



Impacts of COAG VET reforms: ACTU submission in response to the Productivity Commission Discussion Draft

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Introduction

The ACTU makes this submission in response to the December 2011 discussion draft (Part B), prepared by the Productivity Commission into the impact of COAG reforms to the VET system in Australia.

The primary concern of our submission is that the discussion draft has provided no serious questioning or analysis of the actual experience of market-driven contestability in the VET system as it has operated in Victoria in recent years. Instead it relies on modelling that purports to show a net benefit from the reforms based simply, it seems, on the assumption that any additional qualification completions occurring under the reforms are beneficial.

This fails to factor in the quality of those qualifications and whether they have led to genuine vocational and employment outcomes or benefit to individuals and the wider economy. That is, whether the qualifications have led to more productive skills being deployed in the economy.

Neither is there any appreciation of the deleterious affect the reforms have had on the public provider, TAFE.

As negotiations for the next Commonwealth-State VET funding agreement reach their final stages, there is time still to learn from the failed experiment in Victoria and chart a new direction, but the discussion draft as it currently stands is a lost opportunity to do this.

Our response to the specific questions posed in the discussion draft is provided below. Before going to those particular questions, the submission sets out the concerns of the ACTU and affiliated unions on the impact of the contestability agenda, particularly as experienced in Victoria, and the treatment of these issues in the discussion draft. We also respond to specific comments made in relation to labour shortages and apprentice labour markets.

The Victorian experience

Victoria was the first jurisdiction to go down the path of entitlement funding and full contestability in 2009. For doing this, they received funding outside the National Partnership Agreement.

The introduction of these reforms in Victoria has had widely reported and recognised adverse affects on the reputation of the VET system, as increasing number of private providers have entered the VET system attracted by the availability of public funding. This has encouraged training providers to focus more on the marketing of courses to attract new students, rather than serious attention to the quality and rigor of the training being provided. The result has been unprecedented growth in high volume, low cost qualifications in non-skill shortage areas delivered by private providers in a fraction of the time it takes at reputable providers.

There is no evidence to suggest that the economy or individuals are benefiting from these activities.

The model as introduced in Victoria has also had the effect of denying access to publicly funded training for those looking to re-enter the workforce, change career, or develop new

skills, by virtue of the fact they have existing qualifications at that same level. The rationale as put in the discussion draft may have been to prevent individuals churning through a number of different lower level qualifications - which is a legitimate concern - but in our submission there are a range of circumstances outlined above that can justify doing a qualification at the same level, particularly if their previous qualification was some time ago or in a discipline the subject of structural adjustment. The previous Victorian Government in fact pulled back on some of these reforms in recognition of the negative impact they were having on mature aged apprentices for example.

The discussion draft does make some concessions to the problems that have been caused. For example, it refers to issues raised about growth areas, such as fitness instructors, being driven more by marketing campaigns than genuine labour market demand and solid employment prospects. It reports the finding from Skills Victoria of a marked increase in training in small number of occupations where graduates were reporting that training had little or no vocational benefit.

However, the concerns about the reported adverse impacts of the reforms on quality and value of VET qualification appear to be largely downplayed.

For example, the discussion draft at p.36 relies on an assessment that the number of enrolments in training of little vocational benefit is 'relatively low'. It is not clear how this assessment of vocational benefit was made, but what it does show at figure 3.2 is a clear increase in enrolments in courses with little vocational benefit from 2008 through to 2011, when there were more than 20 000 enrolments in training in courses up to certificate IV with little vocational benefit and another 5000 at Diploma level and above. In one sense, it could be argued the increase is expected given there is also growth in enrolments generally, but for courses from certificate I to certificate IV there is also an increased proportion of total enrolments being in courses with little vocational benefit.

In the end, the Commission's conclusions appear to be largely reliant on the modelling exercise that was done and which shows the benefits of the reforms in producing additional qualifications and thereby producing a net social benefit. As the Commission concedes, much of this is subject to the assumptions being made and therefore results are only 'broadly indicative' of possible impacts. For example, the discussion draft on page 36 states that the Commission's quantitative analysis assumes that students use their newly acquired qualifications in employment, but then goes on to say data that would permit that assessment of whether this is actually occurring are not yet available. Instead it relies on a Skills Victoria statement that the vast majority of government subsidised training is either aimed at improving literacy and numeracy, or is focused in area of skill needs, as an indication that qualifications are likely to be used.

In our submission, to properly assess the impact of the reforms more work needs to be done on the quality of the reported growth in enrolments in terms of their real vocational and employment outcomes and this needs to be based on the actual experience, rather than relying solely on a modelling exercise.

