

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

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I do not wish to comment in detail on interim findings but would like to make a number of observations about the Vocational Education and Training (VET) Sector.

Its educational purpose

There has always been tension in the underlying aim of the VET sector. In recent decades the emphasis had been on its role in providing trained workers for industry. For example, the training package documentation of what needs to be learnt has been under the supervision of industry bodies. This means that there is an emphasis on narrow technical skills needed in today's workplace. This has meant that the broader educational role has been lost.

There are a number of reasons why this broader role is important:

- Skills are embodied in individuals (human capital) and these skills are needed in an uncertain and changing world. Higher levels of general education tend to make individuals more adaptable and provide some insurance against the unknown future.
- There is only a loose connection between the training the VET courses individuals undertake and the jobs they work in. Karmel et al (2008) found the match between what people study and the jobs they get is high for the technicians and trades group of occupations, but relatively low for most other courses. They argue that most of the mismatch between intended and destination occupations reflects the generic aspect of vocational education and training; graduates mostly report their training as relevant to their job, despite not ending up in the 'matched' occupation. This suggests that the educational content of courses should be broader than the narrow technical skills incorporated in training packages. It also suggests that there may be merit in broader vocational education certificates (an example would be a certificate III or IV in vocational education, as alternative to completion of secondary school).

Weaknesses in the VET Institutional structure

The contrast between the institutional structure of VET and Higher Education is stark. The higher education sector is dominated by large, self-accrediting universities. The universities are independent of government (although there are legislative constraints and, of course, universities are constrained by the very substantial government funding they receive), and have a higher degree of independence. The development of the international student market is a clear example of universities making use of their independence. And there is no doubt about universities as a political force. By contrast, the VET sector comprises many thousands of small providers alongside a small number of larger TAFEs. The TAFEs, unlike universities, have little independence from the State government departments responsible for them and have very limited autonomy. They have very little political clout. From time to time, commentators bemoan the status of VET relative to universities, and one of the reasons is that the higher education sector has much stronger institutions.

One of the advantages of stronger institutions is quality assurance can be delegated to the institution. Quality of education and training can never be provided by a strong regulatory environment (all it does is to guarantee compliance and higher quality paperwork). Rather, quality

depends on the innate quality of the institution and its internal governance arrangements. Strong institutions will promote quality. They also provide flexibility if given self-accrediting powers. In thinking about educational markets, the potential role of strong providers should not be forgotten.

The role of professional educators should also not be forgotten. The VET paradigm emphasises the role of industry in determining what is to be taught. The educators have been pushed to one side, and only a certificate IV (in teaching and assessment) is required to deliver VET. This is even the case, I understand, for those providers delivering the certificate IV in teaching and assessment. This is at variance with the other education sectors where degree (and post-graduate qualifications in many cases) qualifications are mandatory. In many cases, the certificate IV may be appropriate but there is an argument that VET teachers with higher qualifications could be given more autonomy.

The links between the VET sector, the school sector and the higher education sector

Two points here. The first, is that the delineation between Higher Education and the VET sectors is messy. I have argued earlier that VET has a broader general education role as well as role in delivering technical skills. Similarly, Higher Education has a very strong vocational role, particularly in providing training to the professions. The split between the sectors has been rather fluid in recent decades with the training of many professionals moving from the VET sector to the higher education sector. Degrees have become the staple entry qualification to many health occupations, for example, taking over from two-year diplomas provided by the VET sector. What this has meant is that the Higher Education sector has gradually been absorbing the higher-level qualifications provided by the VET sector, and this has gradually weakened the VET sector's role in the labour market. This change has not been inevitable but has occurred. The transformation of Colleges of Advanced Education into universities has been one of the factors. What this means is that the VET sector has become a residual sector, primarily responsible for lower level qualifications. However, this trend is not inevitable, and one could envisage a different tertiary education structure in which, say, 'professional universities' could be responsible for vertical slices of training. For example, there is no reason why engineering could not be delivered by a professional university, with qualifications ranging from certificates III to doctorates. (As an aside, an electrical engineering degree undertaken jointly with an electrical apprenticeship would be a very attractive package). Similarly, in the areas of health and community services a vertical model makes a good deal of sense.

