



**SUBMISSION TO**

**THE PRODUCTIVITY COMMISSION'S REPORT:**

***Impact of COAG Reforms: Business Regulations and VET***

**FROM**

**TAFE DIRECTORS AUSTRALIA**

February 2012

# Impacts of COAG Reforms – Business Regulation and VET

Productivity Commission, Canberra 2011

## 1. Introduction and Overview

TAFE Directors Australia (TDA) is the national peak body representing Australia's 61 public TAFE providers, delivering programs and services to over 80% of participants in vocational education and training (VET). TDA appreciates this opportunity to respond to the Productivity Commission's draft Report *Impacts of COAG Reforms* in VET (the Report).

The TDA response refers to Part B of the Report and the relevant sections of the Summary Report but does not extend to the supplementary report released on 17<sup>th</sup> February 2012. Our response incorporates the views of a number of TDA members, as well as information provided by the Victorian TAFE Association (VTA) whose members have directly experienced the Victorian reforms that have provided much of the data for the Commission's analysis. Our response is also supported by advice from Independent Economics in the form of a technical analysis, a copy of which is at Attachment A. Additional comments provided by VTA are at Attachment B.

TDA considers that the Report offers an extensive and thoughtful examination of the complex relationships between participation in VET and changes in workforce participation and productivity with a particular focus on the impact of the COAG reform agenda on these relationships. Subject to our comments and recommendations here, we consider that the Report has the potential to significantly improve the way in which policy makers and researchers understand the role of VET in the development of Australia's workforce and in equipping them to further optimise the private and public benefits of the system.

We do, however, have a number of concerns with particular aspects of the analysis. The most important of these is the significant underestimation of impacts of the COAG reforms and, by implication, of the capacity of the VET sector to significantly contribute to further improvement in workforce participation and productivity.<sup>1</sup>

This underestimation is due to:

- = the very restricted definition of educational attainment adopted in the Report which leads it to consider only the benefits flowing from completed qualifications at successively higher levels and to ignore other outputs and progress indicators set out in the National Agreement for Skills and Workforce Development (NASWD).
- the excessive discounting of projected benefits for an assumed ability bias.

Our response also makes a number of observations about other aspects of the Report including:

- the need for continuing and increased funding for foundation skills (Section 6)

---

<sup>1</sup> This paper adopts the Report's definition of 'pparticipation' as 'average hours worked' rather than the ABS labour force definition. See Summary Report p.63 and Report Part B p.3.

- the risk of moving too quickly to greater contestability in the current environment of indeterminate quality and transitioning quality assurance arrangements (Section 7)
- the need to improve information systems (Section 8)
- the need for a more extensive examination of the impact of the reforms for low SES and geographically disadvantaged people and communities including Indigenous communities (Section 9)
- the impact of a demand-driven higher education system on student choice
- (Section 10) the structure of the final Report (Section 11).

Based on these comments, TDA has made a number of recommendations for revisions to the Report including the Summary Report. TDA is of the view that if these recommendations are accepted, the Productivity Commission's final report will provide a sound basis both for assessing the impact of the current reform program and for formulating policies for the further reform of the Australian VET system.

## **2. Recommendations**

TDA makes the following recommendations:

### **Recommendation 1**

That an assessment of the net benefits flowing from module completions be included as an addition to the Commission's estimates of the possible impact of the COAG VET reforms.

### **Recommendation 2**

That the Commission's analysis include revised estimates of the potential benefits of second and subsequent qualifications at the same or lower levels and that this reassessment encompass a review of the comparative analysis of the Victorian and South Australian reforms.

### **Recommendation 3**

That

- the Commission reconsider the validity of imputing an ability bias for the purpose of discounting the impacts of the COAG reforms in the VET sector and that
- this factor is omitted from estimates of benefits for the mature learner cohort in VET.

### **Recommendation 4**

That the Commission's Report emphasise the value of additional government funding for integrating LLN skills with vocational qualifications.

