



Putting VET in NSW back together



The Public Service Association submission to the
Parliamentary Inquiry into VET in NSW

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1. PSA background Information

The PSA welcomes the opportunity to provide a submission to the Inquiry into Vocational Education and Training (VET) in New South Wales (NSW).

The PSA is the union which represents the New South Wales Government and related private sector employees. The PSA is registered under New South Wales and Commonwealth Industrial legislation. The PSA has around 40,000 members and is one of the largest unions in the country.

The PSA co-brands as the PSA/CPSU in higher education areas such as TAFE and Universities. As a member of the Community and Public Sector Union – SPSF Group (CPSU) represents over 180,000 members across Australia and represents Education workers at all levels of Education (primary, secondary and tertiary) within Australia.

The PSA has coverage of close to 6,000 employees of TAFE NSW. These members perform vital roles within TAFE including class support, library services, student services and support, administration, institute managers, security, gardening, cleaning services and human resources. PSA members also work within the NSW Department of Education and Communities and the Department of Trade and Investment providing analysis, development and implementation of Vocational Education and Training policies.

Our membership covers fields as diverse as disabilities care, the power industries, national parks, workers compensation and management. The government sector is the largest employer of tertiary (University and TAFE) trained workers in Australia and also specifically within NSW. Our members' pay, conditions, qualifications and career prospects are intrinsically linked to the quality, availability and reputation of VET in NSW.

The PSA has also been a VET provider itself, running courses around Work, Health and Safety (and the previous OHS) legislation as well as being involved in Diploma courses through Unions NSW and the ACTU in Organising and other union specific courses.

The PSA represents employees, staff and managers of VET providers and in turn has been a provider and user of VET within NSW. It is uniquely placed to provide comment to this committee on VET policy and its effect on society.

2. VET and its place in Society

The creation of the modern vocational education and training system is identified as one of the reforms undertaken by the Whitlam government during the years 1972-5. The result was the formulation of the TAFE system and a massive increase in funding and student numbers. The reforms of the late Hawke governments began a process of opening up the sector to private providers which has had mixed effects on the sector as a whole, leading to the current situation in NSW, now under examination by this committee.

The origins of the VET sector in Australia go back well before federation, with formal apprenticeships introduced in NSW in 1805. Government subsidised private and community providers gave way to large technical colleges in the state capitals over the course of the century. The first 70 years of federation saw a gradual development of national bodies concerned with the sector, and sporadic increases in funding, largely in relation to post-war reconstruction efforts.¹

In 1974 under the Whitlam Government, the landmark Kangan Report coined the title “Technical and Further Education” and proposed a major increase in funding to the State institutions. These reforms were introduced, along with the abolition of tuition fees and the creation of federal oversight of the sector to create a national oversight through the TAFE Council.² The Fraser government supported these changes and federal funding to the states increased during the period 1974 to 1983. By 1980 around 20% of funding came from the federal government. Student numbers exploded with the increased funding and the era is seen as the “golden period” of TAFE.

VET had a steady period of growth until the late 1980s when, under the Hawke government, a series of structural modifications driven by Minister John Dawkins aimed to change the sector to an “open training market” in which TAFE would compete with private registered training organisations (RTOs). During this time fees were reintroduced. It has been suggested that a key driver of this initiative was to break the ability of craft unions to negotiate wage rises based on skills improvements. By moving from a time served apprenticeship system to one based on competencies under Federal accreditation, it was hoped to rein in the wages explosion of the early 80’s.

However as the Keating government gave way to the Howard government in the mid 1990’s the issue of wages had dropped off the agenda. Focus shifted to privatisation of government services. The states implemented the new agenda with differing levels of enthusiasm. Some like Queensland and Victoria have almost completely dismantled their TAFE systems while other states have attempted to maintain the TAFE brand. TAFE remains by far the largest provider of VET in NSW, servicing the majority of the market. In most states TAFEs have been broken up into autonomous units, but they remain larger than most of their private RTO competitors.

In NSW, the introduction of *Smart and Skilled* from 1 January 2015 has led to substantial change in the sector.

¹ Ryan, R; *How VET responds: A historical policy perspective*. NCVET (2011) Pg8.

² Kell, P; *TAFE futures: An inquiry into the future of technical and further education in Australia*, AEU (2006) Pg7.

3. Executive Summary

An analysis of Vocational education and training (VET) policy reveals a disconnect between educational theory and the way VET has evolved in recent years. Rather than providing an essential public service, the NSW Government has come to view it as a financial liability that can be outsourced to the private sector. While governments could look to VET policy to address skills shortages they have failed to do so effectively. Numbers of students in training have dropped in NSW and are decreasing further as the latest policy initiative, *Smart and Skilled*, takes full effect.

