, local projects and employment is now taken out of communities. Any calculation of public value of VET expenditure would need to consider this outcome of privatisation.

In England's 'first joint HE-FE [VET] review since the Robbins report in 1963' eight principles guided the outcomes of review panel (Augur et al. 2019, 8) including:

Principle 7. Post-18 education cannot be left entirely to market forces. The idea of a market in tertiary education has been a defining characteristic of English policy since 1998. We believe that competition between providers has an important role to play in creating choice for students but that on its own it cannot deliver a full spectrum of social, economic and cultural benefits. With no steer from government, the outcome is likely to be haphazard.

In an earlier related observation Robinson (1998, 112) notes that markets based solely on training decisions made by individuals and enterprises in isolation can lead to under-investment in key occupations and industry sectors, skills shortages and unemployment.

In the Australian VET market, there clearly are areas where the open and contestable VET market is not working. The following summary is derived from the data-driven findings from Victoria and New South Wales contained in my two initial submissions to the early stages of this review (Zoellner 2019d, e):

In spite the large increase in the national population and potential market size, there has been an unambiguous reduction in student numbers in the government-funded portion of the training system since 1998. There has also been a substantial decline in government funding as well. While a causal link between student numbers and the availability of public funding can only be speculated upon, it is clear that various state guarantee or entitlement programs have reduced the total amount of government financial support available for lifelong learning and, as well, there has been an increasing concentration of enrolments in a relatively small number of training packages and qualifications inside them.

The policy preoccupation with creating contestable training markets in order to give students increased choice of providers has had significant consequences. The singular focus upon increasing the choice of provider has reduced or removed altogether other choices for communities, employers and students. Some of the choices that have been impacted include the location of training, mode of study, courses, range of occupations, levels of qualifications and post-school options.

The results presented in this paper demonstrate that equity and access in support of lifelong learning are increasingly dependent upon where one lives and an individual's socio-economic status. In some areas and for some groups, choice has been removed completely, as there are no longer Registered Training Organisations of any sort present in local communities. This phenomenon is not solely linked to relative remoteness factors, as it has also been shown that the lowest socio-economic groups have incurred a disproportionate loss of student numbers engaged in the formal training system.

Different state-level policies and programs show that this loss of access and choice is not inevitable. For example, Queensland demonstrated that training could be reduced more heavily for those who are relatively more advantaged. This also demonstrates that policy choices do have consequences and that the current situation has resulted from the deliberate application of both national competition policy and New Public Management principles that remove governments' direct delivery of services.

The national training system delivered through an open and competitive training market is producing a smaller number of qualified persons in an increasingly narrow range of occupations. While lifelong learning remains an integral part of policy rhetoric, the reduction of funding, access and equitable choices in a wide range of VET-related areas does not facilitate the permanent commitment to self-improvement and skills development that will enable participation in the labour market as it develops in the future.

Possibly the most succinct statement on the disconnection between policy intention and reality resulting from the NASWD is expressed in these findings:

A New South Wales Legislative Council (General Purpose Standing Committee No. 6 2015, 17) inquiry into VET concluded that a contestable

training market will benefit all sectors of the vocational education and training sector'; but also described that 'the committee received compelling evidence that the contestable training market under Smart and Skilled is not working for regional, rural and remote communities' (65).

It is time to seriously consider if the NPM-inspired role of competition has reached the limits of its effectiveness and impact in VET. There are areas of the NTS where it works and other places where it does not. The rejection of the dualistic reduction of skills training to either market or government provision in favour of a both-and recognition of the rich and diverse complexity of a National Training System questions the original conceptual market construct promulgated by the Australian National Training Authority. The implied, yet unstated, VET delivery mechanism would be funded and delivered 'based on an open and competitive training market consisting of both public and private training providers' (Australian National Training Authority 1994, 4). In practice, this reductionist statement envisaged all providers as having some sort of equivalence and that they would be capable of being interchangeable (for ease of regulation and funding) in their capacity to deliver highly specified training products. Again, this equivalence is a means of simplifying a complex range of providers, students, employers and jurisdictions and does not represent reality.

We need to move from repeating the market-nonmarket dualistic arguments that have characterised policy-making and associated funding allocations in the Australian VET system for the past three decades if we want to clarify a role for the public provider. Quite simply stated, we can shift from 'either-or' to 'both-and'.

Stanley (2017, 8) argues for system optimisation and that some systems produce maximum benefits for consumers, industry and society by having public and private competitors working together in a managed system in ways that expand the market and meet needs not yet served. The benefit of an optimised system is that multiple suppliers can be managed in ways that contribute towards the system's aims that numerous providers operating as self-centred profit centres cannot (Stanley 2017, 9), because their immediate focus is on short term profits resulting in the most beneficial results of public and private investments not being realised.

Australia has nearly 30 years' worth of VET market data which shows that some portions of the complex national training system that is characterised by 'a plethora of VET programs and policies' (Productivity Commission 2020, 130) and where 'national consistency *per se* is not always a virtue' (Productivity Commission 2020, 173) lend themselves to a fully open and contestable market (National Centre for Vocational Education Research 2019). Simultaneously, nonmarket provision is a more suitable option for other parts of the various VET segments that New Public Management principles attempted to reduce to an unreal simple open market; in spite of many attempts at policy adjustment, this has never represented reality (Zoellner 2019d, f, b).

Robust data exists to allow for a more nuanced and fine-grained analysis of the national training system rather than the prevailing blunt cleavage of either markets or nonmarkets. It is time to (re-)recognise that the VET system has always consisted of multiple segments and, rather than being a problem, presents the opportunity to use data-informed management to achieve system optimisation by using a 'both-and' approach. In some parts of the system, markets work very well, in other areas nonprofits and community providers optimise the aims of the system while TAFE best meets to needs of other parts of the NTS.

Because TAFE was defined by what it was not, its logic has emerged from hybridity. TAFE is a place where multiple, competing logics co-exist (Zoellner 2019a, 8-9). This capacity to

embrace multiple, sometimes competing, institutional logics defines TAFE's value proposition in the national training system; appropriately managed TAFEs work with a wide variety of industry, business, community and even competitor groups to create public value and therefore justify the investment of government funds. For example, TAFE SA is making its facilities available to private providers on a commercial basis in order to make the best use of publicly funded infrastructure to avoid duplication and to better serve regional and remote areas (Williams 2019a).

While the Productivity Commission (2020, 113) addresses public value, it does so in a characteristically reductionist manner and equates public value with public benefits (for example, p. 123) and as rationales to 'justify government interventions in the VET market' (Productivity Commission 2020, 113). This submission's reference to public value in defining the role of the public provider invokes another economically derived understanding of ways that governments can deliver human services. Public Value Management (PVM) provides an alternative to the Productivity Commission's exclusive application of new public management to develop an understanding how a national training system might best function. PVM is a public governance paradigm that emphasises 'that government exists to serve its community' by facilitating the co-creation of public value (Torfing et al. 2020, 107).

Polanyi (2001, 157) proposed in the mid-1950s that markets were not the natural order, rather 'the road to free markets was opened and kept open by an enormous increase in continuous, centrally organised and controlled interventionism [by the state]'. Following this line of reasoning, Mazzucato and Ryan-Collins (2019, 14) reject the notion of market failure and its supposition of community service obligations. Public value is created by having the public sector set the direction and public purpose in ways that enable private and public actors to co-design, collaborate and innovate to solve societal problems. This takes us back to the principle used in the post-18 review of English Further and Higher Education that noted markets on their own will not optimise outcomes (Williams 2019a).