### **Recommendation 5**

That the Report's findings on the relationship between contestability and quality, including the range of estimated potential individual and social benefits, should be given greater prominence in the both the overview section of the Report and in the Summary Report. Further, that earlier recommendations of the Productivity Commission on governance reform and industrial relations and the artificial cost disadvantage impacting TAFE become components needing to be sequenced to avoid unintended consequences of VET reform. This mix of issue highlights the risks involved to governments and individuals in a too rapid move to greater contestability, especially in the absence of structural adjustment to TAFE itself.

### **Recommendation 6**

That Report's positive assessment of the *National Partnership Agreement on Productivity Places Program* (NPAPPP) is qualified by emphasising the quality assumption that underpins it.

### **Recommendation 7**

That in considering opportunities for improvements, the Report emphasise that successful reforms require clear, comprehensive and timely information for students and coherent and stable administrative systems, processes and funding arrangements.

### **Recommendation 8**

That the economic and social benefits to be gained from improved transition outcomes for disadvantaged young people be given more prominence in the Report.

### **Recommendation 9**

That

- Chapter 4 of the Summary Report include a clearer statement of the sensitivity of the estimates to the definition of educational attainment adopted in the Report and that
- the Overview section of the Report Part B be expanded to include the additional estimates identified in Section 11 of this response.

### 3. The purpose and scope of the Report

The purpose of the review is to

- report on the economy-wide, regional and distributional effects of the COAG reforms
- take into account the costs incurred by governments in implementing the reforms
- comment on the time paths over which the effects of reforms are likely to accrue
- provide guidance on the sensitivity of estimated results to the assumptions used
- draw attention to information gaps that limit approaches to reform evaluation
- assess, where practicable, whether Australia's reform potential is being achieved and the opportunities for improvement (pp.-3).

The COAG VET reform program is broad ranging and is underpinned by the intergovernmental *National Agreement for Skills and Workforce Development* (NASWD) and two national partnership agreements: the *National Partnership Agreement on Productivity Places Program* (NPAPP), the *National Partnership Agreement on Youth Attainment and Transitions* and additional places in the Language, Literacy and Numeracy Program (LLNP) and the Workplace English Language and Literacy (WELL program). The Report identifies and assesses realised, prospective and, where feasible, the potential impacts flowing from each of these agreements.

### 4. Underestimation of benefits due to the definition and scope of 'educational attainment'

The focus of the report is the benefits and costs of educational attainment as this is reflected in improved workforce participation (average hours worked) and productivity. Educational attainment is defined solely in terms of formal qualifications completed. The basis for this narrow definition of educational attainment appears to be the Report's singular focus on the NASWD reform *targets* which are expressed as quantum increases in qualifications at the Certificate III and Diploma levels. This reprises the concentrated focus on these targets that is evident in the 2009 and 2010 NASWD reports to the COAG Reform Council.<sup>2</sup>

However, as TDA noted in its original submission to this review, completion of qualifications is only one of a number of NASWD *outputs* which the Agreement clearly envisages as indicators of progress towards achieving COAG's intended reform outcomes and objectives. The other outputs nominated by the NASWD are increases in enrolments and module completions, and increases in enrolments and higher level course completions by Indigenous Australians.<sup>3</sup>

It is unclear why changes in these outputs have been excluded from the Commission's analysis. These exclusions lead to a serious underestimate of the net benefits of the COAG VET reforms. Taken together, these forms of participation in vocational education and training account for a major component of the overall publicly funded training effort

---

<sup>2</sup> COAG Reform Council, <http://www.coagreformcouncil.gov.au/reports/skills.cfm#2010compare>, viewed 23<sup>rd</sup> February 2012

<sup>3</sup> NASWD pp.4-6, [http://www.federalfinancialrelations.gov.au/content/national\\_agreements/skills\\_workforce/skills\\_agreement.pdf](http://www.federalfinancialrelations.gov.au/content/national_agreements/skills_workforce/skills_agreement.pdf), viewed 23<sup>rd</sup> February 2012. The TDA submission is at [http://www.pc.gov.au/data/assets/pdf\\_file/0018/113553/V005.pdf](http://www.pc.gov.au/data/assets/pdf_file/0018/113553/V005.pdf).

and generate demonstrable benefits for individuals and enterprises in terms of both employment and productivity. TDA believes it is essential that the Commission reconsider its analysis and estimates by incorporating a more evidence-based approach to estimating the impact of increased participation in these patterns of skill acquisition.