Any policy designed to grow or increase the competition within the sector fails to recognise that VET policy needs to be focused on educational rather than market-based outcomes. The benefit of VET is not the economic activity the sector produces but the value it produces for the economy.

VET policy should be based on three pillars:

- Cost
- Quality of Education
- Meeting the needs of the Economy

Policy design needs to focus on these three issues and ignore anything else as ideologically based.

In NSW participation in VET is driven by an organisation (TAFE) that is large enough to accommodate the needs and requirements of the sector. An analysis of student data reveals that all major groups of disadvantaged people are over-represented in TAFE population. It can be assessed that TAFE, as a system, has been a driver of participation within the sector. This represents good news as it provides a vehicle for the NSW Government to provide job skills training to disadvantaged groups so that they develop skills and can be integrated into the mainstream workforce. Yet rather than build on this success, the NSW Government has sought to open the VET system to more private providers and undercut TAFE NSW through false economies.

Costs for individuals in VET education have been maintained at a very low rate in Australia through a mix of Federal and State based policies. However these policies have been wound back over the past decade and costs to individuals and business are now rising as a result. This has created new barriers to people participating in training as student numbers in the VET sector have dropped markedly in line with policy announcements and implementation. *Smart and Skilled* is exacerbating this problem.

The drive to a competitive funding model in VET policy has damaged TAFE's ability to support participation amongst disadvantaged groups within society. The breakdown of the relationship between TAFE and their local area has the ability to reduce numbers in training and undermine the needs of society to increase training levels.

In the same way, *Smart and Skilled* undermines the usefulness and quality of the training being undertaken. The contest for funding is driving established providers, both TAFEs and private RTOs, to reduce teaching hours and teaching supports, leading to the loss of valuable class time for students. As important as industry participation is, training policy needs to be held at arms-length to ensure the long term needs of students is balanced with the short term aims of business.

Smart and Skilled has been touted as a way to increase the flexibility and accountability of the VET sector. Contestable funding is a term used to describe the policy but it is nothing more than a different way of funding VET, specifically designed to limit the financial liability of the state government. Unfortunately, the adverse effects of this policy are many.

The PSA believes only the immediate reversal of Smart and Skilled will create a VET sector which meets the needs of the economy in a cost effective way while protecting the quality of the training provided to individuals.

We recommend the following be enacted to develop a VET sector which meets the needs of NSW:

- 1. Restore course subsidies and student fees to 2011 levels (adjusted by inflation) immediately and remove all HECS-HELP debts incurred under *Smart and Skilled*.**
- 2. a. Make TAFE the default training agency for all VET in NSW and fund it appropriately.**

Or as a minimum

b. Protect TAFE as the principle training agency by restoring and maintaining recurrent funding at 2010-11 levels (adjusted for inflation).
- 3. a. Allow private providers to tender for the provision of course and allow TAFE to grant them funding where:**
 - 1. They identify a niche or new market not currently catered for by TAFE; or**
 - 2. They can provide an existing course in a region where it is not currently being offered by TAFE; or**
 - 3. They prove they can run the course more efficiently than TAFE could without compromising quality.**
Or as a minimum

b. Freeze funding for private providers at 2010-11 levels.
- 4. Require private providers to match TAFE requirements in terms of social responsibility and support services as defined within the TAFE Act.**
- 5. Require private providers to employ staff on the same pay and conditions as TAFE to ensure that staff are valued for their skills.**
- 6. Commission urgent research into the real barriers to participation in VET.**
- 7. Commission urgent research into skills shortage areas within the economy to determine the best method to address the shortage.**

- 8. Acknowledge the important role government agencies have had in apprenticeship numbers and require those businesses to meet legislated targets for apprenticeship numbers.**

4. What does an efficient Vocational Educational system look like?

As explained in chapter 2 of this submission, the Federal Government considers Vocational Education and Training (VET) in Australia today within the context of competition policy. The generally held view of policy makers is that Education is a market that should be regulated by government but that delivery should be based on competition and user choice.³ It is the view of this submission that the premise used by the Federal government is inherently flawed. Further, the way in which these principles have been applied have led to poor VET policies within NSW. Only a thorough reassessment of the way Education policy is set in this country can produce the outcomes wanted by all stakeholders in this debate.

