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Impacts and Benefits of COAG Reforms
Productivity Commission
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Dear Sir / Maddam

ACCI has examined the extensive draft report issued by the Productivity Commission on the Impacts of the COAG Reforms. As the Director of Policy for Employment Education and Training, my focus is on Part B of the draft as it relates to the COAG agreements for Vocational Education and Training (VET). I apologise for the delay in providing comments.

The Commission has undertaken what we recognise as a difficult task in attempting to quantify the gains and potential gains arising from the National Agreement for Skills and Workforce Development (NASWD) and the related partnership agreements. As the draft report on a number of occasions points out, the results of such agreements are still to be realised due to the timing of the implementation, and also with only two quantifiable targets related to the four outcomes, the job is even more complex. ACCI commends the work done by the Commission to develop and extend the specialist ELMO model.

Our comments are divided by firstly making some overall statements of relevance to the whole report, and secondly, to comment specifically on various issues raised in the report.

Overall

Targets

ACCI believes there needs to be more modelling done and rigour applied to the targets themselves – not just the two targets of halving the proportion of Australians aged 20-64 without Certificate III or higher by 2020, and doubling the number of Diploma and Advanced Diploma qualification completions by 2020 – but these targets in combination with the agreed target for higher education of 40% of 25-34 year olds having a degree or above. It is of questionable benefit to do a very detailed analysis of our progress against these targets, without equal rigour being applied to the targets themselves.

The targets, given the “rounded” nature of them need to step beyond the appearance of aspiration into a more useful assessment as to whether they reflect the needs of the Australian economy. The work of Skills Australia, with their forecasts of future workforce and qualification needs, needs to be assessed with and against the assessments undertaken by DEEWR and other credible agencies and academics to provide proof of alignment between targets and need. The Higher Education targets need to be included alongside the other two targets as they relate to the same pool of school leaver and mature age entrants, and present competing choices.

By way of hypothetical illustration, what are the productivity implications of delivering university education and achieving the 40% target, only to find that this has over or even underestimated the amount of degree qualified people needed in the economy?

Commencements, completions and qualifications

The measures and discussion focuses on qualification attainment, with only some discussion on module completion, but no assessment of the benefits of this to productivity. In the draft report, there is only an acknowledgement that students often only partly complete due to the individual being satisfied that they have undertaken the skills they need (e.g. At page 55). There is no identifiable mention in the report that generally speaking in practice the workplace productivity benefit is delivered not by the qualifications but by the competence (skills and knowledge) of the student applying that competence in the workplace. The important exceptions to these include those workplaces that through regulation are required to have licensed employees, and such license requires qualification attainment. Although, it is acknowledged that qualifications issued on completion are not only the most convenient measurement tool, but are a strong indicator of commitment by the worker or job seeker to complete their undertaking, the qualification or "piece of paper" issued by the training institution is not of itself a producer of productivity gains - it is merely evidence of completion. With the exception of the licensed vocations or other regulatory requirements (e.g. responsible service of alcohol modules), the benefit of the qualification rests with the individual who receives portable evidence of attainment. It is the development of skills and knowledge that is the productivity benefit.

This point is complemented by research undertaken by NCVER (The effect of VET completions on the wages of young people) which finds that the effects of completion as compared with enrolment/participation is not significant, but there is strong evidence to show that enrolment/participation in a VET course increases subsequent wages significantly compared to non-participants. To some extent, we would assume that this effect is not unrelated to the commentary in your draft report that highlights the impact of pre-existing ability and we would say attitude or attributes of the learner (for example, see report p 66-7).

The draft report makes no attempt to move beyond the assumption (enunciated on page xxii) that it is the completion of a full qualification that is the deliverer of productivity benefits, and those benefits are only measured by the increase in the average hourly wage rate which is used as a proxy for productivity (see page 32). The fact that productivity is only measured in the context of wage increases is problematic particularly at the lower levels of qualification, such as Certificate II, where a structured training program could lead to productivity benefits in the workplace (eg a waiter who serves more tables, a room attendant who makes up more rooms, and builders labourer who delivers more material) but may not in the short to medium term, within the regulatory structure of industrial awards and the nature of the work, lead to wage increases.