#### **4.1. The benefits of module completion**

Unlike educational qualifications in school and higher education, VET qualifications are designed to ensure that with every module undertaken students acquire measurable additional skills at a standard acceptable in the workplace. Since 1992 Australian governments have made a huge investment in restructuring VET courses and qualifications to achieve this goal. The incremental process of skill acquisition and recognition means that, with the possible exception of immediate school leavers studying full time in VET, module completions cannot be ignored in assessing the employment and productivity benefits of participation in VET even where a formal qualification has not yet been obtained. This is particularly the case for mature learners with considerable prior employment experience and for others who already hold a post-school qualification.

As the Report notes, this mature cohort represents slightly more than half of all VET enrolments and their reasons for study are to change jobs or to upgrade skills in their current job, rather than to find an initial job. It is therefore understandable that, as the Report also notes, their enrolment patterns exhibit more of a bias towards acquiring specific skills and competencies. They may also take considerably longer to complete a qualification than the 1-2 years apparently allowed for in the Commission's calculations (p.29). The productive value of acquiring specific additional competencies has also been attested to by employers, an increasing number of whom are encouraging employees to complete designated sub-qualification 'skill sets'. Other significant groups for whom module completions are immediately beneficial are seasonal workers and remote Indigenous communities where skills across a range of occupations are required to maintain employment. This preference represents a rational choice in given circumstances and should not be dismissed as a form of student 'myopia'. Conversely, the economic rationale for individuals to complete additional qualifications has been challenged by some studies which have concluded that second and subsequent qualifications at any level yield significantly lower returns to individuals than an initial qualification.<sup>4</sup>

Given the very large (and, as yet, largely unexplained) discrepancy between module and qualification completion rates, an estimate of the benefits of module completions is likely to significantly alter the Commission's assessment of the overall net benefits of participation in VET.

**Recommendation 1: TDA recommends** that an assessment of the net benefits flowing from module completions be included as an addition to the Commission's estimates of the possible impact of the COAG VET reforms.<sup>5</sup>

---

<sup>4</sup> For the basic analysis see Chris Ryan, 2000, *Where to next? Graduate outcomes from the Australian higher education and vocational education and training sectors*, NCVER, Adelaide, <http://www.ncver.edu.au/publications/438.html>

<sup>5</sup> This estimate would be indicative and would lie somewhere between 0 and 1 where 1 is the estimated return on a whole qualification of which the modules are a component.

## 4.2. The benefits of second and subsequent qualifications

A second source of underestimation is the exclusion of second and subsequent courses completed at the same or lower levels. The Report assumes that '*an individual's workforce participation and....productivity are only enhanced through the attainment of a full qualification above the level of the highest one already held*' (Summary Report, p.51). On this basis, the Report assesses the Victorian reforms as having a more positive impact than those planned for South Australia, given that Victoria's fully subsidised places are only available to students who enrol in successively higher level qualifications while the South Australian reforms include entitlements for individuals to undertake more than one qualification at the same level. The South Australian reforms are thus assessed as having a much lower prospective impact on employment and a zero impact on productivity (pp. 32-43; Appendices; Summary Report, Table 4.1).

This assumption – that further qualifications at the same or a lower level represents only unproductive 'churn' and a manifestation of student myopia, reflects an over simplified understanding of the relationships between fields and levels of study in the VET sector. Increasingly, lifelong work patterns and skill development can be expected to include not only vertical movement within an occupation, but lateral and tangential movements across occupations and industry sectors. A different skill mix and/or qualifications at the same level or even a lower level are often essential for the job mobility required to respond to structural shifts or cyclical fluctuations in the economy, particularly for workers in occupations at the Certificate III level and below. For the economy as a whole, the inability to respond to such shifts in employment opportunities will clearly have a negative impact on participation and, although additional productivity from these qualifications might be negligible, the impact of *not* facilitating these lateral movements in employment is likely to be negative.