The other key area of concern which the discussion draft makes no reference to is the impact the reforms are having on TAFE as the public provider and the consequences of this. Since 2008, the number of private for profit VET providers has grown from 225 to 528, TAFE market share has fallen from 75% to 49%, and private provider share has increased from 14% to 40%. 16 out of 18 TAFE institutes in Victoria are now operating in deficit, a

turnaround in figures since 2008 when only two institutes recorded deficits. Under current policy settings, TAFE is missing out in a contestable funding market as fly-by night providers pick up cheap, low-cost delivery training. TAFE institutes in regional and rural areas in particular will struggle to survive with reduced levels of funding.

The Productivity Commission appears to have its own views on the role of public provision of VET, but a proper assessment of the COAG VET reforms cannot remain silent on the impact on TAFE from continued funding reductions.

Issues for further consideration – ACTU response

Information available to students

What is the most effective and efficient way to provide potential VET students with the information they need to make informed decisions? Are the information needs of potential students from different backgrounds similar, for example, school leavers, mature learners and adults with foundation skill gaps? What is required to make the information available that students need?

As the discussion draft suggests, there is already a range of material that is available to help students but more and better information is required. As a minimum, this should include clear and readily available information on the performance of VET providers and the courses and qualifications they offer, including:

- Costs and fees;
- Availability of and access to support services;
- Access to RPL;
- Commencements and completion rates;
- Student and employer satisfaction;
- Graduate destination information, including occupational outcomes;
- Qualifications and experience of teachers and trainers;
- The history of audits including non-compliance; and
- The risk category assigned by the regulatory authority for audit purposes.

However, while information can assist students to make decisions, our concern is that a focus on information requirements diverts attention from the more critical issues around quality and compliance. Creating websites to give students more information about providers will not solve the current problems in Victoria.

Students should of course have necessary information to help them make decisions, but far more importantly they should be able to have confidence in the quality of the providers they are enrolling with and the course and the qualification they are undertaking. Responsibility for this lies squarely with the relevant standard-setting bodies, regulatory agencies, the providers themselves and the governments that fund them; the responsibility should not be shifted to individuals on the basis of buyer beware!

The choices students make are often driven by the fact these private providers are government funded (and the offers of ‘free training’ that come with that). Private providers use their government funded status prominently in their advertising and students are entitled to assume that if the provider is accessing government funds (and is registered in the first place) then they must be of high quality. Instead, what is currently happening in Victoria is that students are being held responsible for choosing a poorly performing government funded provider and being told that the solution is that the government will put more information about these providers on a My Skills Website. This unfairly put the focus on students to come up with the right decisions, when the onus and accountability should be on providers and regulators to improve standards and improve quality.

The other under-discussed issue is the nature of the choices that students are offered. The market is gravitating to those programs that are commercially viable rather than those that the economy needs to meet social and skill shortage needs.

Students can only be informed and demanding consumers of that which is on offer.

The quality of student outcomes

What are the most effective and efficient ways to promote increased quality delivery of VET?

As suggested above, quality is the critical issue that needs addressing, more so than better information for students, as valuable as that can be.

Ultimately, the focus on quality in the VET sector is about the quality of skills which are delivered through training. This include the extent to which these skills meet the needs of industry and the vocational standards established through training packages, and whether they give employees an occupational outcome - a new job, or an improved set of skills in an existing job – as well as a broader set of vocational skills they can transfer across an industry or occupation.

Fundamental to ensuring the ongoing quality of training and skills delivered through VET is the quality of providers across the sector. In our submission, there is no substitute for having a single, high standard for entry of providers into the training ‘market’ and rigorous enforcement of those standards. The ACTU and unions have been strong supporters of the establishment of the national VET regulator, but it is vital now that ASQA has the resources it needs to effectively audit and regulate the performance of training providers and hold them accountable for the training they deliver, as well as ensuring high standards for entry in the first place. With just 160 staff responsible for more than 5000 providers across the country, unions and other stakeholders are yet to be convinced this is the case.

There is also great value in supporting TAFE, as the public provider, to continue its long-standing role as the national leader and benchmark for high quality and innovative vocational education and training. However, it must be adequately resourced to do this and under current policy directions and funding arrangements the capacity of TAFE to continue to set the quality standard is under severe strain, as discussed earlier in the submission.

Quality of assessment is another ongoing area of concern, as it is central to the quality and relevance of graduate outcomes and ensuring there is industry confidence in the skills and competence of those who complete VET qualifications. Currently, there is a lack of moderation or validation of assessment; that is, any checking as to whether competencies

are achieved in a consistent manner and meet the standards defined by industry in national training packages. Industry needs to play a central role in external validation, through the ISCs, and it needs to be integrated as a key requirement in registration and auditing. Ultimately, the test is whether a person who has completed the qualification can use and apply those skills in their work to the standard expected by industry.

