

Wentworth Falls,

NSW 2782

6 July 2020

Dear Commissioner

Detailed below is my submission on the Commission's interim report on the review of the Skills and Workforce Development Agreement. I make one general comment and then respond to four specific information requests.

The views expressed are my own. I do have a background in the VET and Skills Sector. I have been the CEO of two TAFE Institutes in Australia; a College of Further and Higher Education in the UK; the CEO of Skills Australia and a Deputy Director-General in the NSW Department of Education and Training. I am currently an Adjunct Professor of Education at Federation University and an Honorary Senior Fellow at the University of Melbourne.

### **VET and TAFE governance structures as a barrier to efficiency and standardisation**

VET systems as managed by States can be remarkably close to political processes. Many of the variations in course subsidy and exemption arrangements happen because some State Ministers and Governments appear addicted to "announce-ables", often just before elections. Thus, after a flood, bushfire or prominent political issue, Ministers, especially rural Ministers, are known to have instigated specific TAFE course subsidies and exemptions for, identified groups. An example is the fee free scholarships for victims of domestic violence in NSW. This is not to minimise the suffering of these groups but to point out a reason why subsidies and exemptions can vary across states.

Similarly, TAFE institutes and TAFE systems do not enjoy the same degree of institutional autonomy as public Australian Universities. Unlike Universities that report to governing bodies such as Senates, TAFE systems report directly to State Ministers. If they have a board, like the NSW TAFE Commission, it is usually only advisory. In the early 1990's following the Scott review<sup>1</sup>, TAFE NSW was to become a statutory authority with an accountable, managerial board so it could become more "commercial" in its operations and be at "arm's length" from government. This was never implemented. There is thus a degree of day to day political interference in operational matters. This can vary with the style of individual ministers and governments

Political interference has, in my view, hampered efforts at industrial relations reform and achieving greater efficiency. The big issue here is not teacher salaries, as the system needs good salaries to attract people with relevant expertise, but rather archaic conditions. TAFE Executives have over the last 25 years attempted to alter the conditions in the TAFE teacher contract, especially in relation to teacher contact hours which is the key driver of costs. The strategy of the employee associations has on occasion been to by-pass TAFE Management and seek to resolve disputes politically by direct negotiation with Ministers and Governments. Ministerially driven outcomes can be less than sought by TAFE management because political considerations are taken into account.

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<sup>1</sup> Scott, B (Chair) (1990). *New South Wales Education Portfolio, TAFE's commission for the 1990s: restructuring vocational, basic and adult education in NSW*. Milsons Point, NSW: Management Review

In my view individual TAFE institutes or State TAFE systems should have the same level of operational autonomy as Universities.

### **INFORMATION REQUEST — THE CHALLENGES OF ONLINE DELIVERY**

*What subsidy, pricing and costing approaches are appropriate for services that have high fixed costs and low incremental costs?*

To quote from this section (Overview p33), *“This feature of online delivery has several implications for delivery and pricing. For example, subsidies could be paid to meet the fixed costs of such online approaches, with near zero pricing given that use of such courses by any one student does not limit its use by another.”*

This does not match with my experience as the Director of TAFE NSW, Western Sydney Institute/OTEN (Open Training and Education Network – now TAFE NSW Digital) which was the largest deliverer of flexible and online VET courses in Australia with over 75,000 student enrolments. Online delivery can often be cheaper than most face to face delivery. But there are variable costs depending on the number of students enrolled. It was not just simply a question of investing upfront in websites, videos, workbooks, and other resources. Enrolled students need and receive progressive tutorial support and feedback from teachers throughout their course via email, phone, and chat groups. They therefore have remote “contact” time with teachers which is a significant variable and incremental cost. The number of teachers change with the number of enrolments. One teacher does not have the capacity to service an unlimited number of online students. At OTEN there were in 2014 over 12,000 students studying childcare online requiring team of teachers to support them. Assessment is also an incremental cost – even if it were unbundled from delivery.

There are clearly differences between the online, flexible delivery of nationally accredited certificate and diploma course and short MOOC programs.

### **INFORMATION REQUEST — IMPLEMENTING AN EXPANDED LOANS SCHEME**

Not enough is known about “debt aversion” amongst low SES and other disadvantaged groups to replace immediately with confidence subsidies with income contingent loans. Professor Bruce Chapman, who should be applauded for developing the concept of income contingent loans, tends to underplay “debt aversion”. The criticism is sometimes made that he concentrates on the background of students who have taken out loans, rather than those who have not. The Sutton Trust<sup>2</sup> and researchers<sup>3</sup> in the UK has raised and researched the debt aversion issue and has found it to be a problem there with low SES groups, limiting participation.