VTA has reviewed the impact of the Victorian reforms and has provided TDA with some concrete examples of typical individual circumstances where the limits on Victorian subsidised places have such negative impact.

A former primary school teacher, wishing to return to work after many years out of the workforce, was refused a subsidised place in a Certificate IV in Aged Care. She accepted working a few hours a week in an unskilled job and is in receipt of a part pension. The full fee cost to her of the qualification would have been approximately \$5000.

A minimum Diploma of Auslan is required before an individual can be admitted to an interpreter's course at the Diploma level. The inability to gain subsidised places will over time, reduce the supply of interpreters for the hearing impaired Victorian school students as well as across the broader hearing impaired community. The full fee cost of the Interpreter qualification is likely to be in the vicinity of \$3000 - \$3500

A Certificate IV qualified tradesman/builder who suffers from chronic pain as a consequence of a number of workplace injuries is ineligible to take up a subsidised place in a Certificate IV in Occupational Health and Safety which would have enabled him to return to work in an industry which he knows well and where he could make a measurable difference to on-site work safety. The full fee for of the course is \$3200

A female retail worker with a Certificate III in Retail was ineligible for a subsidised place in a Certificate III in Business Administration. She was counselled to enrol in a fully subsidised Certificate IV but anticipates only completing those modules which she needs in order to perform efficiently as the office manager for a small business.

While the COAG targets imply an exclusive emphasis on the quantum of qualifications at successively higher levels, neither the NASWD nor the analysis in the Report has demonstrated a necessarily *exclusive* link between these and the broader workforce participation and productivity aims of the COAG reform program itself. To exclude the lateral movements and internal labour market upskilling that are the outcomes of module completions and multiple qualifications at the same level is to deny the benefits of multi-skilling and multi-tasking in the workplace.

**Recommendation 2: TDA recommends** that the Commission's analysis include revised estimates of the potential benefits of second and subsequent qualifications at the same, or lower levels and that this reassessment encompass a review of the comparative analysis of the Victorian and South Australian reforms. In the absence of this revision, the impact of existing COAG reforms risks being seriously underestimated. There is a further risk that based on the Commission's findings in this Report; other jurisdictions will seek to restrict access to VET qualifications in a way which impedes the employment mobility of those undertaking VET courses.

## 5. The application of ability bias to VET

A third source of underestimation is the imputation of a discount for the lower ability of additional VET graduates which, TDA believes, lacks an adequate empirical basis. The discount for mature VET participants is particularly excessive and should be further reviewed.

The Commission has specifically sought further advice on the assumptions it has made about the relationships between ability, educational attainment and productivity (Box 3.1, pp.30-31 and Appendix C). These relationships are underpinned by the concept of ability bias based on either a single scale or, at best, a two dimensional model of 'measured ability' at Year 9 and/ or Year 12 (blue/white collar or cognitive/mechanical) combined with a presumption that the agreed Australian Qualifications Framework (AQF) represents a linear hierarchy of ability.

A great deal more empirical validation is necessary before these assumptions are warranted in the VET context, or for many of the occupational destinations for which VET courses train people. On the basis of currently available Australian research, we note that:

- Research undertaken for the recent review of the AQF found that abilities at the completion of Year 12 varied between Certificate II and Certificate IV but that Year 12 studies could not be readily compared with the applied learning which is central to VET.<sup>6</sup>

---

<sup>6</sup> Some information is available in, *Overview of the Empirical Validation of the Strengthened Australian Qualifications*, AQF, September 2010 <http://www.aqf.edu.au/Portals/0/Documents/Overview%20of%20the%20Empirical%20Validation%20of%20the%20Strengthened%20AQF.pdf>, viewed 23<sup>rd</sup> February 2012. Unfortunately, to the best of our knowledge the detailed analysis supporting this AQF document has never been published but inquiries can be made to Executive Director, AQF, GPO Box 9880, Adelaide SA 5001, Tel: 08 8306 8688, [aqfc@deewr.gov.au](mailto:aqfc@deewr.gov.au) Fax: 08 8201 0315 Email:



- 'Measured ability', both at age 15 and at Year 12, is heavily skewed towards cognitive ability and attainment in language literacy and numeracy (LLN), and is an unreliable basis for quantifying the relationship between these and the 'mechanical' or other dimensions of ability. This may change over time with the increasing take-up and recognition of VET courses in schools.
- Ability as measured at Year 9 is one of a number of predictors of successful completion in many VET courses for Year 11 school leavers but less so within the Year 12 cohort, and, even if known, is not reliable for mature age students.
- School-based ability assessments are linked to students' SES backgrounds. The Report makes no allowance for students from low SES backgrounds, Indigenous communities, or those with disabilities having potential that is only realised outside the confines of school measurement systems but able to be developed by participation in VET. Compared with enrolments in higher education, the VET student cohort includes a significantly higher proportion of disabled, low SES and geographically isolated students who are likely to have been 'measured' as having relatively lower ability. This cannot be considered an objective predictor of their employment and earnings potential after they complete a VET qualification.
- Family and peer group values and pressures and perceived job opportunities are the strongest influence on school leaver student preferences and choices about their immediate post-school destinations. For many individuals, decisions about, and performance in VET courses and associated employment are determined by these and other extraneous considerations and any ability factor becomes insignificant in determining employment and earning outcomes.
- An increasing proportion of VET courses require the development of creative and affective attributes which are often a function of personal maturation rather than ability as measured at a point in time.
- Most VET graduates enter far more differentiated labour markets in smaller numbers than is assumed by the Report (p.116).

When these factors are taken into account, the ability mix of any particular cohort of VET graduates entering a specific labour market is likely to have a neutral rather than a negative impact on average productivity. For this reason the concept of ability bias should be regarded with extreme caution. Most importantly, while it might arguably have some utility in respect of Year 12 cohorts entering full time VET courses, and for young people at risk of an unsuccessful transition, this bias cannot credibly be applied to the part time mature learner cohort in VET for whom, it appears, the Commission's current analysis actually includes a *higher* discount. (See Attachment A, pp.-3). As the Report acknowledges, depending on individual circumstances and prior educational and employment history, an individual completing a VET qualification may have a negative, neutral or positive impact on the average productivity of the relevant workforce. For any given workforce, the overall impact is likely to be both insignificant and self-cancelling.

### **Recommendation 3: TDA recommends that**

- the Commission reconsider the validity of imputing an ability bias for the purpose of discounting the impact of the COAG reforms in the VET sector and that

- this factor is omitted from estimates of benefits for the mature learner cohort in VET.

## 6. Foundation Skills

The open access entitlement to foundation skills is strength of the Victorian system. While there may be a degree of unnecessary recycling as the Report intimates it needs to be recognised that many older adults need more than one course cycle to achieve 21<sup>st</sup> century workforce functionality in language, literacy and numeracy (LLN).

TDA has for some time advocated the better integration of LLN with accredited VET courses and the setting of a minimum of Level 3 as an objective of all VET qualifications, but thus far, funding arrangements have precluded this from all but a small handful of courses. TDA would support a Commonwealth funding initiative that facilitated greater integration of LLN with vocational qualifications.

**Recommendation 4: TDA recommends** that the Commission's Report emphasise the value of additional government funding for integrating LLN skills with vocational qualifications.