A further critical issue is the quality of the VET workforce and the support that is provided to them to deliver quality vocational education and training. The various targets set by the COAG reforms to improve the number and level of skills and qualifications cannot be met without a VET workforce that is well-skilled and qualified to teach, train, and assess a diverse learning population, particularly disadvantaged learners.

This requires a serious look at a number of issues, which in our view should form part of a national workforce development strategy for the TAFE and wider VET teaching workforce. As set out in the ACTU submissions to the Productivity Commission study into the VET workforce, these include the level and quality of teaching qualifications in the sector, opportunities for professional development and stronger links with industry, and measures to address the unacceptably high levels of casual employment. The apparent pre-occupation of the Productivity Commission with ‘flexibility’ and removing the ‘obstacles’ caused by public sector employment conditions distracts from these core priorities for TAFE.

Completion rates

How might completion rates in the VET sector be improved?

Low qualification rates are a cause for concern, despite the view pushed in some quarters that non-completions are a sign that students and employers in these cases feel they have got the skills they need through part-qualifications and skill sets.

In those cases, the concern is where part-qualifications are done at the behest of employers who feel those skills meet their specific enterprise needs, and the employees missed out on the benefits of a broader-based qualification which gives them skills to work across an industry or occupation.

This is particularly important in an economy that relies more than ever on employment mobility.

In our view, the research points predominantly to the value of getting full qualifications¹ and through the COAG targets, Governments at all levels they have indicated the importance they place on increasing qualification levels across the workforce. This is not about qualifications for qualifications’ sake, but for the skills outcomes which those qualifications should produce, provided the quality assurance and regulation of the sector is working. The modelling used in the discussion draft is itself based on the assumption that participation and productivity changes come only through full qualifications.

On that basis, greater attention to improving completion rates is welcome. In terms of how this is done, there is a lot of material available on the benefits of support services, pastoral care, mentoring and the like, in helping improve completions. Much of the answer lies too in the type of VET funding models that are adopted.

¹ See for example, Noonan, P. et.al (May 2010), Investment in VET, p. 12.

The ACTU generally supports a shift in the funding model towards a greater focus on outcomes, such as completion rates, rather than input measures based on activity and volume. This would provide an incentive for providers to address currently poor completion rates and it recognises the value and importance of individual students and workers obtaining a full, nationally-recognised, vocationally relevant qualification that allows them to work across an occupation or industry.

However, the ACTU also recognises that such a shift comes with its own set of risks and potential perverse outcomes and behaviour. For example, this can occur if funding completions simply encouraged providers to train those who are easiest to train with the least effort and in skill areas of low priority. The design of the funding model needs to be such that there is also a clear link to industry and community priorities, and the extent of training effort and rigour.

It is important too that any such shift is complemented by renewed effort on the quality front, particularly in assessment. As noted above, the quality of assessment needs to improve so there is industry confidence that those who complete, and are assessed and signed off as competent, can in fact perform the skills on-the-job that the qualification says they can perform. This is a vital ingredient in any move towards an outcomes-based funding model based on completion rates. Changes to funding and assessment systems need to be done as a package to improve quality.

If the ultimate goal is to improve the completion of qualifications and thereby increase the skills base of individuals, industry and the nation, then funding needs to be focused on the types of interventions that research and experience shows will actually help improving completions, particularly for disadvantaged learners. These interventions include various forms of pastoral care, mentoring, and 'wrap around' services which require extra time and resources. The service offered by training providers should be about an overall package that may include, for example, language, literacy and numeracy support, recognition of existing skills, and integrated training and assessment in the workplace, and the funding model needs to support this. Disadvantaged learners should have the same opportunity to achieve full qualifications with an occupational outcome, and this is where support services are again critical.

The ACTU is concerned that entitlement models such as that in Victoria are not addressing these issues. A problem remains if publicly funded training is not linked to industry skill needs and other equity objectives.

There may be an argument for the VET sector to better accommodate staged or incremental completion of qualifications where this is done to allow employees to manage different work/life issues. The introduction of a unique student identifier may help track these sorts of movements through the VET sector.

In the end, the key to getting better results for learners is a renewed focus on quality from training providers throughout the VET system.

The importance of sequencing to successful policy initiatives

What factors, if any, do you think the Commission should take into account in assessing the importance of the different steps in reform sequencing?

As indicated, the ACTU and affiliated unions have major concern with the direction of VET reform as it continues inexorably towards entitlement funding systems and contestability which is based on price alone. Unions have called for a fundamental reassessment of this policy direction as part of the negotiations for the next Commonwealth/State VET funding agreement. In our view, governments and all parties with an interest in quality VET should be heeding the experience in Victoria before seeking to replicate this across the country.

At the very least, a number of things need to happen before we go any further down this path. As discussed, investment in quality and compliance is critical. There needs to be a definition of 'quality' that reflects fitness-for-purpose and industry standards for the deployment of skills in jobs.