Because the institutional logic of TAFE has created a hybrid and non-dualistic organisation, it is uniquely placed to move beyond the negative market-fixing role to a positive market-shaping and market-creating role that is produced by the interactions between public and private actors (Mazzucato and Ryan-Collins 2019, 14). The place of the public provider of VET is justified because it creates mission-driven public value. In summary it is proposed that 'all markets and institutions are co-created by public, private and third sectors. [The] role of government is to ensure markets support public purpose by involving users in the co-creation of policy' (Mazzucato and Ryan-Collins 2019, 14).

Public Value Management (Torfing et al. 2020, 105-124, Mazzucato and Ryan-Collins 2019) is a paradigm of public sector management that also facilitates system optimisation because it accepts diversity and rejects the dualisms of the market-nonmarket binary. It may also be that after 30 years of using the New Public Management paradigm to guide VET policy that all the benefits have been realised and we now need to use more contemporary ways of deriving public value out of the national training system that reflect the economic realities of the 2020's rather than looking to solutions from the 1980s.

In their strategic capability review of TAFE SA, two of the original architects of the open and competitive VET market, Moran and Bannikoff (2018, 57), recommended that a future organisation model of public VET provision should be 'explicitly designed for TAFE SA to become a self-accrediting education institution'. About two-thirds of TAFEs are already registered with the Tertiary Education Quality and Standards Agency. Self-accrediting TAFEs could more flexibly and quickly respond to local training needs of industry,

businesses and communities and would fit comfortably in an optimised VET system that is creating public value as described above. Self-accreditation should be an exclusive role for TAFE in the National Training System because it would allow state and territory governments to respond much more quickly with locally tailored responses as well as respond to national and international imperatives such as the COVID-19 pandemic

Finally, it is not clear why the Interim Report is seeking information only on the efficiency of the VET market when a more comprehensive approach has been advocated by the Productivity Commission in other circumstances. In making its assessment of the potential costs and benefits of economic reform options the Productivity Commission (2017, p. 4) has previously indicated that it examines five attributes:

- quality – incentives for providers to offer high-quality services
- equity – who is affected by reform and how
- efficiency – incentives for providers to reduce costs and maintain quality
- responsiveness – providers being more responsive to user's needs and
- accountability – more accountability to funders (taxpayers and users).

This more extensive list of reform attributes lends itself to switching to the PVM governance paradigm that facilitates both-and policies and programs. It is also worth noting that England is increasingly turning to 'insourcing' when the anticipated benefits from the outsourcing of public services have either failed to materialise, the quality of service has plummeted or even the provider's business has failed (Sasse et al. 2020). Public provision is a better option under the following conditions:

- an unhealthy or non-competitive market [segment]
- government needs flexibility to make frequent or significant changes to the design or scope of service, in view of changing policy and budget priorities
- government lacks the commercial skills to procure or manage a contract successfully or when
- a service could be improved and/or savings made by integrating it with another service (Sasse et al. 2020, 8).

Interim recommendation 2.1 – information on VET system performance

Australian, State and Territory governments should develop improved performance measures to provide a more complete picture of system performance. Any future sector-wide performance framework should better measure:

- *total VET activity*
- *the contribution of VET to developing the foundation skills of Australians*
- *skills obtained through the VET system when students do not complete a course*
- *students' longer-term labour market outcomes (Productivity Commission 2020, 36).*

Starting with the first national review of apprenticeship training (Commonwealth-State Committee of Inquiry Into Apprenticeship 1954, 54) almost every report describes that their work was hindered by not enough data availability. For the purposes of this submission, it is argued that collecting data and information that more accurately reflects the multiple VET segments that operate in the National Training System would better inform policy and resource allocation decision-making rather than data solely derived from the singular VET market.

Neoclassical economics operates with a means-end, subject-object dualism which gives rise to organisational theories that tend to isolate organisations from their institutional and societal context (Friedland and Alford 1991, pp. 233-235) and create a situation where 'dominant institutional logics are imported in such a way as to become invisible assumptions' (p. 240). The special place given to the importance of community service obligations as a rationale for TAFE's existence would be one such example of this type of importation of an NPM principle into the VET sector that has become widely accepted without question. Friedland and Alford believe that adequate social theory must work at three levels of analysis:

1. individuals competing and negotiating
2. organisations in conflict and coordination and
3. institutions in contradiction and interdependency.

However, most neoclassical economic managerialists analyse the formation, operation and relationships between elite controlled bureaucratic structures in ways that produce a theoretical perspective that 'has places it cannot see, territory it cannot map' (Friedland and Alford 1991, pp. 240-241). This endless quest for more and better data that is repeated in the Interim Report derives from the institutionalised logic of the marketplace which focuses on the procurement function of the VET market rather than parts of the NTS that remain invisible to market advocates.

In making the case for a both-and approach to better understanding the various segments of the NTS, more nuanced and segment-specific information will be required. This interim recommendation is strongly supported.

Information request – career guidance for students

What changes could be made to ensure school students have appropriate career information and advice (Productivity Commission 2020, 36)?

In common with the desire for more information, providing more information to youth is an enduring pursuit. The first national review of apprenticeships made many recommendations, including several to do with career guidance:

40. Career advising should be practised in schools to supply vocational information on apprenticeship trades and other vocation, and should be supplemented by film displays, pamphlets, visits to factories and the like during the last year of education, so that youths' vocational interest become defined as they approach school leaving.

41. All youths should be vocationally guided at or near the end of their school career.

42. Parents also should be encouraged to think objectively about apprenticeship as a possible vocation for their children, for which purpose extensive public relations programmes should be undertaken stressing the nature and community status of the skilled trades.

43. Such general publicity should be supplemented in the case of little-known trades and trades which are unjustifiably unpopular (Commonwealth-State Committee of Inquiry Into Apprenticeship 1954, 56).

Like so many areas of VET, it appears that little has changed over the years.

Multiple studies indicate that parents remain the source of the ‘most trustworthy career advice’ (for example, Shipley and Stubley 2018, 39). In particular, more than three-quarters of young people want more personalised career advice through participating in a high quality interaction with an advisor that is focused on their interests (Shipley and Stubley 2018, 37). Similar findings resulted from a large-scale study into the perceived status of VET conducted in Queensland last year. Parents had the strongest influence on students’ decisions to undertake VET studies post-school with school teachers coming in second place (Billett, Choy, and Hodge 2019, 3). In addition, students wanted ‘more personalised career information about VET jobs’ and ranked ‘online materials that are easy to access’ in fourth place out of six options (Billett, Choy, and Hodge 2019, 4). In addition, ‘there is a general perception that printed materials and media advertising are not as effective as more directed information’ (Billett, Choy, and Hodge 2019, 4). This research suggests that important strategies and actions to enhance VET as a viable option for students must ensure that parents are better educated about contemporary trade occupations; provide personalised career information about jobs; expose students while at school to a range of different education facilities and institutions; encourage selected high quality work experience and commence career advice in earlier years of schooling (Billett, Choy, and Hodge 2019).

In a more formal presentation of the Queensland research in a peer-reviewed journal it was shown that ‘online materials that are easy to access were rated in the lower half of seven options not only by students, but also school teachers, parents and VET teachers (Billett, Hodge, and Choy 2020, 288). While the provision of online career’s advice is an attractive policy option to policy-makers, possibly due to lower per unit costs compared to individualised professional careers advice, the newly established National Careers Institute consistent pursuit of ‘an online platform to consolidate and update existing careers information’ would seem to have little support from the target groups it seeks to influence (Department of Education 2020, 4). Likewise, the research indicates that the least valued sources of career advice and VET enhancement in general are brochures, pamphlets and printed materials (Billett, Hodge, and Choy 2020, 288). This does not bode well for the usefulness of publications such as *The modern worker: a guide to what employers want* (Business Council of Australia 2020).