## 7. Quality and contestability

Contestability in the training market has, for many years, been something of a mantra in government policy formulation for VET. TDA therefore welcomes the recognition in the report that the benefits of increased contestability are highly dependent on quality being at least maintained and, ideally, improved. The Report recognises that a number of organisations have expressed specific concerns about quality in VET. In its original submission to the Commission's review TDA also expressed its concerns about the rapid increase in the number of, and the poor quality of training delivered by, some private institutional providers.<sup>7</sup>

The Report's estimates show a very strong relationship between high/low quality and positive/negative benefits arising from contestability including, for example, a net social benefit of nearly \$1 billion where contestability improves quality to a net negative benefit of \$0.73 million when contestability leads to deterioration in quality. For the individual, the relationship is equally as strong, reflecting the considerable risk involved for students in an unfortunate choice of provider (Tables D11 and D12).

Quality provision of VET has a substantial cost in terms of equipment and teacher salaries as well as class size. The rapid increase in the number of private providers, particularly in Victoria, has been concentrated in the less expensive courses with an emphasis on very short course durations – often far shorter than recommended by the AQF for completion of qualifications. Clearly many private providers are unwilling to reduce their profits to invest in improved quality. Particularly in the current environment of transitioning quality assurance and audit arrangements and a backlog of registrations and approvals to be cleared, there is a heightened risk of diminished quality as a consequence of further significant moves to greater contestability.

TDA notes that the proposed South Australian reforms have recognised this risk and have built in additional quality assurance processes. The ability and willingness of private

---

<sup>7</sup> i.e. private providers who enrol publicly funded students. Employer RTOs who train their own employees are not included in this comment.

providers to meet these standards will provide some retrospective information on the extent to which access to super-normal profits have been the primary motivation of private providers participating in current and past Government funded reforms elsewhere.

Given this environment and the Commission's findings, it would appear overly confident for the Commission to predict that: 'As competitive and high quality markets emerge over time there will be opportunity to wind back on government ownership of training providers (otherwise this would result in substantial distortion in the VET market' (p.19). TDA notes that this has not been the general experience in either the US or the UK where training markets are considerably larger.

**Recommendation 5: TDA recommends** that the Report's findings on the relationship between contestability and quality, including the range of estimated potential individual and social benefits should be given greater prominence in the both the overview section of the Report and in the Summary Report. Further, that earlier recommendations of the Productivity Commission on governance reform and industrial relations and the artificial cost disadvantage impacting TAFE become components needing to be sequenced to avoid unintended consequences of VET reform. This mix of issues highlights the risks involved to governments and individuals in a too rapid move to greater contestability, especially in the absence of structural adjustment to TAFE itself.

These issues were specific recommendations by the Productivity Commission in its review of the VET Workforce (2011). TDA suggests that these require to be sequenced along with any contestable/entitlement models, otherwise structural inequities will be pronounced – as the Victorian model of VET entitlement and contestability has played out, impacting TAFE market share and viability especially in rural and regional areas and in specialist skills delivery.

**Recommendation 6: TDA recommends** that the Report's positive assessment of the *National Partnership Agreement on Productivity Places Program* (NPAPPP) is qualified by emphasising the quality assumption that underpins it (p 39).

## 8. Information available to students

As the Report notes, TDA has previously expressed its concern about the confusion and uncertainty among students, employers and the general public as a result of the lack of a coherent communication strategy and the over hasty introduction of the Victorian reforms. The VTA has provided TDA with updated information indicating that the situation has not improved. Rather, further unanticipated changes to processes and funding arrangements have perpetuated the problems and a public perception of system instability. The main problems identified by the VTA are listed at Attachment B.

The Australian Government has made a significant investment in on-line information sources. However, the links between the various web sites are confusing to a novice and, do not include information about the employment and earnings outcomes from different providers. A comprehensive *My Skills* website is apparently planned but this will be a great deal more complex to design and maintain than the *My School* and *My University* websites.

Further problems should also be noted:

- Careers education in senior secondary schools continues to place a premium on professional, university trained occupations and is often delivered by teachers who

have little knowledge of vocational education and who base their advice primarily on their perception of the relative academic ability of students. This may change with Trade Training Centres in schools.

- There is a lack of transparency in national reporting by private providers. The NCVER has identified this as a major issue for the national statistical collections.

The limitations and distortions associated with information on VET means that students should not be penalised for what the Report suggests are to be poor and myopic initial choices of VET courses and/or providers.