There must be mechanisms in place – caps and quotas for example – to ensure training is linked to identified industry skill needs and jobs outcomes. As noted above, ASQA needs to have the resources required to effectively audit and regulate the performance and overall quality of training providers. The public TAFE system needs to have guaranteed funding.

The discussion draft makes some attempt to identify the types of steps or building blocks for sequencing the path towards these reforms. The difficulty we have is that the reforms are already happening or are well underway while the prescriptions identified by the discussion draft either have not been achieved or are off the mark in our submission.

For example, the discussion draft correctly identifies the importance of having regulatory systems in place that can identify and respond to poor performance. However, as discussed, the experience of our affiliates is that while these systems may be in place, they cannot yet be said to be working to the extent required for public and stakeholder confidence in the quality of the VET system.

Again, there is a misdirected focus, we submit, on governance arrangements for public providers to allow for greater autonomy and capacity to compete with other providers. This is not a genuine reform if it is simply code for reducing the wages and conditions of TAFE workers, and for contestability based on price, rather than quality and fitness for purpose. We refer again to our submissions to the VET workforce study for further treatment of these issues.

The draft also flags a funding system to pay providers based on outcomes achieved, such as completions, rather than an input measure of activity and volume, such as student contact hours. As noted above, the ACTU recognises the potential merit in this, but such a model needs to be designed so that it doesn't create its own perverse outcomes in terms of simply encouraging the training of those easiest to train with the least effort in the discipline areas of lowest priority. Confidence in the quality of teaching and learning, as well as the quality of assessment, is also a pre-requisite.

For unions, the key issue for VET funding models is that they take account of the true cost of training, including services that support improved access and participation for disadvantaged learners, and the costs of delivering in rural and remote areas. The current funding model based largely on nominal hours to be delivered fails to do this and doesn't properly reflect the training effort required for different industries, locations or qualifications, or the different socio-economic profile of the learners, or their language and literacy levels, for example.

Further, it encourages providers to profit from undercutting the nominal hours of delivery.

Further issues: Labour shortages/apprentice labour markets

Finally, the discussion draft contains some general commentary in chapter 2 on labour shortages and surpluses and discusses various policy prescriptions for addressing these issues.

While the chapter recommends no firm policy proposals and it is perhaps more a theoretical discussion, it is nonetheless concerning that prescriptions like the removal of minimum wage regulation and bonding of employees are seriously canvassed by the Productivity Commission.

In relation to apprentice labour markets, the discussion draft at page 18 does identify an issue of legitimate concern for employers: that of the person they have trained being poached by another employer, thereby removing the incentive to provide that training.

Unions have consistently raised their concerns in a number of submissions and forums with the fact that certain employers or certain sectors are not prepared to take on apprentices, yet are happy to either poach skilled workers from those that do train apprentices or to use temporary overseas workers. In our submission, to improve the supply of skilled workers to address current and potential future skill shortages, much more needs to be done to improve the training effort across Australian workplaces.

Inconceivably however, the discussion on this point from the Productivity Commission turns first to the option of (even) lower apprentice wages and/or making apprentices pay for their training. This ignores the fact that apprentices already pay for their training in the form of the lower, discounted wages they receive, and the considerable research and evidence which points to the difficulty that apprentices have in making ends meet on current apprenticeship wage levels and the impact that low wages have on decisions to commence and complete apprenticeships.

The proposed 'second best' solution of government subsidies are already a feature of the apprenticeship system and were considered by the Apprenticeship Expert Panel that reported to Government in 2011. The issue with subsidies is how well they are targeted and the recommendations of the Expert Panel and the subsequent ACTU submission in response to those recommendations emphasised the need to ensure they are linked to training that has genuine vocational outcomes. The ACTU also supported recommendations to redirect and re-target funding away from the current system of employer incentive payments and towards the provision of structured support services for apprentices and their employers.

However, the onus is also on employers to provide the training needed to fill skill shortages, and to directly address the problem of poaching, unions support industry training levies. This idea is based on a simple user-pays type proposition; that is, if you don't make your own contribution to the future supply of skilled workers by training your fair share of apprentices and trainees, then you make a contribution to a fund that supports industry training.

In our submission, training levies provide a fair and effective way to provide the resources needed to underpin a quality training framework, while recognising employers who do provide quality apprenticeship and traineeship training through some form of rebate arrangement.

The idea of industry training levies was specifically recommended by the Apprenticeship Expert Panel, and, while not taken up by the Government, is a policy approach that should remain on the agenda.

In an environment where employers are continually citing skill shortages, a training levy would place the onus on employers to make a contribution to the domestic training effort that is required to address current and future skill needs. The alternative is that we will continue to see the reliance by employers on temporary migrant labour and poaching trained employees from other workplaces and other sectors.