Income contingent loans are a special problem for older workers who want to retrain or upskill. Younger, new entrant workers are more likely to earn under the repayment threshold. Older workers who tend to earn more are often immediately eligible for repayments. This can happen for this age group during times of family formation when these workers have large childcare and

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<sup>2</sup> Cullinane, Carl & Montacute, Rebecca. (2017), Fairer fees. Reforming student finance to increase fairness and widen access. Sutton Trust, London

<sup>3</sup> Callender, Claire & Mason, Geoff. (2017). Does Student Loan Debt Deter Higher Education Participation? New Evidence from England. The ANNALS of the American Academy of Political and Social Science. 671. 10.1177/0002716217696041.

housing mortgage repayment expenses. They can thus be averse to accumulating even more debt which they have then to repay immediately.

### **INFORMATION REQUEST — IMPACTS OF VOUCHERS**

Vouchers are accepted in the report as a demand side measure that can increase efficiency because customers or system users are taken to make better decisions about what training and credentials they need. The experience to date in VET with both vouchers and income contingent student loans seems to be that they actually mainly benefit the supply side. Both VET FEE-HELP and the Victorian training entitlement strategies had the effect of giving unscrupulous providers a far bigger market to exploit using recruitment tactics like free iPads. Until there is confidence that potential students have the tools to make informed choices and that all providers are acting with integrity, their expansion should be limited.

### **INFORMATION REQUEST — INVESTMENT IN PUBLIC PROVISION**

The role of the public provider is principally associated in the report with the delivery of Community Service Obligations (CSO). Though this is important there are wider questions of ethos, institutional knowledge, capabilities, and standards that should also be considered. That is if you accept as I do that the VET sector should have a diverse range of public, private and community providers.

In terms of institutional capability and standards, I can point out that the public RTO TAFE NSW OTEN (Open Training and Education Network) was one of the largest VET FEE-HELP providers in Australia. Unlike many large private provider users of VET FEE-HELP, OTEN did not have legal action successfully taken against it by bodies such as the ACCC. Indeed, I am not aware of this happening to any public VET FEE-HELP provider. Even tougher regulation has its limitations, compared to a public service ethos. I accept there can be aspects of “provider capture” in public providers that need to be guarded against through performance monitoring and audit.

The best analogy I can come up with about the role of public providers in VET is the position of the public ABC broadcaster in the diverse Australian media market. It sets standards and is clearly publicly accountable for its behaviours as well as its results, unlike some of its competitors. If the ABC did not exist, new techniques and capabilities in the media market would be less developed and preserved. Though public funding can be used to contract for service delivery, it is problematic for it to be used for development and innovation that may advantage one private provider, tilting the level playing field.

Terry Moran was the first Chief Executive of the Australian National Training Authority (ANTA). He was one of the initial proponents of a contestable market in VET and the outsourcing of public funds from the public provider TAFE. He finished his career as the Head of Prime Minister and Cabinet. He seems to have modified his views. To quote from the IPAA Victoria Oration, he delivered on 21 November 2017,

*“It’s madness for government to restrict itself to one side of the contract gate, remote from effected communities. We must find a new way.*

*Finding a reform pathway means taking on unproven assumptions driving today's policies. We still have an unhealthy reliance on neoliberal microeconomic reform and outsourced services. Even the Productivity Commission concedes problems."*<sup>4</sup>

The situation regarding contestability of funding in VET is different to that in Australian Universities and Schools. Most of the public funding in Higher Education goes to public universities. This maybe a factor in the sector's success. Certainly, all the world's great universities as indicated by global rankings like Oxford, Cambridge, Harvard, and MIT are public or not for profit institutions. This may say something about the conditions needed to develop institutional capacity and capability such as stability and longevity of funding. Australian non-government schools only receive public funding if they are not for profit. Again, the impact on their ethos and accountability maybe worth consideration.

Thank you for allowing me to make this submission.

Yours sincerely

Robin Shreeve

Adjunct Professor, Federation University

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<sup>4</sup> Available from <https://johnmenadue.com/terry-moran-back-in-the-game-part-2-of-2/>