Parents and students should receive personal and individual career guidance from trained and qualified professionals and this should start in the middle years of schooling as part of an integrated program of exposure to VET and the occupations it serves.

Interim recommendation 2.2 - a new principles-based agreement

Australian, State and Territory governments should negotiate a new, principles-based intergovernmental agreement. Such an agreement should commit governments to developing an efficient, competitive market driven by the informed choices of students and employers. The agreement’s principles should include:

- *centring policy on the consumer, including information provision for informed choice*
- *equitable access*
- *recognition of fiscal sustainability and the stability of funding*
- *transparency about where funding is allocated, including detailed information on course subsidies, costs and the size and nature of funding to public providers*
- *efficient pricing and delivery*
- *designing incentives to increase the likelihood of eliciting training*
- *competitive neutrality between public and private provision*
- *neutral, but not equivalent, treatment of the VET and higher education sectors (Productivity Commission 2020, 37).*

This submission supports the notion of a new principles-based national agreement; however, it takes issue with these particular principles as they only serve to reinforce NPM's market-non-market dualism. New principles should support a shift to both-and policy and program development embodied in PVM as discussed above. We have enough data to know what segments of the NTS are best served by market mechanisms and other segments that require more direct public provision because they are unsuitable for marketisation. These are not market failures, they simply are not well-served by the NPM paradigm.

Information request – designing a new intergovernmental agreement

If a new principles-based agreement was negotiated in line with interim recommendation 2.2:

- *how should it consider other educational sectors, informal training and non-government funded training?*
- *what other mechanisms to facilitate reform and improve accountability would best complement an agreement (Productivity Commission 2020, 38)?*

As noted previously, the National Training System consists of many segments and these do not operate in isolation from each other. Decisions made in other formal educational sectors impact the NTS and should not be excluded from considerations for a new agreement. The real missing factor here is that there appears to be little provision for industry input into what a new agreement might contain and if the contents will be of use to employers. In the broad sense, the system has lots of data on students and providers of tertiary education and training, much of which is held and curated by the National Centre for Vocational Education and Research for VET and the Department of Education, Skills and Employment for higher education. The 'black box' (Keep 2013) of the entire post-school sector is employer behaviour in areas such as informal, privately-funded or unaccredited training.

National employer groups have very active and sophisticated capabilities to research and advocate policy and funding programs on behalf their members (for example, Business Council of Australia 2018, Australian Chamber of Commerce and Industry, AI Group, and Business Council of Australia 2017, Lilly 2016, 2020). But on the other hand, we have very little information about what employers at the enterprise level actually do in terms of training with the exception of a few tightly focused studies (Billett et al. 1999, Smith, Oczkowski, and Hill 2009, Smith and Brennan Kemmis 2010). Much more needs to be known about what motivates employers to engage in training for their staff and the use of qualifications to make hiring decisions. For example, concerns about large numbers of students being employed in occupations that are not related to their field of study (Wheelahan, Buchanan, and Yu 2015) are frequently portrayed as a supply-side problem in that the system is not working or students have made poor choices in deciding what to study.

Most of the analyses in this area focus neglect the fact that if a former VET student is employed in an unrelated field to their studies, the employer had to decide to hire them in the first place. Much more needs to be known about firm level decision-making and this is intimately related to other areas canvassed in the Interim Report about apprenticeship support, career counselling and incentives. Keep's 'black box' needs to be opened.

In terms of other mechanisms to support reform and accountability, the implications of the both-and approach suggested in this submission imply the need to be a greater range of mechanisms that are tailored to the specific VET segments that compose the NTS instead of high-level targets that are easily set at unrealistically high levels and justified post hoc as being aspirational. The exact mechanisms would need to be negotiated with for each

segment in light of their target groups and business model. This would better reflect the reality of a complex and diverse NTS rather than the fiction of a single VET market.

The open and competitive VET market was created to serve as a means of procurement for the delivery of VET qualifications that had been only available through public providers. Conceptually governments use the VET market as the means to outsource and privatise the delivery of a human service. One result has been to fix the gaze of most RTOs and policy-makers on the question of who pays and which organisations can gain access to government funding (for example, Williams 2019b). The reduced, simplified and contestable VET market has abstractly treated all providers as equal and ignored the historic and rich diversity of providers that bring different types and levels of experience and expertise to the provision of VET. This presumption of uniformity hides vast areas of the National Training System (producing the need to request ever increasing amounts of data and information as noted above) leads to problems as a result of policy-making that did not consider the complexity and diversity of the system thus producing unintended outcomes. As the rapid review of ASQA observed, there are many types of providers, including:

VET providers can include technical and further education (TAFE) institutes, adult and community education providers, agricultural colleges, private providers, community organisations, industry skill centres, professional associations, commercial and enterprise training providers, schools and universities (mpconsulting 2020, 16).

Using a PVM approach to the National Training System that recognises and values both market and non-market provision that can accommodate self-accrediting TAFEs would help develop appropriate principles and relationships with the other sectors. It is important to note that schools and universities are well-known and well-understood institutions in Australian society. The conversion of the also well-known institution of TAFE into a complex VET marketplace arguably explains why young people are being pushed towards higher education with the consequences of higher dropout rates and an undersupply of students in VET resulting in low apprenticeship and traineeship commencement rates and national skill shortages in many trade roles (Shiple and Walker 2020, 11). Australians know how to deal with institutional strengths and weaknesses, however going to the VET market has too many unknowns is being increasingly rejected due its non-institutional construction.

Governments' funding of VET

Interim finding 3.1 – public and private returns to VET

There are significant private and public economic returns to VET, with returns larger for Diploma and Advanced Diploma VET courses. There are also indirect benefits — such as reduced crime and intergenerational economic mobility — which may be greatest for lower-level VET qualifications (Productivity Commission 2020, 38).

Again, it is time to move beyond the reductionist and simplistic categorisation of only two types of economic returns to VET. The optimisation of the National Training System (Stanley 2017) and using the Public Value Management governance paradigm allows for systems to be constructed and measured holistically rather than as two separate portions. It encourages public and private cooperation where it works best while recognising that competition is also useful. The framing of this request may also be suggesting shifts in public funding to individuals and, if this is the intention of a potential new agreement, the matter needs to be canvassed more openly and directly.

Interim finding 3.2 – aligned treatment of VET and higher education

The use of subsidies in the university system provides a robust efficiency and equity rationale for subsidies in the VET system. However, given the public benefits and aims of the VET and higher education systems differ, subsidy rates do not need to be identical in the two sectors for all occupations and fields (Productivity Commission 2020, 38).

Agreed, but this area requires more work premised on Public Value Management.

Information request – identifying and acting on skills shortages

- *What are useful ways of defining and measuring the skills shortages (and surpluses) relevant to the VET sector?*
- *What factors are causing an apparently persistent shortage of skilled workers in some occupations, despite these occupations being a priority for government support?*
- *To what extent are skills forecasts based on future industry growth a useful and reliable basis for providing course subsidies?*
- *In what circumstances do skills shortages justify course and employer subsidies and at what level of granularity (Productivity Commission 2020, 38)?*

The provision of skilled labour in Australia has always interacted with migration policy (Butlin, Barnard, and Pincus 1982, 64 and 102). Even the funding for domestic apprenticeship training under the Skilling Australians program comes from the proceeds of a levy on applications for certain classes of skilled migration visas (Zoellner 2019c). Of course, with the closure of Australia's external borders due to COVID-19, this source of revenue has disappeared. There are too many complex issues to deal with in this information request, but skilled migration and domestic VET interact with each other in historically conditioned ways that serve a variety of interested parties and they cannot be ignored in answering the questions posed above.