The economic value of a VET system is in what it produces for society as a whole. This statement is placed at the front of VET policy at a state and federal level, however is not implemented convincingly. If we believe that the value of the VET system is what it produces for society, we must consider how to measure that efficiency in VET policy and then write and implement policy to achieve it.

Three major ideals stand out in establishing the efficiency of VET:

- Cost
- Quality of Education
- Meeting the needs of the Economy

This triumvirate of factors must remain at the heart of any government policy. Individual outcomes are only important if they meet the underlying goals of society. Fairness and equity of access need to be met before choice is considered if we are to guarantee every Australian the best possible chance of fulfilling their potential within a modern, globalised knowledge economy. As important as choice is to the individual, it must only be offered within this broader framework.

Cost

As has been stated by Connors and McMorrow in their recent study into school funding in Australia, there are obligations for the government when they consider funding education.⁴ Governments must be able to justify their spending and assure the public that it has been spent on what it was meant to be spent on. At the same time, governments must also be sure that the amount they spend is sufficient to meet the needs of society in the most efficient and effective manner.

It is widely agreed that strong regulation of VET providers is needed to ensure funds are used for their intended purpose and not misused. However, the same study by Connors and McMorrow has identified that the hybrid system that has developed in secondary education has led to more money being spent on educating the same number of students than would have occurred if they were all

³ **Harper, Ian**; *Competition Policy Review – Final report* (2015) Pg, 218-228. Includes direct reference to recent trends within VET policy, separating TAFE Institution's from policy functions.

⁴ **Connors, Lyndsay & McMorrow, Jim**; *Imperatives in School funding: Equity, sustainability and achievement* (2015) Pg 14-5.

accommodated within the public education system.⁵ Their calculation that over \$2 billion per year could have been saved by funding those students within the public sphere is, by their own admission, conservative. Although the numbers involved in VET are much smaller than secondary education, it must be remembered that secondary private schools are not for profit organisations. As private providers within the VET sector can be for profit, it is their mission to make money from the system. Money that is funnelled into the pockets of those companies could have been saved for other purposes.

This brings us to the second obligation of government on VET spending, namely that policy needs to be designed to maximise the effectiveness and efficiency of the money provided. This requirement should not just be applied to monies directed to the VET for the cost of the course but also stretches into the field of support for individuals undertaking training. That support could include, but should not be limited to, direct financial aid, accommodation subsidies, transport, carers' and medical subsidies, and access to education resources. Although some of these supports may not be classified by the budget as education related, they need to be considered as part of the policy design for VET.

Efficiency and effectiveness considerations are further complicated by the need to reach a population that is spread disproportionately throughout the state. Rural and regional area needs must be addressed so that people in these areas are not disadvantaged, even if distributing services to these areas is costly. Governments maintain responsibility to provide services to regional and remote areas so that they can unlock the potential business opportunities and workforce potential. Any government that is able to make these gains will also benefit economically and politically.

There does not appear to be specific research on the most cost effective way of providing access to rural and regional students. Is it more cost effective to provide a broader geographical stretch of institutions so students have closer access from residence or provide greater subsidies to allow them to travel to fewer, more centrally located institutions? Can online learning be part of the solution and, if so, what additional supports will rural and regional people need with technology? An examination of these factors needs to be undertaken in NSW if we are to be sure government policy addresses its responsibility to manage funds efficiently.

As for effectiveness of the funds used, we need to consider the other two broad criteria before the level of funding and means of delivery can be established.

Quality

Education is a driver of productivity and economic activity. It is also clear that the more complex and advanced an economy, the greater the educational needs of the workforce.⁶ Sala and Silva found in their 2011 study into the effects of VET on European productivity that training was as important as research and development. Greater investment into education should be measured by hours provided in training and in the benefit (the upskilling achieved) to the individual.

The VET sector provides a valuable alternative route to the University system for students who do not gain entry through secondary schooling. VET courses (either directly or indirectly) have allowed tens of thousands of people who failed to gain access to University via their secondary school marks

⁵ **Ibid, Connors & McMorrow.** Pg 57-8.

⁶ **Sala, Hector & Silva, Jose;** *Labour Productivity and Vocational Training: Evidence from Europe* (2011) Pg 18.

to attain a higher level of education via bridging courses or through gaining accreditation for their VET qualifications. We need to recognise and credit VET for bridging the gap and allowing students to progress from secondary education to university.

Education is a means to an end rather than an end in itself for government and policy needs to reflect this. Quality needs to be seen in this context, the quality of the course is just as important as how the student is able to access employment after completing the course. The training should have a broad application within the industry, rather than be too job specific, and needs to also be robust enough intellectually to allow students to undertake further, more advanced study. This type of course design maximises opportunities for the student to undertake further education and benefits the economy as a result.