One of the training reforms that is not mentioned in the report, but is relevant, is the opportunities that may arise from the implementation of the unique student identifier. At present, there is no easy path to aggregate modules completed in a variety of settings, and the USI will potentially provide a mechanism to identify some equivalence to a qualification. There will also be opportunities to identify more usefully the pathways and benefits accrued to an individual.

Specific comments

Language, Literacy and Numeracy (LLN) – In relation to the target of 10 percentage point decrease by 2030 (page xxvi and within the body of the report), in addition to the impact of additional places (estimated in the report as 140,000) would it also be the case that a contribution to achievement of the target be what efforts are made to improve LLN outcomes at school. Although this would only affect the younger cohort to 2030, the efforts achieved through the COAG Schools partnership would be relevant. This in part addresses the information request on page 49 - where the efforts made to improve LLN outcomes at school will significantly affect the attainable and timeframe of the target improvements.

In relation to the LLN modelling (see page 48) we note that the foundation skills profile to 2030 includes no assumption of any improvement in Level 4/5. All of the modelling concentrates on shifting people out of Level 1 and 2. However, we question, what productivity gains can be obtained by raising the foundation skills profile and all levels? Should we not aspire to shift those at level 3 to have even more well developed skills?

We believe that the measurement of LLN outcomes should solely focus on the tools that are used for international comparison (ALLS and PISA). The national Schools agreement outcomes measured by attainment of level 1 or 2 of the NATPLAN levels is so low as to be relatively meaningless. Using the two measurements in the public domain is confusing.

Informed market – this issue is very important, particularly if reforms follow the Victorian model of demand driven by the student. In relation to the information request on page 53, ACCI believes that the information needs of students from different backgrounds are similar, but the channels and complexity of the communication will vary. In our pre-budget submission, we have recommended that there needs to be the opportunity delivered through the national careers strategy for job seekers and potential students to talk to industry specialists, recognising that it is very difficult for careers advisors and websites to stay up to date with requirements of particular vocations.

Quality – ACCI strongly reinforces the comments made by the Commission (p 53) about the importance of quality. In the modelling used in the draft report, the assumption is made that all qualifications are “equal” in their productivity outcomes because those outcomes are measured by the qualification rather than the skills delivered. Apart from the concerns raised above about the shortcomings of this approach, the issue of variable quality will have a major impact on the outcomes in the workplace. We certainly agree that increased audit activity may be warranted (page 54), and have suggested in our pre-budget submission to Treasury that the new national regulator ASQA, should be sufficiently resourced for this task. It would be very useful for there to be some modelling done on the cost v benefit of increased quality surveillance (not on the regulatory burden – but in on-the-ground monitoring) across the whole VET system, based on the benefit of increased confidence in the system and the benefit of improved productivity outcomes of better trained students. In making these comments, we recognise that even in a well regulated and monitored system, training providers will deliver differing outcomes. However, the benchmark which the qualifications framework assumes is that training has been delivered so that the student is competent to an industry standard. Outcomes beyond that are a welcome recognition that there are some excellent training providers continuously striving for improvement.

Completion Rates – page 56 – there is some controversy about how completion rates are measured and NCVER have in the past reissued information that picks up those students that may have ceased enrolment in one institution and restarted at another, or in the context of apprenticeships, stopped with one employer and recommenced with another. The USI again will assist in better measuring completion rates. Certainly, a better informed marketplace will assist in improving completion rates, as will a strong focus on quality of training delivery.

The report is dense with information, and we have only highlighted the main issues identified at this stage. ACCI would welcome a further dialogue with the Commission in this area.

Yours faithfully

Jenny Lambert
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