



Impacts of COAG VET reforms and Youth Transition Initiatives

TDA Response to the Productivity Commission Study Background Paper September 2011

TAFE Directors Australia welcomes this opportunity to contribute to the Productivity Commission's study of the impact of VET reforms. Based on the Minister's Letter of Direction, we understand that the purpose of this study is to assess the impacts of COAG vocational education and training (VET) reforms on productivity and workforce participation taking into account initiatives that contribute to the effective transition of young people and disadvantaged groups. The Commission's Background Paper indicates that the study is at an early stage and requests contributions of relevant data as well as feedback on the proposed approach to modelling outcomes for different client cohorts.

Our comments here include:

- contextual issues which need to be considered by the study
- general comments on the Commission's proposed approach and methodology
- more specific comments on the implementation and likely impact of the four existing national agreements nominated in Section 2 (p.4) of the paper.

Based on the lessons learned over the past three years, we make a number of recommendations which we believe will:

- ensure the validity of the study and its effective communication to stakeholders and clients in the VET sector
- improve the efficacy of reforms currently being implemented, or yet to be implemented under current national agreements, and
- enhance the potential benefits and reduce the risks of negative consequences of reforms arising from national agreements still under negotiation, including the new National Partnership for Vocational Education and Training.

A. The Context of VET reform

The study needs to take account of the influence of a number of other current and planned national VET reforms which will have a significant influence on the extent to which current national agreements improve workforce participation and productivity.

These include:

- The introduction of the national regulatory framework: The establishment of the Australian Standards and Quality Authority (ASQA) was intended to streamline the registration and quality assurance of training providers, but at present its processes are so slow that they are compromising the responsiveness of providers to changes in industry and student demand. This may lead to delays of one year or longer in the delivery of the skills necessary to lift productivity in some key industry sectors.
- The relationship of VET to other sectors: Decisions about whether, and how, to participate in VET do not occur independently of options in other education sectors. Policies intended to increase school retention to Year 12 and to greatly expand the availability of places at Australian universities are already influencing patterns of student demand in TAFE and this is likely to become more significant in 2012. The greatest impact is likely to be on the demand for VET Diplomas and Advanced Diplomas. To the extent that students choose to undertake a three year degree in place of a two year Diploma, this will delay their entry to the full time workforce. To the extent that any shift to the university sector is taken up by an increase in university diploma level qualifications, this may diminish the productivity of paraprofessional workers since these diplomas are not required to have defined occupational outcomes or to conform to the relevant industry endorsed standards. A shift in demand from VET to university qualifications also has implications for governments' fiscal positions with the Commonwealth incurring an increased proportion of the cost of vocationally oriented education for two and three year tertiary qualifications.
- The drive to greater contestability: The policy emphasis on a competitive training market has become an end in itself rather than a means to improving choice and diversity in training. There is considerable evidence that the continuing drive to reduce the cost of training to the lowest possible level has reached a point where it

is now compromising the quality of delivery. This will impact on the acquisition of relevant and transferable workforce skills. This issue is discussed further in our comments below on the Productivity Places Program.

TDA acknowledges that a degree of competition is an important means of ensuring system efficiency. However, any move to a fully contestable training system, as is proposed in Victoria, entails a significant risk of actually reducing workforce participation as the continued reduction in funding for TAFE institutes renders them unable to provide either the necessary diversity of programs, or the additional support and guidance that disadvantaged students need. The uncertainty surrounding the future of TAFE institutes in Victoria threatens to undermine public confidence in the stability of the VET system as a whole and to encourage students to pursue university studies which do not suit them.

To address these major risks to the system, TDA has proposed that the national reform agenda explicitly recognise and fund the role of TAFE institutes as 'full service' providers and give them a charter to ensure the availability of essential education and training services to all Australian communities including those located in rural and remote regions of the country.

- Student Entitlements: The entitlement system introduced by Victoria has highlighted a number of issues related to patterns of student choice and their relevance to labour market skill needs. The complexity of the eligibility criteria is confusing to students, and the rationing of entitlements to one qualification at each level inhibits students' access to the additional skills and mobility they need to change job roles and occupations in response to structural and cyclical economic changes. This, in turn, increases their risk of unemployment or underemployment.

Other jurisdictions are considering a range of different approaches to student entitlements as a means of introducing a more demand driven training market. The ongoing development of these entitlement systems will have a differential influence on the economic impact of the VET national agreements.