Far from acknowledging the ongoing benefits of VET, current Commonwealth competition policy focusses on economic and profit drivers, and neglects the primary goal of education as upskilling. The Commonwealth wrongly focusses on the method of delivery ahead of the outcome. Recognised as a risk by the latest Federal report on competition policy, it is made quite clear that ‘wrong’ choices in health and education can have serious long term effects.⁷ Further, the panel’s recommendations highlight the need to act “carefully, with a clear focus on outcomes.”⁸

While the Commonwealth advocates introducing innovation in service delivery, it also claims the need to maintain “minimum standards of quality and access”⁹. The idea of minimum standards is dangerous in Education and Health policy. Not only is it anathema when discussing the means of stimulating economic activity, but it also implies that there may be a way to access a higher standard. Any system that places wealth or access ahead of aptitude as a driver of educational outcomes fails to accept quality of outcome as the basis of its policy, and acts as a break on economic growth.

Meeting the needs of the Economy

The final key driver of an efficient VET system is ensuring that outcomes correspond to the skills needed within the economy both immediately and for the future. Richardson’s 2007 paper on Skill shortages within the Australian setting examines the government’s role in ensuring a steady and appropriate supply of trained workers for the economy and identifies factors in formulating VET policy.¹⁰

Governments must address skills shortages that acutely affect the health of the economy. Acquiring some skills require people to undertake long periods of training and development or have a special aptitude. Some industries require tight government control to ensure a steady stream of workers within the field. Ensuring supply of workers is not a simple matter of numbers. There may be enough workers trained in a particular field but there may be a large number of them who don’t wish to work full time hours or who work in different fields for various reasons. Richardson calculates that in 2001 there were around 7,000 workers in Australia who had University degrees but who were working as cleaners and over 34,000 cleaners also had a tertiary qualification that they were not

⁷ **Op Cit, Harper.** Pg 235-6.

⁸ **Ibid, Harper.** Pg 254.

⁹ **Ibid, Harper.** Pg 254.

¹⁰ **Richardson, Sue;** *What is a skill shortage?* (2007) Pg 7.

using (or at least not full time).¹¹ Careful planning is needed by governments to ensure that the vagaries of the labour market don't create shortages through underestimating or incorrectly prioritising skill requirements.

Richardson calculated that in the twelve months to February 2004, over one in five workers in Australia left their current employment.¹² Modern economies are dynamic in nature and, if anything, we can expect that proportion to rise. Within the 2.3 million people who moved in 2004, approximately 800,000 people did not have another job to go to immediately. Reskilling is part of the mix of issues affecting reengaging these people into the economy. The need of government to meet the retraining needs of these workers is highlighted by the changes in occupations within the economy. Cully's article on the subject identified that between 1986 and 2001 Australia employed 25,000 fewer metal fitters and 3,000 fewer carpentry and joinery tradespersons.¹³ Inversely, over the same time period, 88,000 jobs were added within the computing profession. Only reskilling will address this shifting of requirements within a dynamic economy.

Guiding workers into specific training (or retraining) to meet the shifting needs of the economy is important and cannot be left to the market to manage. Although wages increase when occupations suffer skill shortages the evidence is that wages don't move much.¹⁴ As such governments need to ensure that the financial cost of retraining is not an imperative to workers changing or upskilling their qualifications.

If it ain't broke...

Competition policy is aimed at creating a dynamic economy capable of strong growth. However where the government policy has erred is in identifying the education sector as part of that economy, rather than a driver of it. While private investment in education creates economic activity and drives growth, VET policy needs to act differently from a market so that it can contribute to the economy directly. Efficiency within the VET sector rests on addressing the three key areas of cost, quality and meeting the needs of the economy.

The reforms brought about by the Whitlam government created the conditions and framework for the greatly expanded tertiary education system experienced throughout the 1980's. By bringing existing training institutions into one system and creating a national skills accreditation system, this greatly expanded the number of courses offered and the methods of service delivery.¹⁵ It is interesting to note that two of the suggested advantages of competition within the sector (flexibility to meet the needs of a changing economy and innovation in course delivery) were achieved at that time through policy mechanisms which were, if anything, contrary to the views of the Federal Competition policy review.

It is difficult to identify how competitive funding and competition based delivery of VET courses will address the issues affecting the Australian economy and VET. Both ideas have been used in other areas of the economy but do not seem to translate to an environment where the sector is not

¹¹ **Op Cit, Richardson.** Pg 21.