Because different segments of the NTS cater for different target groups for different reasons, these questions do not have single discrete answers that universally apply to all situations. Both-and approaches to understanding and optimising the NTS are necessary.

Interim finding 4.3 – jurisdictions' approaches to subsidising courses

State and Territory governments share the same goal that subsidies should increase participation in training, particularly by students facing disadvantage and in skill areas in short supply or with other public benefits. All take the same key steps in setting subsidies and managing subsidised services. However, there is significant variation in policy priorities and the approaches used to determine which courses receive subsidies, and in overseeing course costs and student fees. Consequently, subsidies and student fees for the same courses can vary widely across Australia. The effects of different settings on the behaviour of students and training providers are poorly understood (Productivity Commission 2020, 39).

It is not clear as to why differential pricing in the open and competitive VET procurement procedure is portrayed as a problem. Price variation is one of the benefits of contestable markets and should be expected as competition between providers can lead to increased efficiency and higher quality. Again, this variation only reflects the reality that there are many segments on the NTS and not a singular VET market. Differential student fees may reflect different levels of ancillary services that accompany the delivery of VET. Some providers furnish access to a library, personal and career counsellors, a free email account, post-training job-matching, specialist facilities and high levels of personalised instruction. Others may provide a bare bones online operation in which there is no human interaction and no ancillary services. Obviously, student fees and the level of subsidy reflect these variations.

The arguments for different conditions in each state and territory as rationales for increased Commonwealth funding are well rehearsed and need not be repeated here.

Options for funding and pricing reform for course subsidies

Information request – simplification of subsidy groupings

- *In judging the relative merits of alternatives in option 6.1:*
- *how should subsidy groupings be simplified?*
- *what criteria should be used to bundle courses and set subsidy rates?*
- *what are the trade-offs between the greater simplicity of adopting nationally consistent subsidies and the reduced discretion for jurisdictions (Productivity Commission 2020, 40)?*

Interim recommendation 6.1 – common methods for costing

State and Territory governments should use common methods to measure costs and determine loadings (Productivity Commission 2020, 40).

These two items immediately above only serve to support efforts to reduce and simplify some of the factors that support the dualistic open and competitive VET market as a procurement process. As discussed previously, such dualistic thinking only further hides the reality of a very diverse NTS and have outlived their usefulness. While they eventually do impact upon students in the NTS, the main role of these considerations is to make budget allocations easier to calculate. The important questions in this area that should much more profitably be pursued would be asking about which segments of the NTS perform best under market conditions, which need the most efficient and effective light touch and which areas are not suitable for market-based provision requiring public provision. Those baseline considerations would then give a better indication of cost implications and be able to cater for the complex, messy real world of the NTS and its various VET segments.

Option 6.3 – switching from supplier to customer subsidies

State and Territory governments could consider re-configuring subsidies paid to RTOs as student vouchers, with the voucher value depending on the method used to calculate subsidies as specified in option 6.1 (Productivity Commission 2020, 40).

In keeping with a consistent theme expressed in this submission, the 30-year-old open and competitive VET market was designed as a method of procurement so that governments could outsource large portions of the previous TAFE monopoly on provision and certification of skills. It was never designed with students directly purchasing training from a range of providers, although User Choice apprenticeship funding did allow employers and students (in some cases) to nominate which RTO would receive their training funding from governments. If this exploration of vouchers is part of a broader intention of shifting the balance of responsibility for funding training from government to the individual (albeit stimulated by vouchers of indeterminate value), this needs to be specifically made open for consideration.

The approach to the issue of vouchers used in the Interim Report is quite speculative. I am not aware of any Australian states and territories successfully using vouchers. Issuing vouchers to individuals is also fraught with danger of creating unintended outcomes and yet again using a market-based approach to give unscrupulous providers the opportunity to rot the system as occurred in VET VEE-HELP (Dempster 2016) or creating a 'rush to the bottom' by offering low value (in the labour market) and high profit margin courses (Wolf 2015) to poorly informed students or in the English attempts at introducing the Individual

Learning Accounts (Augur et al. 2019). If the question of vouchers is more than erecting a straw man argument there is need for the Productivity Commission to provide the evidence that such vouchers work in VET.

Information request – impacts of vouchers

In judging option 6.3:

- *how would vouchers be provided for courses with capped places?*
- *what impacts would vouchers have on effective competition?*
- *what are the risks of vouchers (Productivity Commission 2020, 41)?*

The use of government-funded vouchers has been a significant policy proposal in the NPM paradigm. I can find little evidence of the use of vouchers in the VET sector, but the school sector has been exposed to the full range of NPM-inspired policies and programs internationally. While this brief exploration of the impact of NPM-driven policies on the school sector may have some application for Australian VET and in the absence of VET sector comparative studies that are equivalent to the large-scale standardised testing of school students, the implications are speculative, but suggestive.

The Friedman-inspired questioning of public ownership and provision of education and training has been highly influential in determining government strategies and has developed into a consistent set of public policy propositions that have come to be known as GERM – the global education reform movement. This related set of dogmas includes:

- provider choice and competition
- for-profit providers of education and training
- efficiency combined with higher quality
- high-stakes external testing
- narrowing of curriculum and
- the use of under- or unqualified, and therefore cheaper, teachers (Adamson, Astrand, and Darling-Hammond 2016, p. 3).

In order to determine if the promised improvements that were expected to flow from increased marketisation and privatisation of school education had materialised, three paired sets of countries were compared over several decades. One of each pair had pursued the GERM policies while the other had adopted policy drivers enabling the provision of a public investment approach to education. The comparators were Chile-Cuba, Sweden-Finland and United States (several states)-Canada (Ontario). By using the results of the Program for International Student Assessment (PISA) and some other standard measures, it was shown that Chile, Sweden and the United States had not produced the expected beneficial results from their implementation of the GERM. In addition, system-wide student achievement had actually decreased while the transfer of ownership or management to private agents had resulted in growing levels of segregation and inequality of students and their families.

Furthermore, a broader analysis of the international data demonstrates that in the countries pursuing GERM the entire national cohort's results show 'lower academic standards for all students, including the so-called academically elite' that have shifted to private schooling (Adamson, Astrand, and Darling-Hammond 2016, p. 219). Chile, which was advised by Milton Friedman directly, now has students that are 'left in the dust, achievement-wise', by Cuba's publicly-managed schools in spite of this island nation's greater economic

challenges. Sweden's overall student achievement has dropped 'precipitously' from being one of the most highly educated countries in Europe to now performing well below the current OECD average in the Program for International Student Achievement (PISA). 'In PISA 2013, in all subject areas, Sweden is the country whose performance has declined the most' (Astrand 2016, p. 91). Sweden allocates an equal amount of funding for every student enrolled in a school using in a voucher-like system (Astrand 2016, 86). In contrast, Finland chose the public investment approach and now consistently leads the PISA results due to public provision of education, highly qualified teachers, low-stakes assessment and whole-child education strategies.

The United States is more complex, but that individual states with the highest overall PISA results have the least number of charter schools and levels of privatisation while those states with the most advanced level of market-based reform are consistently lower performers. The city of Milwaukee has the longest running and most extensive voucher program. The results of this city's voucher program included:

- a deliberately created culture of competition
- producing a highly volatile educational marketplace with many schools opening and closing
- academic achievement has not improved in state-wide testing
- achievement gaps between different student groups have widened
- achievement is low in all school sectors, e.g., public, private, religious or charter (Adamson and Darling-Hammond 2016, 145).

This result stands in stark contrast to Ontario's students who demonstrated significantly improved PISA scores after a hard-fought election replaced the GERM-promoting policies with an explicit system of education treated as a public investment in its youth. In describing the case for taxpayer funding that improved PISA results in Ontario, Fullan & Rincon-Gallardo (2016, p. 170) describe 'at the core of this theory of action is a firm belief that education, with its central role in promoting and improving moral, social, economic and societal well-being, should be a responsibility of the state'.