- Inadequate quality assurance arrangements: Some private providers deliver courses in very short timeframes that contravene the course duration guide which forms part of the Australian Qualifications Framework. One example is of a provider paying employers to send their trainees to a four day Diploma course. The

motive of these providers is clearly profit maximisation but the practice can also be attractive to those students who wish to acquire a qualification as quickly as possible. In these circumstances it is doubtful that the qualification represents a real addition to workforce skills.

B. Study Approach and Methodology

The Definition of Key Concepts

The only key concept defined in the paper is that of 'effects' of the reforms on aggregate measures of economic activity at the national and state/territory levels (Box 1, page 3). Given the recency of the reforms under review, TDA believes that any assessment of these 'effects' would necessarily be largely conjectural and unlikely to yield information useful for the study's purpose.

We believe that there is a need for greater definitional clarity and consistency in the use of terms in national agreements and for the purposes of this current study. The Commission's 2010 report, *'Impacts and Benefits of COAG Reforms: Reporting Framework'* went some way towards this by defining and linking the 'stages' of reform in terms of outputs, outcomes and objectives (p.34). The purpose of such a framework is to define and distinguish between different conceptual stages of reform and to clarify the relationship between them. This is particularly important in the case of VET where only some consequences of reform will be observable within the sector while others will depend on measures capable of discerning changes in the labour force, usually after a significant time lag.

In the VET sector at present, concepts such as 'inputs', 'impacts', 'targets', 'outputs', 'outcomes', 'objectives', and 'goals' are frequently used with different and, at times, inconsistent meanings by different jurisdictions and across different national agreements and reforms. For example, student contact hours might be defined as an 'output' measure by one jurisdiction, while in another it might be regarded as an 'input'. Confusion between different levels of impact can also lead to invalid inferences and conclusions. For example, the four outcomes specified by the NASWD include both an improvement in foundation skills, which is directly measurable as an immediate effect of program delivery, and the workforce-wide delivery of a 'depth and breadth of skills and capabilities for the 21st century labour market' which will only be discernible in the long term and is unlikely to ever be directly attributable to a specific policy intervention.

TDA believes the Commission's logical framework approach should be further developed and contextualised to VET as part of this study. This would facilitate improvements in the design and monitoring of 'prospective and potential' reforms and in the evaluation of those reforms the Commission defines as 'realised'. This framework could readily be represented in a flow chart which would facilitate communication with a range of stakeholders.

TDA recommends that the Commission:

- further develop a logical framework approach to its current impact study of COAG VET reforms and publish this framework in the form of a flow chart
- consider the benefits to the COAG reform program of utilising a more fully developed logical framework approach to the formulation of new national agreements and the design of VET sector programs.

Social Inclusion and Equity Implications of NASWD Outcomes

It is essential that the outcomes of NASWD reforms (page 4) be assessed in terms of their contribution to the objectives of the agreement, the first two of which emphasise social inclusion, i.e.:

- All working aged Australians have the opportunity to develop the skills and qualifications needed, including through a responsive training system, to enable them to be effective participants in and contributors to the modern labour market.
- Individuals are assisted to overcome barriers to education, training and employment, and are motivated to acquire and utilise new skills.¹

While the Background Paper makes mention of social inclusion (page 6), there is no discussion of the scope or of the measures that will be used to ensure that educationally deprived and disadvantaged groups improve their opportunities for participation and productivity relative to their age cohort. In the absence of such measures, it will not be

¹ National Agreement for Skills and Workforce Development, Page 5 (emphasis added).

possible to assess the social justice impact of outcomes or, it follows, of the contribution of those outcomes to the overall achievement of the NASWD objectives. In current national agreements on VET reform, social inclusion and equity outputs and outcomes are not made sufficiently explicit. At the request of Ministers, the National VET Equity Advisory Council (NVEAC) has proposed the inclusion in the next NASWD of a specific equity outcome as follows:

'participation, achievement and transitions within and from VET for disadvantaged learners are at least as good as for those for other VET learners'.²

TDA supports the inclusion of a specific equity outcome together with related performance measures in the next NASWD as well as in the proposed National Partnership for Vocational Education and Training.

We also believe that it is incumbent upon the current study to include equity outcomes as an integral part of the assessment of the impacts of current VET reforms. The AVETMISS statistical collection will provide useful data for assessing some impacts but in other cases, inferences will need to be drawn from qualitative research studies.

TDA recommends that the Commission develop an approach to assessing the equity outcomes of the current national agreements on VET reform and youth transition and that this assessment is given an appropriate emphasis in the Commission's final report.

Focus and Approach

TDA supports the Commission's intention to estimate the impact of VET reform net of the 'policy baseline' on workforce productivity, labour market participation and social inclusion and the net benefit or 'value added' of reforms given their costs and the policy baseline (pages 4-5) .