¹² **Ibid, Richardson.** Pg 20.

¹³ **Cully, M;** *The cleaner, the waiter and the computer operator: Job Change 1986-2001* (2002) Pg 146

¹⁴ **Blandy, Richard & Richardson, Sue (eds);** *How labour markets work: Case studies in adjustment* (1982) Pg 15

¹⁵ **Wilkinson, John;** *TAFE organisation and funding in NSW: past and present* (2014) Pg 6

geared towards growth for growth's sake. Under a competitive policy basis, it is possible for the VET sector to be thriving while the rest of the economy struggles with skill shortages and people fail to undertake training due to limits on entry. This anomaly would be seen as a fail for VET policy in any setting.

5. Terms of Reference

a. *Factors influencing student choice about entering the vocational education and training system including:*

- (i) *Motivation to study*
- (ii) *Choice of course, course location and method of study*
- (iii) *Barriers to participation, including students in the non-government education and home schooling sectors*

- **Access to VET in NSW has traditionally been diverse and shows no sign of systemic issues with access**
- **No modelling of barriers to participation in NSW was undertaken prior to considering changes to VET policy in NSW**
- **Trends following recent policy changes have shown a decline in participation in VET**

The 2014 Student Outcomes Survey run by NCVER (the National Centre for Vocational Education Research) found that 83.4% of VET graduates undertook training primarily for employment related reasons. Graduates stated the next highest reason as personal development, with 12.5% identifying this as their goal. Of all students, 82.4% said they had fully or partly achieved their aim. This figure rises to 92.8% of graduates who undertook training for personal development.¹⁶

It is worth noting that the same survey found 87.6% of graduates were satisfied with the quality of the training they undertook. This figure has been dropping in recent years as the private provider share has risen. The satisfaction with quality was at 89.9% in 2011.¹⁷ In comparison, TAFE's figure for 2014 of 89.4% compares well.

A recent Federal government study calculated the value of obtaining VET qualifications, and found the rewards to be substantial:

- for a young learner (15-24) their VET training represents a \$324 632 increase in lifetime earnings, or \$7 700 per year, over 42 years.¹⁸
- men holding an Advanced Diploma, Diploma or Certificate III or IV, earn on average 13.8% more than those with a Year 11 education; women 11.4% more.¹⁹

VET is a particularly important provider of skills for early school leavers and those with low literacy and numeracy. An improvement in literacy and numeracy skills from very low levels to those required for an individual to function effectively in a complex work environment is associated with

¹⁶ NCVER; Australian Vocational Education and Training Statistics: Student Outcomes 2014

¹⁷ NCVER; Australian Vocational Education and Training Statistics: Student outcomes 2011

¹⁸ Productivity Commission; *Impacts of COAG reforms: Business regulation and VET, Volume 3 – VET (2010)* Pg 170.

¹⁹ Forbes, M, Barker, A and Turner, S; *The effects of education and health on wages and productivity: Staff working paper (2010)* Pg 25.

an increase in hourly wage rates of about 30% for men and 25% for women.²⁰ While the precise benefit varies with circumstances of the individual, the above examples show that the value of VET to an individual is substantial.

One in 15 people in NSW is currently studying with a Registered Training Organisation. Prior to the implementation of *Smart and Skilled*, over 560,000 people were attending VET training in NSW.²¹

The sheer size of that number and the breakdown of attendance shows there is no 'normal' VET participant in NSW. Almost half of all students are over 25 years of age and nearly one in five is over 45 years of age. Regional and remote students make up over 40% of all students, far exceeding their proportion of the general population.²² Less than 15% are in traditional Apprenticeships and, almost 14% of students come from the top 20% of advantaged people in society.²³ Motivation to study can be seen to be healthy prior to the implementation of *Smart and Skilled* and, more importantly, the diversity of student backgrounds appears to indicate no systemic issues with access.

In 2014 the biannual survey of the VET sector by the NCVER reported there were 493 separate providers within NSW. Critics point out that this is dwarfed by the 712 providers in Victoria or even the 608 in Queensland however the figures are misleading. Although TAFE is identified as having 11 separate providers in NSW, the truth is that that figure represents over 130 separate campuses state wide. It should further be noted that those 130 campuses account for over three quarters of all VET students in NSW.