The Interim Report (Productivity Commission 2020, 79) refers to the Australian results of this same Program for International Student Assessment so it might be of use to understanding how VET vouchers might work if we compare local school outcomes to the broader findings described above. As with the VET market, the Global Education Reform Movement has experienced stable bi-partisan political support in Australia since the late 1980s. The long term implementation of the GERM's competition parameters into the education sector has resulted in the Productivity Commission's (2017, p. 6) finding of increased value to users and the whole community because choice and competition have produced a 'well established market for schools'. In making its assessment of the potential costs and benefits of economic reform options the Productivity Commission (2017, p. 4) examines five attributes:

- quality – incentives for providers to offer high-quality services
- equity – who is affected by reform and how
- efficiency – incentives for providers to reduce costs and maintain quality
- responsiveness – providers being more responsive to user's needs and
- accountability – more accountability to funders (taxpayers and users).

Again, in keeping with the intention of establishing a *prima facie* case to determine if further investigation of impact of vouchers in VET might be worthwhile, the outcomes of introducing the GERM into Australian schooling are presented in relation to the Commission's preferred attributes. Using the same PISA results from the previously discussed international comparisons of the impact of GERM, it is difficult to attribute higher **quality** outcomes to the establishment of a marketised schooling sector in Australia. In their analysis of the 2015 PISA scores, the Australian Council for Educational Research (Thomson 2016) describes that 'not only is Australia slipping backwards relative to other countries, but we are getting worse at preparing our students for the everyday challenges of adult life. The science, reading and mathematics achievement of Australian students is in absolute decline'.

In terms of **efficiency**, the Australian Bureau of Statistics (2018) indicates that the Consumer Price Index (CPI) for all of the economic groups used in the measure for the period 2006-2017 has increased by a total of 29.9 per cent (average of 2.9 per cent per year). In the same period the CPI for secondary education rose 73.2 per cent (6.1 per cent annually) and primary education rose 61.6 per cent (5.13 per cent per annum). The cost of marketised and privatised schooling has increased at more than double the rate of the national cost of living in each and every year resulting in rapidly increasing costs rather than the hypothesised reductions to users that was hypothecated to come from increased competition.

The attribute of **equity** is also going backwards in Australia's increasingly privatised and marketised schooling system. In common with Chile, Sweden and the United States, Australia's median PISA scores have fallen consistently since 2000 and 'while all cohorts [of SES percentile] have fared worse, the performance at the bottom has fallen by almost 50 per cent more than those at the top' (Hetherington 2018, pp. 10-11). 'It is well-documented that Australian students' performance is declining relative to global peers. Another feature of Australian education is the inequality widens as children move through their school years' (Hetherington 2018, p. 6). This clear trend corresponds with increasing privatisation. 'Seventy per cent of primary school students go to public schools, but the number of secondary school students in public schools has now fallen below 60 per cent' (Hanrahan 2017). Even inside the public sector, marketisation has also resulted a near total exclusion of students from the lower SES percentiles being accepted into selective schools (Hetherington 2018, p. 7). Australia's pursuit of GERM in schools has decreased equity and academic achievement for all students.

While it is not explicitly stated, presumably the Productivity Commission would view the shift of students from the public to private sector is a positive indicator of provider **responsiveness** to the increased parental choice created by the provision of public funds to private schools in order to support the market. This intervention actually commenced in the 1950s when the Australian Government funded the Catholic system to avoid its collapse under the strain of the post-war baby boom and increased immigration (Hanrahan 2017). The federal government's willingness to increase the market share of private schools has been a consistent feature of post-war public policy. In 1958 non-government schools enrolled 24 per cent of all Australian school children and this had dropped to 21 per cent by 1975; while in private secondary schools the share of enrolments fell from one third in 1961 to just under a quarter in 1975 (Butlin, Barnard, and Pincus 1982, p. 209). Australian Government subsidies has been increasingly used to first stem the decline in private schools and then to significantly increase the shift from public to private provision.

It seems probable that the discipline of the marketplace would meet the Productivity Commission's requirement for increased **accountability** that comes from educational microeconomic reform. The broad patterns of shifting enrolments between school sectors and individual schools, in a fully informed market, will hold schools to account as student enrolments, determine the institution's income and the future existence of the school.

These results give an indication as to the measures of success that are apparently acceptable to the advocates of NPM and their recommendations to governments. Quality, equity and efficiency can each decrease significantly as a result of marketisation and privatisation of education services, for the purpose of eliminating over-servicing known in economic circles as 'gold-plating' (Productivity Commission 2012, p. 91), as long as a user choice market exists and providers rise and fall on the basis of this choice being exercised. This supposition also explains the willingness of a range of advanced market democracies to preside over the reduced outcomes and quality of their VET systems – the existence of an open and competitive market with user choice is more highly valued than are the results produced by the system. Policy options to optimise the outcomes of the NTS become inconceivable because they cannot be seen.

Interim finding 6.1 – well-designed VET student loans improve affordability

Poor design, rather than poor policy justification, was the source of the sorting of VET FEE-HELP. A well-designed VET student loan scheme can improve affordability and access to VET courses with few fiscal risks to government (Productivity Commission 2020, 41).

While the design and regulation of VFH in the rush to stimulate an open and competitive VET market were obviously not sufficient to prevent the vast loss of public resources (The Auditor-General 2016, Dempster 2016), the proposition that the policy justification is correct cannot go unchallenged at several levels. First, the Interim Report allocates considerable space to the issue of student loans without explicitly dealing with the overall policy driver – the shift of the costs of training from the public purse to the individual student.

This should be more prominently discussed and examined in terms of costs and benefits. The major question is for whom do loans 'improve affordability'. There are numerous anecdotal reports that the uncontrolled growth of student loans are now serving as a handbrake on the United States economy, family formation and a series of other impacts (for example Ingraham 2019).

It is submitted that the risks of sorting and seeking unjustified financial gain are associated with the profit-seeking basis of the market itself. Polanyi (2001, 109) proposed that 'today, there is no respectable intellectual support for the proposition that markets, by themselves, lead to efficient, let alone equitable outcomes'. 'The introduction of free markets, far from doing away with the need for control, regulation and intervention, enormously increased their range' (Polanyi 2001, 147) and market society is based on 'self-interest' (257). Market-based policy, rather than poor design, created the unacceptable behaviour in the VET market. This should not be a surprise to policy makers as there are always participants in education and training markets who are willing to exploit the inherent weaknesses of education and training markets for financial advantage. Other recent examples include providing VET qualifications in unduly short timeframes (Australian Skills Quality Authority 2017) and taking unfair advantage of overseas students (Baird 2010).

The English attempt to introduce Individual Learning Accounts in the early 2000s via a market mechanism failed because it incentivised large numbers of for-profit providers ‘to recruit learners at speed for low-level courses’ (Augur et al. 2019, 42). In making the case for the introduction of an apprenticeship levy in the United Kingdom, Wolf (2015, 5) found that the heavily privatised training market had become an example of ‘how not to run a skills policy’. This came about because:

A combination of central targets for apprenticeship ‘starts’ and the outcomes-based funding system, pursued by successive governments, has incentivised providers of training to engage in a ‘drive to the bottom’ where large numbers of short, low level and often low quality apprenticeships are favoured over more rigorous, longer, high quality apprenticeships (Wolf 2015, 1).

And she suggested this dire situation could be improved by:

Turning apprenticeship back into an institution which reflects labour market needs, develops young people’s skills to a high level, and makes a genuine contribution to increasing productivity requires two major changes: a return to the employer-apprentice contract as central and defining; and, a much higher spend per apprentice than the current system provides (Wolf 2015, 2).