The second point is the link with the secondary school sector. I do not wish to get into an argument about the effectiveness (or rather the ineffectiveness) of VET in schools. Rather, I note that, from an equity point of view, the VET sector is expected to remedy the failure of the school sector in providing a good general education up to year 12 to all students. The post-school setting makes VET an attractive proposition for many students who have not achieved highly at school. Here, the provision of a vocational general education certificate delivered by VET would be valuable, although this would not fit within the training package rubric. However, my main point is from the funding perspective. We guarantee funding for all students attending secondary schooling and I am suggesting that this guarantee could be extended to VET for those students who have not obtained a reasonable tertiary entrance rank. This would mean the extension of a schooling entitlement to those students who have not successfully completed secondary schooling (we should not forget that the serious completion of year 12 is intellectually quite demanding). The rules around the entitlement would need to be worked out but presumably would involve the completion of a certificate III or IV.

Educational markets

The Productivity Commission is naturally drawn to competitive markets as a way of delivering efficiency and meeting the needs of consumers. A couple of points here. First, the education as a product is hard to put your finger on in the sense that it is difficult to judge the quality until it has been consumed; typically, there is no repeat purchase. It is quite different from the purchase of a banana which one can inspect for purchase, and decide week by week whether to buy. The second point is that markets do not work so well when a third party is providing much of the finance. Markets work best when the consumer pays for what they are buying. This is very pertinent to the 'over consumption' of personal training courses some years ago. From the student's point of view enrolling in these courses made perfect sense – they provided some training in an area in which the student was interested in and there was very little cost to the student. Entitlement rules will not necessarily work if the student sees little cost in undertaking the training. For example, a student may choose a 'frivolous' course even if that course rules them out from future VET courses, for the simple reason that the student has no intention of enrolling in a future VET course.

In the same vein, insisting that, even in subsidised courses, students have 'skin in the game' is an effective way of ensuring that prospective students think seriously before enrolling in a course. Modest up-front fees (say, \$500 to \$1000) are an obvious way of implementing this idea.

In this context, the role of income contingent loans needs to be thought through. These are a very attractive equity idea to ensure that individuals are not excluded from education because of finance constraints. But they will not work well where the likely earnings from the course are low such that the chances of repayment are low. In such cases, a direct subsidy is more straight forward approach.

My final observation is that there is a large component of VET that is fee for service. Governments would be well advised to let this alone. It is one area where competitive markets will work efficiently.

Skills forecasting and balancing demand and supply

Skills forecasting (or manpower planning) has had a very chequered history. While some long trends in the labour market are pretty obvious (for example, health and community service sectors are obvious growth sectors) my view is that there is little to be gained by attempting to predict at a macro level where there will be shortages or surpluses. For example, nursing and teaching are two occupations where it should be relatively easy to predict likely demand based on demographics. However, surpluses and shortages can occur even here because of the sensitivity to dynamics within the occupations. My inclination is to allow consumers and providers to interact to determine the mix of training. It is not in the interest of students to undertake training which has no pay-off or for providers to produce graduates who have little opportunities. Even if mistakes are made, there is no likelihood that government officials are in a better position to make a judgment about the merits of different courses. The individual students are much closer to the ground. The difficulties of predicting shortages and surpluses underlines the importance of VET containing a large element of general education so that credentials have wide value.

Assessment

One of the vulnerabilities of the Australian VET system is that assessment is undertaken jointly with instruction. This tends to emphasise the role of regulation as a way of ensuring quality. However, there is merit in thinking about separating assessment from instruction in some circumstances. Essentially, such a move would enable very light touch regulation in VET delivery but would provide

assurance that an individual student was competent. It would certainly free up the providers. It would also provide a direct measure of quality of the provider by means of the 'pass' rate of its candidates. It should be noted that this is not a new idea – for example, the model is the basis for the delivery of private music instrument tuition.

Reference

Karmel, T, Mlotkowski, P and Awodeyi, T (2008) *Is VET vocational? The relevance of training to the occupations of vocational education and training graduates*, NCVET