Staff numbers employed by TAFE NSW have dropped significantly in the period from 2012 – 2014. In July 2012 there were 15,820 employees. That figure is 13,228 this July and is forecast to be 13,019 by July 2016.²⁴ This represents a direct loss of teaching and teacher support staff, either through redundancy or the reduction of hours. Since 2012 fewer courses are run for fewer students, not only by TAFE but overall.²⁵ This result is in direct contrast to the stated goal of the government for the implementation of *Smart and Skilled* to increase participation in VET.²⁶

In the same way, TAFE NSW has taken a strategic decision to move away from lower qualifications and towards higher qualifications (Diploma and above).²⁷ This shift towards a higher qualification model appears set to make TAFE NSW less diverse and pushes it towards the more costly end of the course delivery scale. As the Budget note comments, the higher level qualifications usually incur a higher per student cost of delivery. These courses represent a high proportion of technical trades and other qualifications on the skills shortage lists. It appears that although the contestable funding model is seen as an answer to skills shortages in this state, the government recognises that many courses will never be attractive to private providers. It appears to the PSA that TAFE is being steered towards the provider of courses not considered profitable, leaving other courses for private providers and private profit.

²⁰ **Productivity Commission**; *Vocational education and training workforce: Productivity commission research report* (2011) p58.

²¹ **NCVER**. National VET Provider Collections. (2014)

²² **Ibid**. National VET Provider Collections.

²³ **Ibid**. National VET Provider Collections.

²⁴ **Budget Paper No 3**. 2015. Pg 6-20.

²⁵ **Op Cit**. National VET Provider Collections.

²⁶ **IPART**; *Pricing VET under Smart and Skilled* (2015) Pg 3.

²⁷ **Op Cit**. Budget Paper No3. Pg6-20 (note a).

What is clear from the available data is that prior to the implementation of *Smart and Skilled*, TAFE NSW was capable of offering the broadest range of courses. Following the implementation of *Smart and Skilled*, TAFE is being steered towards expensive and essential courses while the revenue making courses are left for private providers. The contestable funding model currently in place is skewed against the public provider.

What Choice?

Sue* is a member who lives in Wagga Wagga and decided to check out what local private providers were offering in her town. She found a range of companies offering WHS, business and accountancy courses but not much else. She also noted that all three were currently offered at the Wagga Wagga campus of Riverina TAFE.

After speaking to people at the college she found that the local TAFE had cut hours for those three faculties in the past two years.

Her question to the Committee is, did TAFE NSW cut those jobs to create a market for private providers? What have locals gained from recent changes to VET other than the right to pay more money to more people for the same qualification?

*Not her real name

In Victoria, the Adult, Community and Further Education Board commissioned research to identify people who didn't undertake training and the barriers that existed for them.²⁸ It is interesting that prior to the NSW government designing *Smart and Skilled*, they did not commission a similar study to the Victorian one. Despite the lack of a separate study, it is clear that there are barriers to people participating in VET. In the Victorian study, key barriers identified include location, education, disability, language or carer responsibilities. Some workers consider themselves 'too old' for training, especially where they have been out of the workforce for an extended period of time or they struggle with the cost of education.²⁹

In summary, barriers to participating in VET are as varied as the profile of students attending. The Federal Government identifies one key requirement in expanding user choice in Human Services. It notes that to be effective, users must be able to discern between different choices and to be able to understand those choices.³⁰ It is this suggestion that has given rise to the increasing view within academia that VET needs to be considered in line with social and financial issues affecting the community.³¹ This is supported by the data collected on students who cease their training prior to completion of their qualification. The largest single reason people give for not completing their

²⁸ **Adult, Community and Further Education Board**; *Hard to reach learners: What works in reaching and keeping them?* (2010)

²⁹ **Ibid.** ACFEB. Pg 10.

³⁰ **Harper, Ian**; *Competition Policy Review: Final Report*. Federal Government of Australia. (2015) Pg 236.

³¹ **Op Cit.** Hard to reach learners. Pg 11.

course is for personal reasons at 33.4%.³² By comparison, only 2.6% claimed to have ceased their study due to the timetable not being flexible enough.

The above raises the question for policy makers in NSW – is the largest issue affecting potential VET users choice, or something different? Does Smart and Skilled remove the barriers to their participation? More research is required to identify what the problem is prior to a solution being considered to participation in VET.

b. The role played by public and private vocational education providers and industry in:

- (i) Educational linkages with secondary and higher education*
- (ii) The development of skills in the New South Wales economy*
- (iii) The development of opportunities for unemployed people, particularly migrants and persons in the mature workers' category, to improve themselves and increase their life, education and employment prospects,*
- (iv) The delivery of services and programs particularly to regional, rural and remote communities*

- **Skill shortages are more complex than merely numbers of people trained**
- **Although industry has an important role to play in VET, their goals for VET are different from government**
- **TAFE has a proven track record of recruiting disadvantaged groups into training at higher rates than private providers**

The value of TAFE for addressing skill shortages and developing skills is obvious. The training provided by the VET sector is clearly essential for building the skills of the Australian workforce and meeting the needs of industry for skilled workers. However, demonstrating that the sector is delivering training in skills that industry needs, is not straightforward.