Clearly, the tendency for universal application of the market itself needs to be questioned on the basis of the outcomes experienced in a range of vocational, technical and further education sectors in both Australia and the United Kingdom, countries that have pursued NPM with significant vigour. It seems doubtful that after so many unintended but perfectly foreseeable outcomes, that rorting of the system are caused repeatedly by poor market design and regulatory failure.

This does not mean that there are segments of the NTS that are unsuitable for market-based interventions, but the real source of risk must be appropriately identified to mitigate threats to the integrity of the system. The risks are inherent in using markets for the delivery of the VET services and are mitigated by regulatory action. For VET this requires regulation for two major components of the NTS. The Australian Skills Quality Authority regulates training providers that access government funds directly or through student loans while the Australian Industry and Skills Council regulates the training products that are delivered in the various VET segments of the NTS. As proposed in section two of this submission above, there are clearly areas of the National Training System where markets work as intended. The policy question being explored in this section revolves around a universal application of market-driven behaviours and systems to the exclusion of other possible types of governance. Again, a question of either-or (dualism) or both-and (broad inclusion).

Trade apprenticeship and traineeship incentives

Option 6.5 supporting trade apprenticeships

Given the apparently poor effectiveness of employer incentives, the Australian and State and Territory governments could consider:

- *addressing barriers to hiring apprentices, including their foundational skills, work readiness and the minimum wages or other award conditions set by the Fair Work Commission*
- *reintroducing (better-designed) industry levies.*

Consideration of these options should take into account the effectiveness of any measures to strengthen pastoral, mentoring and other support services for VET students in general (options 6.6 and 7.3) (Productivity Commission 2020, 43).

Dot point one above suggests that the barriers to employers taking on an apprentice are solely related to the characteristics of the individual would-be apprentice. As noted elsewhere in this submission, the motivations and factors that influence employers' behaviours are the 'black box' of the NTS. There is no ongoing and longitudinal research into this area so the speculative barriers to trade apprenticeship engagement remain unclear at best and are frequently drawn from relatively small groups (for example, Lilly 2016, Laundry et al. 2016) and then used by lobbyists seeking increased government funding (Australian Chamber of Commerce and Industry, AI Group, and Business Council of Australia 2017).

However, it is possible to see what factors contribute to non-completion as a result of extensive information gathering from those who leave an apprenticeship arrangement.

Employment-related reasons are the most commonly cited reasons for not completing an apprenticeship. These include experiencing interpersonal difficulties with employers or colleagues, being made redundant, not liking the work and changing career. By contrast, issues with the off-the-job training are the least frequently cited reasons for not completing an apprenticeship.

There is conflicting evidence on the importance of wages. Most studies find that low wages are not the most common reason for non-completion, but they are nonetheless one of the top few factors. An increase in wages alone is unlikely to solve the problem of low completion rates, since multiple factors are often to blame.

The influence of the employer cannot be overstated. Employers with the highest completion rates are generally larger, experienced employers with well-organised systems for managing and recruiting apprentices. Employers with lower completion rates tend to be smaller and have less experience (Bednarz 2014, 5).

Similar, if more targeted, findings have been reported for carpentry apprentices:

Informal and peer-based mentoring practices play a significant role in supporting the mental health and wellbeing of apprentices and are often superior to those provided under a formal mentoring arrangement. The paradox is that these practices are hard to 'formally' nurture; however, employers can create environments in which they can succeed.

The essential ingredient is a quality approach to vocational development, which both large and small organisations can foster by:

- valuing the time required for both on- and off-the-job training
- ensuring supervisors and peers recognise that skills development takes time and requires active nurturing on the job
- placing high value on sharing skills and teamwork
- respecting and placing importance on time for innovation - encouraging apprentices to tap into wider support networks
- ensuring access to both formal and informal mentoring (Buchanan et al. 2016, 3).

It is not unreasonable to suggest that some of the characteristics and behaviours of employers contribute to the erection of barriers to employment in areas such as their reputation in the industry and community, post-apprenticeship employment outcomes and the industry area in which they operate. In order to better understand the barriers and enablers in this both potential apprentice personal characteristics and the nature of the workplace must be considered.

There are areas where a contestable market functions as intended and without government funding:

The vast majority of skill sets were funded through fee-for-service arrangements, with government-funded training only accounting for about 10% of skill set activity in 2018. The data, however, suggest that participation in skill sets can be stimulated through government subsidies, as evidenced by the rise in government-funded activity in 2016, when New South Wales provided significant government funding for training package skill sets (Stanwick and Siekmann 2019, 5).

Rather than rejecting the place of incentives, there is evidence that well-targeted incentives do make a difference in guiding the market. Once again, moving away from the absolutism of either-or and towards more carefully targeted occupationally and workplace-based incentives that serve a useful purpose in areas that are not responding to market/price signals is a possible approach to perceived barriers to the hiring of apprentices.

In addition, using public resourcing to revitalise the previous Group Training Organisation network and re-focusing its activities towards both employment matching and ongoing support based on local knowledge could be a useful mechanism based on using existing knowledge and expertise and not having to create new programs from the ground up. Given that employment related issues are the largest reason for non-completion of apprenticeships (Bednarz 2014, Buchanan et al. 2016) establishing support programs for employers and/or controlled by employer groups may have more impact over longer periods of time. The so-called 'apprenticeship problem' has many dimensions and is not solely a problem with the individual apprentice of trainee.

Information request – implementing new support arrangements for trade apprenticeships

In assessing the merits of option 6.5:

- *does the nature and size of the 'apprenticeship problem' merit new policy measures?*
- *how significant is 'poaching' as a problem that would justify industry levies?*
- *how effective are levies in increasing apprenticeships?*
- *are there other reasons for using industry levies?*
- *how would the problems of administrative complexity for some existing levies be addressed (Productivity Commission 2020, 43)?*

I have never seen any indication of the existence of, yet alone scale of, post-training apprentices. In fact, many employers purposely do not employ their apprentices. If this is more than a consideration of the theoretical 'free rider' (Wolf 1993, 42) concerns in classical human capital theory some evidence needs to be forthcoming.

As noted in the Interim Report levies can work at industry/occupational levels. Any consideration of the use of levies as a funding mechanism for VET should use the both-and approach. Use it where it works, don't try to have a uniform national approach where it is not

wanted. Instituting a training levy on employers might be made more attractive if employer groups actually controlled the collection and allocation of funds and there is minimal government involvement.

It is also useful to examine the experience of re-introducing an apprenticeship levy in the UK as recommended by Wolf's (2015) responses to a poorly performing training system. Her proposals were accepted by the UK Government and the immediate results were unexpected – 'provisional figures for 1 May to 31 July 2017, the first quarter after the levy was introduced, show that starts dropped by more than 60 per cent' (Belgutay 2017). The implementation and operation of this levy continues to produce unintended outcomes (Department for Education 2018).

In keeping with the both-and nature of this submission, it is worth quoting at length the findings of an independent and comprehensive review of Australia's last policy foray into industry levies for training:

Achievements of the Training Guarantee

The Training Guarantee proved to be a reasonably effective program for the time at which it was introduced. It had a widespread impact in creating awareness of training as an issue in business strategy and legitimising its role within individual enterprises. For many employers it provided a useful opportunity to focus attention on the quality and appropriateness of their training strategies and devise more cost-effective approaches.

Over half the eligible employers believed it had been instrumental in increasing their training expenditure. It was particularly influential with medium-sized businesses (20-99 employees), among whom it contributed to a growth of 60% in average expenditure per employee, and 30% in average hours of training per employee, over the three years from its introduction. However, its influence on expenditure extended through all size categories.