In the VET context, the reference to potential 'market failures' (page 6) requires elaboration – does this refer to potential failure in specific labour markets, or to an imbalance in supply and demand for relevant education and training opportunities?

² NVEAC advice to MCTEE on Equity Performance Measures, 22 August 2010

TDA recommends that the Commission clarify the meaning of 'market failure' as this applies to the study.

TDA has reservations about the assumption that the regional impact of reforms can be assessed using the Monash MMRF model which appears to generally equate regions with jurisdictional boundaries. Given the intention of these reforms is to improve labour force participation and productivity, it seems equally as important to use industry sectors and economic regions as the basis for assessing the impact of reforms on economic activity. Further, we believe that there should be a specific and explicit focus on the actual and potential benefits of these reforms in remote areas and for Indigenous communities.

TDA recommends that, in addition to estimating the impact of VET reforms on the national economy and at the state and territory level, the Commission develop methods for assessing the impact of these reforms:

- on an industry sector basis
- in regional labour markets, including rural and remote labour markets
- for Indigenous communities.

The Background Paper is not clear about how negative outcomes or 'unintended consequences' will be observed and assessed.

TDA recommends that the Commission's methodology include an approach to identifying and assessing the potential negative effects of VET reforms (including an assessment of unnecessary costs and loss of potential value for money).

Proposed Methodologies for Different Learner Cohorts

TDA supports the Commission's intention to develop different models for assessing the impact of reforms for different client groups including young people aged 16-25, mature age learners and adults requiring enhanced foundation skills to function effectively in labour markets.

TDA also *supports* the methodology for assessing the impact of reforms in the provision of adult foundation skills which is based on previous Commission research (page 7).

The Background Paper does not include sufficient information for TDA to form a view on the proposed modelling approach for the young people and mature age learners. We note that the 'ELMO' methodology (page 6) is still being developed and request that we are kept informed as this work progresses.

TDA recommends that the Commission publish a more detailed description of the proposed ELMO methodology for modelling the labour market effects of VET reforms.

In the interim, we make the following provisional observations and suggestions.

1. The language in which progress and outcomes of the study are reported should be meaningful and sensitive to the major stakeholders and clients engaged in the reform process, most of whom are not quantitative economists. One example where this appears not to have been taken into account is the reference made to 'individual abilities' in the modelling approach to outcomes for young people (p.6). In educational terms this phrase usually refers to innate and generally unalterable levels of ability, a concept which has been definitively negated by the clear benefits that accrue to educationally and socially deprived young adults through their participation in 'second chance' education in TAFE. The term 'individual skills and attributes', is more acceptable.

TDA recommends that the Commission ensure that it uses terminology and language that maximise the effective communication of its methodology and findings to VET stakeholders and clients.

2. The use of qualification completions may not be a reliable indicator of increased participation or productivity. There are several reasons for this:
 - Completion rates are quite low for many vocational qualifications but module (i.e. competency unit) completion rates are almost uniformly above 75%. Given all modules deliver occupational skills and competencies, the 'module load completion rate' reported as part of the annual AVETMISS statistics may be a more valid indicator of the extent of skills acquired.
 - Completion of higher level qualifications will only enable higher productivity where the qualification actually delivers additional and/or higher level skills and where there is an existing or emerging labour market shortage of those skills. Where these conditions do not exist,

additional higher level qualifications may represent public expenditure on credentialism with minimal or negative social returns. This can occur because current regulatory arrangements allow scope for private providers to reduce the duration of training and utilise lowest cost delivery modes to the extent that quality can be compromised in the interests of profit. In these cases the acquisition, retention and transfer of skills and competencies to the workplace is questionable.

TDA recommends that the Commission consider using module completions rather than qualification completions as the measure of skills acquired and indicator of increased participation and productivity.

3. We regard it as imperative that the effect of the expansion of other education sectors is considered as an integral component of the model. In particular, the potential for individuals to choose higher education (and not VET) is increasing significantly with the higher Year 12 retention rates and expanded availability of university places that are also high national policy priorities. The impact of this on individual decision making should be taken into account in estimating the impact of VET reforms.

TDA recommends that the modelling include an estimate of the increased potential for substitution between VET and higher education on the overall impact of VET reforms and the achievement of intended outcomes.