There are inevitable time delays between actions taken in the VET sector and the graduation and employment of students affected by those changes, making it difficult to say which changes had what effects. Also, measuring where skill shortages exist is complex, because it needs to take into account that there may be shortages in particular geographic regions, or in sub-sets of skills within occupations. So it's difficult to say how well targeted the VET sector is, when uncertainty exists about what the targets should be. Where assessment of benefits is complex, there is an increased danger of policy changes based on political agendas rather than evidence.

An example of this occurred in 1991 when Minister John Dawkins proposed a restructure of TAFEs justified by the argument that TAFEs were unresponsive to industry needs.³³ A series of previous reports initiated by Dawkins had made this assertion without solid evidence. For example, one report cited concern in industry submissions when the majority of the "industry" submissions came

³² **Op Cit.** Student Outcomes 2014. Pg 9.

³³ **Ryan, R;** *How TAFE became 'unresponsive': A study of rhetoric as a tool of educational policy* (1999) Pg 105

from committees funded by the Department of Employment, Education and Training. The submissions were not made public so there is no way of knowing what views were expressed by industry. However, a major survey of employers at the time showed relatively high levels of satisfaction with TAFE graduates, and other research showed that there was considerable industry-TAFE interaction, with some room for improved relations.³⁴ So a moderate level of industry dissatisfaction, that was not consistent across all industries, was built into a justification for wholesale change despite encouraging evidence regarding industry-TAFE coordination.

Ominously, the 2014 Australian government study into the effects of contestable funding on industry engagement in Training Package Development makes the statement that “Australia’s VET system needs reform.” No justification for this statement is provided within the document, nor is evidence referenced. The study advocates principles for reform, including improving quality while reducing costs and of increasing flexibility within training packages while reducing the burden on VET providers from updated training packages.³⁵ Quixotically, one of the key recommendations within the report is that more use needs to be made of industry-based research and feedback in formulating packages. No mention is made of policy development.

A 2005 report by the Allen Consulting Group examined the value of TAFE in NSW.³⁶ It found the benefit-cost ratio to be 6.4:1. A sophisticated macroeconomic model of the NSW economy was used to take into account value to be gained from the sale of assets, as well as assessing the likely effect of shifting TAFE funding to private providers. The analysis predicted a lower skilled economy because TAFE tends to provide a broader range of skills training. Allen Consulting estimated that the result could be reduced employment for ten years, a reduction of 1% of the average wage across all NSW workers, and decline of state income of at least 3.6% over 20 years (\$196.1 billion), and that the long-run decline would perhaps be closer to 5%.

Disability

Statewide in NSW in 2014, the VET sector had 41,400 students who stated they have a disability or long-term condition; equating to 7.4% of the total VET student population.³⁷ Unfortunately, the way in which disability statistics are collected for the whole population makes a like for like comparison impossible. Although we can’t assess how these figures compare to the percentage of people with disabilities within the general population, this number is important in itself. TAFE supports over 40,000 people who face a level of challenge in their lives to achieve better employment prospects and greater fulfilment of their potential. When considering the role of providers, it is fair to ask how would the same people fare without TAFE?

Low socioeconomic access

Similarly, assessing socio-economic disadvantage is complex. A commonly used metric is the Socio-Economic Indexes for Areas (SEIFA), which provides a ranking for areas based on a range of factors. The data is commonly divided into five quintiles with 20% of the population in each. In NSW over

³⁴ **Ibid.** Ryan, R. Pg 122-123

³⁵ **Department of Industry**; *Industry Engagement in Training Package Development – Towards a Contestable Model* (2014) Pg 6-7.

³⁶ **The Allen Consulting Group**; *The complete package: The value of TAFE NSW* (2006)

³⁷ **Op Cit.** National VET Provider Collections.

151,400 VET students were assessed as being from Quintile 1 (the most disadvantaged) during 2014.³⁸ Over 147,000 students also came from Quintile 2. Between them, the bottom 40% of residents in NSW provided around 53.3% of all students in VET in NSW last year. It's clear that the sector is acting as a driver of change within society and providing skills to those who will most benefit from them.