It also had a positive influence on qualitative aspects of training. For example, enterprise training plans became much more common during the four years it was in effect, and over 40% of eligible employers believed it had led to improvements in their methods of training and the way they planned their training. These qualitative improvements were particularly marked for employers whose expenditure had increased as a result of the scheme.

Perhaps its most important contribution during the first three years was to protect the existing training activities of businesses from cost-cutting pressures induced by the recession. This helped to produce the unprecedented result that the overall training activity of Australian industry not only was maintained, but actually continued to grow, right through the 1990-93 recession.

From the Commonwealth's point of view, it was a highly cost-effective program. So far as its net impact can be estimated, it appears to have generated somewhere between \$20 and \$100 of new industry investment in training for every Commonwealth dollar spent on it. The compliance costs for industry were higher than intended in some cases - particularly for firms which were already good trainers - but no evidence was found that they had any adverse impact on the economy or on the level of employment.

Unresolved problems

However, after four years there remained several important areas of industry where a training culture showed little sign of emerging. The Training Guarantee had been expected to show most benefit in problem areas such as these where there was no tradition of training. In practice, it proved least effective in such cases.

These problem areas - which include large parts of the retail, transport, hospitality, food processing and personal service industries - are still a matter of concern for policy because of their contribution to employment growth. Both over the last decade, and in particular since the end of the recession, employment growth has been strongly concentrated in low-training industries and in occupations that recorded either little growth or a decrease in access to training over the period covered by this evaluation.

In particular, a problem remains with small businesses, especially those which were too small to be covered by the Training Guarantee. In this category - in strong contrast to those above the Training Guarantee threshold - training activity fell over the three years from 1990. Even above the threshold, training activity by 1993 was markedly lower for organisations with fewer than 15 employees than for those with 15-20 employees.

The Training Guarantee was also ineffective (at least in the aggregate) in improving access to training for disadvantaged groups in the workforce. Most of these groups fared worse in 1993 than they had in 1989, partly as a result of the recession and increasing workforce segmentation. While it was never a formal objective of the Training Guarantee to address inequities in access, the evidence from this evaluation shows clearly that alternative means would be needed to achieve better equity outcomes (Fraser 1996, vii-viii).

These findings seem all too familiar in 2020. They do suggest that carefully constructed and targeted levies with clear purposes and goals that are tailored to specific industries and/or groups of existing and potential employees can be successfully implemented. As experienced with the construction industry training levy, these early 1990s results suggested that doing it 'with' employers and employees rather than 'to' them can produce beneficial outcomes.

Yet again, the notion of co-creating public value and using a both-and (e.g., levies used where they work and not when they don't) rather than either-or e.g., everyone pays the levy or no one pays) can help optimise the NTS.

Training package development

How could the approach to developing training packages more effectively manage the trade-offs between consistency and flexibility (Productivity Commission 2020, 45)?

The Interim Report does not address an important aspect of the current NTS architecture – there are two regulators in the system. While dealing with the regulation of training providers (for example, Productivity Commission 2020, 216-218), the activities of the regulator of VET training products is not specified and reduced to 'training package developments' (211). The monitoring and quality assurance of VET curriculum and, eventually, training packages have been an essential component of the efforts to create an open and competitive VET market from the beginning. Qualifications are positioned in frameworks and/or subjected to standards-based quality analysis in order to create units of currency. The regulation of

qualifications allows for training products to be monetised and provide a ‘mechanism through which fees, qualifications and jobs can be exchanged’ (Wheelahan 2011, 326).

The conceptual basis of the Australian VET market is quite straight forward in terms of its main structural characteristics. In many traditional competitive markets, there are frequently two regulators – one for the provider and one for the product. The motor vehicle industry serves as an example, there are licensed motor vehicle dealers and the automobiles they sell are heavily regulated by a separate body using a wide variety of standards to do with safety, emissions, turn signal indicators, etc.

The emergence of detailed regulation of VET training products progressively took place alongside the increasing marketisation and privatisation of the sector. As with motor cars, it is the bookend to ASQA’s regulation of training providers – the market cannot function appropriately without two regulators. However, training product regulation remains largely unsighted and its role in maintaining an open and competitive marketplace is frequently misunderstood. The most contemporary explanation of the second regulator’s importance was described by the National Skills Standards Council (2013, 5)

Vocational education and training in Australia encompass public, private, community, and work-based education and training, within the framework of nationally recognised qualifications under the AQF. Nationally recognised qualifications provide a reliable and efficient signal to the labour market of the skills and knowledge that an individual holds. To ensure the effectiveness of the signal, the integrity of nationally recognised qualifications (i.e. that a graduate possesses the skills and knowledge outlined in the qualification) needs to be preserved. The existence of nationally recognised qualifications requires appropriate regulation to underpin the delivery and assure the integrity of the qualification. Inadequate or the absence of regulation may lead to the integrity or perceived value of nationally recognised qualifications being undermined with other less reliable and efficient signals of an individual’s skills.

The responsibility for the regulation of VET training products was transferred to the Australian Industry and Skills Committee (AISC) when the Australian Government disbanded the National Skills Standards Council (McFarlane 2014).

The Joyce Review’s (2019, 53-58) extensive focus on ‘speeding up qualification development’ deals with only one aspect of the various functions that were assigned to the Australian Industry and Skills Committee by the state, territory and federal governments – he does not directly address the regulatory role of protecting the integrity of the VET market’s currency.

The Joyce (2019, 59) proposal to have a range of Skills Organisations develop/commission their own qualifications that become the property ‘of the relevant industry’ and receive final approval from ASQA may well have a host of unforeseen consequences. In particular, by vesting regulatory authority for both providers and training products places ASQA in a position of moral hazard. It could be possible to only register providers that choose to offer certain qualifications, vice versa, there could be a temptation to only approve qualifications that are easy to regulate as opposed to what industry might prefer in the training product.

National consistency and regulation to standards takes time in the many and diverse VET segments. There is no fixed best practice duration. The timeliness of AISC processes should be measured against other regulators, not some ill-defined notion of speed for speed’s sake. The risks associated with not exploring the regulation of training products and inadvertently feeding into another VET FEE-HELP-type situation where the value of qualifications can be

orted for short-term gain could result from the Interim Review’s findings and recommendations that are currently reduced to qualification development.

Completing the shift to a single regulator

Given the relatively small number of Registered Training Organisations regulated by the local Victorian and Western Australian authorities that believe they have genuine circumstances where national regulations are inappropriate, the problems exemplified in the Interim Report have relatively straight forward solutions, many of which are described. These state-based regulators have been maintained in response to the complexity and diversity of the various VET segments and reflect the negotiated creation of the NTS.

One of the unaddressed, but significant downsides of relying upon a single regulator for providers is the potential to repeat the expensive reputational damage inflicted upon the VET sector by the failed marketisation and privatisation program of VET FEE-HELP (Productivity Commission 2020, 84). With multiple regulators that maintain good communications and have frequent principled discussion about issues that emerge from inevitable policy, funding and program changes, the chances of flaws being detected in the design phase are improved and there is increased scope for monitoring during the delivery of training in a sector that ‘is vast and diverse’ (mpconsulting 2020, 12). It has also been described that ‘with such a large and diverse sector, this [outcomes] approach to regulation is not sustainable, nor is it aligned with best practice’ (mpconsulting 2020, 27).

In general, Interim Recommendation 7.2 appears to be yet another attempt to achieve the illusory single national VET market by dualistic simplification into an either national or state provider regulation dichotomy instead of the existing both-and approach that apparently meets local needs and aspirations as pointed out by the Chamber of Commerce and Industry of Western Australia (Productivity Commission 2020, 217). Likewise, the Interim Report (Productivity Commission 2020, 24) already notes that centralised control does not have some sort of monopoly over good policy and knowledge – ‘national consistency is not always a virtue’.