C. Comments on Individual National Agreements.

The National Agreement for Skills and Workforce Development

TDA supports the overall intention and priorities of this agreement with the major exception of its excessive emphasis on competitive training markets. Competition is increasingly being regarded as goal of reform rather as one among many strategies that can improve relevance and diversity in training choices. (See Clause 31 of the National Agreement for Skills and Workforce Development (NASWD). Although it is only one element of the NASWD, the focus on competition by the Australian Government and some other COAG members has been grossly disproportionate to its potential for enhancing the labour force outcomes of VET.

The competitive training market has now been a driving force in VET sector policy formulation for two decades and it is time that both its immediate and longer term efficacy be evaluated and compared with a strategy that gives primacy to the relative quality and effectiveness of public sector delivery through TAFE. TDA has raised its concerns in several submissions to Australian Government agencies and has emphasised that the preoccupation with driving costs to a minimum frequently occurs at the expense of meaningful quality assurance. It is important for the Commission's current study to consider the potentially negative impact of an over-emphasis on competition and low unit cost on the overall effectiveness of VET reform in improving participation, productivity and social inclusion in Australia's workforce.

TDA recommends that the current study

- include an assessment of the impact of further expansion of contestible 'training markets' on the capability of the VET system to improve labour force participation and productivity
- consider the potential benefits of developing a clear national charter for TAFE as the publicly owned full service VET provider.

The National Partnership Agreement on Productivity Places Program (PPP)

TDA supported the intention of this program but remains highly critical of its design and implementation which displayed many of the anomalies and contradictions that we have referred to in general terms in our comments above. Our concerns were outlined to the Australian government prior to the implementation and in our submission to the mid-term review of the program.³ Our criticisms have been supported by the findings of the recent Allen Consulting review of the program.⁴ The focus on a fixed unit price and a target number of qualifications diminished the potential impact of government expenditure by encouraging lower cost programs in areas of low priority for skills development and by failing to monitor the quality of program delivery – that is, the extent to which the award of a qualification genuinely represented the acquisition of additional, relevant vocational skills. The program is an exemplar of how the burgeoning of 'tick and flick' qualifications

³ http://www.tda.edu.au/resources/Submission_TDA_Response_to_PPP.pdf

⁴ Allen Consulting Group, *Mid-Term Review of the National Partnership Agreement for the Productivity Places Program*, November 2010.

threatens to undermine the use of qualification completion targets as a valid indicator of skill acquisition.

TDA recommends that the Commission's current study include an assessment of the lessons learned from this program and the implications for the design of future national skills programs.

National Partnership Agreement on Pre-Apprenticeship Training

TDA has fully supported the intention of this program, but its limited funding and duration may make it difficult to assess its overall or long term impact. Nevertheless, it would be worth estimating the effectiveness of these programs in encouraging participation in the skilled trades compared with the current programs of trade training in schools.

National Partnership on Youth Attainment and Transition

This aim of this program is to give effect to the decision to require and entitle all young people to remain in full time education in order to ensure they successfully transition to work or further education. The general aim of this program is admirable but the extent to which it succeeds depends on a collaborative approach which exposes students to learning environments other than school rather than attempting to try and keep them within the school curriculum. TDA supported a research report that investigated good practice under this program and found that

Facilitating effective transition requires the negotiation of structured pathways with key stakeholders. For this reason, outcomes for students in vocational programs are substantially enhanced by the development of collaborative activities and close working relationships with other training providers, government agencies and importantly, employers and industry. When well delivered and supported vocational programs allow young people to gain nationally-recognised qualifications.⁵

Transition program funding is predominantly directed to the schools sector on the presumption that this will effectively retain and motivate students who would otherwise leave before completing Year 12. Future programs need to provide more explicitly for

⁵ Berwyn Clayton et.al., *Enhancing the retention of young people to Year 12, especially through vocational skills*, Final report, Work-based Education Research Centre, Victoria University, June 2010, p.5

those students for whom remaining at school would be counter-productive and who would benefit from more active and applied learning environments. We note that these options were in fact provided by some jurisdictions.

The study should include a specific focus on the outcomes of youth transition and attainment reforms for young Indigenous people and remote communities. This is particularly important given that the Australian Government's *Closing the Gap* program includes specific initiatives for improving Indigenous peoples' participation in school education but appears to be silent on their transition from school to work and further study.

As a more general comment, it is regrettable that national programs continue to refer to young peoples' transition to 'employment **or** further education' when the labour markets of the 21st century clearly require a successful transition to **both** employment **and** further education'.

TDA recommends that

- the net social and individual returns to the National Partnership on Youth Attainment and Transition are assessed on the basis of a comparison with other options for assuring continued engagement by young people in vocationally relevant education and training
- the Commission explicitly address the outcomes of the program for Indigenous people and remote communities.