- There is currently no differentiation between the 5,000+ VET providers. TDA believes that this lack of transparency is confusing for students and the community.

While the use of the title 'university' is more highly protected in Australia than elsewhere in the world there is no protection for any VET title. The title of university is also associated with five of the six different provider categories. Within VET there are no provider categories. There is also no space in the Higher Education categories that allows any differentiation of TAFE institutes offering higher education qualifications from other Higher Education Providers (HEPs).

TDA maintains that the adoption of Provider Categories in VET would assist in clarifying nomenclature; in developing a risk framework and would be required if an efficient and effective tertiary sector is to be realised.<sup>8</sup>

- There is a need for a clear affirmation of the role of the public provider in VET.

In "The Case for a National Charter for TAFE" (November 2011) TDA argued that it is time for the Australian and State and Territory Governments to affirm the significance of TAFE in delivering on the Government's productivity and participation agenda; to articulate the role, scope and responsibilities of TAFE, and commit to administrative and funding arrangements that will enable TAFE providers to perform this role effectively.

**Recommendation 7: TDA recommends** that, in considering opportunities for improvements, the Report emphasise that successful reforms require clear, comprehensive and timely information for students and coherent and stable administrative systems, processes and funding arrangements.

## **9. Equity, Distributive and Social Inclusion dimensions of the COAG reforms**

The Report is strangely silent about the implications of the reforms for the COAG objectives of equity and inclusion. The educational disadvantages experienced by students in remote communities and from low SES backgrounds are well documented and are reflected in their lower average scores of measured ability at Year 9 and their lower retention rates to Year 12. The same characteristics appear to underpin the different patterns of success and failure in youth transition noted by the report in Appendix G.

---

<sup>8</sup> "The case to review provider categories in higher education" (TDA, June 2011) "The case to review provider categories in VET" (TDA, September 2011) in which TDA argued that the opportunity exists to create VET Provider Categories that could be integrated with HE Provider Categories into one seamless tertiary system.

**Recommendation 8: TDA recommends** that the economic and social benefits to be gained from improved transition outcomes for disadvantaged young people be given more prominence in the Report.

## **10. The Impact of Higher Education Reforms**

In its original submission to this Review, TDA emphasised the greater capacity for the average school leaver to substitute higher education for vocational education and training as a consequence of increased Year 12 retention rates and the uncapping of government funded university places. We recognise that a detailed review of this issue is beyond the Commission's current remit. However, the assumption that in a demand driven higher education system, it is unlikely that the movement of students from VET to higher education will exceed current trends does not seem to be a particularly strong one, given the active recruitment campaigns being conducted by some universities amongst VET students and the rapid growth and accessibility of non-university higher education providers, including some TAFE providers (p.46).

## **11. Structure of the Report**

The Report is lengthy and, in parts, technically complex. It is likely that many VET decision makers will tend to rely on the Summary Report and the Overview when designing further reforms to the VET system and, conceivably, as a basis for determining ongoing policies and recurrent funding arrangements. It is therefore essential that these 'plain English' components of the Report be extended to include more specific information on the extent to which its findings are sensitive to the various assumptions made. Where possible, this should include specifying the quantitative assessments as a range of values rather than a single value for both the individual and social net benefits of reforms. Examples discussed in this response have included

- estimates of the net benefits of the Victorian and South Australian reforms if module completions are included in the definition of educational attainment benefit
- the comparative net benefits of the Victorian and South Australian reforms if second and subsequent course completions at the same or a lower level are included in the estimates
- the estimated benefits if the discount for ability bias is omitted at least for mature learners.
- the impact of different quality assumptions on the net individual and social benefits of the Productivity Places Program.

## **Recommendation 9: TDA recommends** that

- Chapter 4 of the Summary Report include a clearer statement of the sensitivity of the estimates to the definition of educational attainment adopted by the report and that
- the Overview section of the Report Part B be expanded to include the additional estimates identified in Section 11 of this response.