Investment in public provision

Information request – investment in public provision

In feedback on interim recommendation 6.3, the Commission requests information on:

- *the funding, monitoring and outcomes delivered under community service obligations*
- *any changes to funding models, or other actions, that governments should undertake to address any potential breach of competitive neutrality principles in relation to VET services*
- *the funding mechanism (for example, training subsidies or block funding) best suited to efficient and effective service delivery in ‘thin markets’*
- *how future funding arrangements to promote national consistency should incorporate any additional (non-subsidy) funding to public providers, if at all (Productivity Commission 2020, 47).*

The use of NPM-inspired economic terms such as community service obligations, competitive neutrality, thin markets and additional funding to public providers only serve to shore up the reductionist and simplistic construct of a single VET market that is dualistically opposed to non-market government provision. Using the Public Value Paradigm explicitly rejects the notions of community service obligations and market failure (Mazzucato and Ryan-Collins 2019) in order to better understand the entire NTS and optimise it. By using a

both-and model for the delivery of a NASWD replacement, a data-driven series of more appropriately tailored programs can be developed that take advantage of the NTS's diversity. This is a more productive alternative than fighting to shoe-horn everything into a single construct that was created to allow governments to have a rationale and mechanism for the distribution of public funding to encourage the outsourcing of the delivery of this human service.

It remains somewhat of a mystery as to why the Productivity Commission has stuck so tenaciously to the single open and competitive market for vocational education and training. In other areas of human service delivery, the Commission has provided a much more inclusive analysis of the sector's circumstances and determined that some services are not amenable to full market competition and may be better served by specific styles of increased contestability (Productivity Commission 2017). With all due respect, it does seem that the 1980s rationale for the creation and regulation of a single VET market still applies in the third decade of the 21st century, particularly in the face of compelling evidence that same problems with the construct are still evident and are seemingly incapable of policy-driven resolution.

New developments in the VET sector

Information request – the challenges of online delivery

- *What is the scope to increase the use of fully online delivery of VET, with what advantages, risks and policy challenges?*
- *How should subsidy arrangements be configured for payments across jurisdictions for online delivery of services?*
- *What subsidy, pricing and costing approaches are appropriate for services that have high fixed costs and low incremental costs?*
- *To what degree could accreditation be separated from training?*
- *What types of training are most suited to innovative models of training?*
- *What actions would governments need to take to maximise the potential for the adoption of innovative delivery of training or new types of training (Productivity Commission 2020, 48)?*

In keeping with the major theme of this submission, some NTS segments will lend themselves to online delivery while others will not. Again, there is more than ample evidence of which industries, occupations and qualifications are well-suited to digital platforms in ways that are acceptable to potential employers. In making policies in this area, governments will need to ensure that the needs of industry and employers are clearly understood and that students will successfully use online delivery, rather than basing decisions on sometimes illusory cost considerations and encouraging 'qualifications factories' that specialise in low value/high profit courses as observed in England (Wolf 2015). The low esteem given to the multiple online websites for careers guidance by students and parents is a cautionary tale (Billett, Hodge, and Choy 2020).

The Interim Report's case for virtually unlimited benefits of low 'incremental costs' attributed to the entire VET sector is yet to be made. Again, there would be strong evidence as to which qualifications have successfully migrated to online delivery and those that can or have not. However, it is doubtful that after a certain number of enrolments that the cost for each additional student becomes negligible. There are fixed cost per student related marketing, recruitment, enrolment to national data standards (for example, National Centre for Vocational Education Research 2016), staff costs associated with responding to individual requirements of student, assessment and reporting and meeting regulatory standards.

Information request – impacts of COVID-19

- *What, if any, are the likely medium and long-term impacts of the COVID-19 pandemic on skill formation and the market in the VET sector?*
- *To the extent that some cohorts face enduring displacement from the labour market, particularly younger Australians, what role beyond current arrangements should VET play in augmenting their skills and employability (Productivity Commission 2020, 48)?*

The relationship between skills acquisition, employment outcomes and the general state of the economy are reasonably well established. For example, Karmel (2017, 44-71) undertook an extensive analysis of the relationship between apprenticeships and the economy. In relation to the demand-side, he found that 'it is the demand considerations that are dominant and that the number of apprentices and trainees is largely constrained by employer behaviour rather than employee choice' (71) (i.e., Keep's black box). And contrary to the Interim Report's findings, 'changes to the availability of government subsidies (notably for existing workers and part-time workers in some occupations) clearly have had an effect' (71).

Hurley (2020) predicts the long-term impact of the COVID-19 economic recession on apprenticeship and traineeship commencements and completions and anticipates long-term labour market, youth employment and apprentice training impacts that will be similar to those witnessed from the economic slowdowns of the early 1990s and the Global Financial Crisis.

As in the recession of the early 1990's 'the catalysts for training reform in Australia were the growth in youth unemployment and the rise in national debt' (Keating 1998, 12). In this earlier experience, the state and territory governments responded by adopting policies and the consequent increased expenditure to increase school retention rates and to encourage the expansion of higher education participation which was funded by the Australian Government (Keating 1998, 15). The various Australian governments have pulled the policy levers of increased school retention and funnelling more young people into universities as hard as possible and, as a consequence, they are not available as major policy options to the COVID-19 pandemic's impact on the youth labour market. School retention rates have been stable for many years and Minister Tehan's latest higher education funding announcements have effectively put an upper limit on university enrolments. In spite of significant population growth, government-funded VET enrolments have declined and are very similar to 2004 levels (Joyce 2019, 12).

Given that schools are effectively filled to capacity and university positions are at their ceiling, governments that seek to use education and training in response to enduring displacement will need to turn to the National Training System, not just the procurement function of the VET market. Significant and creative policy work will need to be done and it could be informed by using data-informed studies from both in Australia and overseas (McGirr 2019). The NTS's significant advantages lie in its links with the workplace. There is no use 'parking' young people in training programs that do not have an explicit link to the workplace as the COVID-19 disadvantage is likely to be long-lasting.

Public policy responses need to include a significant component that introduces and connects young people to the workplace. The making of a potentially valuable employee has at least three components – skills, knowledge and workplace socialisation – and these can be 'signalled' to potential employers (McGirr 2019, 22).

Conclusion

Kelleher (2020, 10) proposes a way forward for England's Further Education skills system that seems equally pertinent to Australia:

To support the aspirations of learners, employers and local economies, we need a more collaborative model of FE and skills provision. National funding streams should enable and incentivise collaborations and partnerships between different providers rather than keeping the existing funding environment geared towards chasing learner money.

This submission has proposed that the 1980s New Public Management paradigm has not failed, it has extracted market-driven benefits out of the National Training System as originally intended. However as noted by Torfing, et al. (2020, 16), 'new and emerging governance paradigms initially tend to produce gains and benefits, after a period of consolidation, their marginal return to scale slowly begins to decline and the unintended negative consequences become increasingly apparent'. The results of an evaluation of 30 years' use of NPM in England shows that it achieved the exact opposite of what it originally promised because its ubiquitous application blocked the consideration of other, more promising, reforms to the provision of public services (Torfing et al. 2020, 66-68).

By using a both-and notion of the National Training System in the place of the either-or VET market, Public Value Management reminds us that governments exist to serve their communities by creating public value (Torfing et al. 2020, 105-107). 'Public value is both validated and produced by a broad range of public and private actors engaged in public dialogue and collaborative interaction' (Torfing et al. 2020, 131); Public Value Governance can be used to optimise the National Training System.

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