Regional access

The VET sector has an especially strong role in delivering education services to regional and remote regions. In 2014 210,500 (around 37.6%) of the State's total VET student population came from regional and remote areas.³⁹ These figures compare well against the general population percentage of 35.8% living in regional and remote area.⁴⁰

If we use the same data to identify students in remote areas, the statistical significance is even more pronounced. People living in remote areas represent 0.4% of the population in NSW yet account for 1.3% of students in VET. People in areas considered very remote represent just 0.1% of the population but make up 0.4% of the student population in VET. In other words, on a per capita basis, VET is delivering significantly more services to the areas that are most disadvantaged by remoteness and lack of access.

Students from NESB

TAFE/VET has a high proportion of students who speak a language other than English at home. Raw numbers shows almost 100,000 students, representing 17.6% of all students in NSW receiving government funding for their course.⁴¹ Although many of these students will be the children of migrants to this country, this in itself is a positive sign of the ability of the VET sector to assist with the integration of migrants and their families into society.

From the above indicators it is clear that the VET sector plays a substantial role in providing education to disadvantaged members of our society, enhancing equality and social inclusion. A closer examination of the data reveals that the majority of this good work within the sector is being performed by TAFEs.

For example, in 2011 TAFEs had a higher proportion of students with disabilities at a national level than that of the private RTOs: 7.2% of students, as opposed to 4.2%. This was particularly true in NSW: 8.7%, as against 1.8%.⁴² The reasons for this difference in NSW are clear. A quick survey of TAFE websites, and several private provider websites, identifies the vastly increased number of support services that TAFEs provide compared to private competitors. All TAFEs in NSW clearly identify services or supports available to people with a disability, of multicultural background or who

³⁸ **Ibid.** National VET Provider Collections.

³⁹ **Ibid.** National VET Provider Collections.

⁴⁰ **ABS**; *Regional Population Growth, Australia 2012-13*. Although the latest figures are only for 2013 the long term trend has been for these figures to decline, if anything further accentuating the remarkable result for the existing TAFE dominated system.

⁴¹ **Op Cit.** National VET Provider Collections.

⁴² **PSA**; *Our TAFE Matters: Submission into the role of TAFE system and its operation* (2013) Pg 12.

identify as indigenous. Traditionally, this has been part of a mandated requirement for TAFE's under their government charter. Along with these services, many TAFE's also developed counselling services, childcare support and careers advice services as part of their social responsibility.

c. Factors affecting the cost of delivery of affordable and accessible vocational education and training, including the influence of the co-contribution funding model on student behaviour and completion rates

- **Government policy has traditionally supported participation in VET but those supports have been declining**
- **Recent trends show that the cost of training is becoming increasingly difficult for individuals to overcome**
- **The increased up front cost has also affected the willingness of business to fund training for their employees**
- **The cost of accreditation and compliance will grow as providers enter the sector**
- **The cost to the economy of students not completing training due to cost or a loss of faith in the system from substandard providers cannot be measured**

Traditionally VET in NSW has been seen as an affordable model for the vast majority of potential attendees. The demographic spread of students, discussed elsewhere in this submission, makes it clear that the poorest in the community have enjoyed good representation within VET over a long period of time. With the focus of Federal and State policy being on increasing participation and skills development within the community, it is worthwhile identifying the existing ways in which cost of training is maintained for people currently. In Richardson's work on skills shortages, she identifies four long standing policies which have made training affordable to in Australia.⁴³ They are:

1. Direct subsidies for education at all levels of education (early childhood through to VET and University).
2. An extensive apprenticeship scheme (especially the traditional four year apprenticeship) where the cost of training an employee is undertaken by private industry and who are, in return, provided with reduced wage costs for that employee over the period of their apprenticeship so they gain a financial benefit.
3. Incentives to unemployed people through the Job Network via free or subsidised training.
4. A long term commitment of government agencies and enterprises of providing apprenticeships and informal vocational training for employees due to the freedom of these groups from direct competition.

Of these four pillars of policy it should be noted that only point 2 remains ostensibly untouched from the time when Richardson published her work in 2007.

⁴³ **Op Cit.** Richardson. Pg 18-9.

Since then, subsidies have constantly come under threat for University and attempts to lift subsidies for primary and secondary education (the Gonski reforms) have appeared to falter. Early childhood subsidies continue to be discussed however the policy debate has usually been on the basis of cost neutrality to the government, with only the delivery mechanism and mix of subsidies being open to change.

Helping those most in need

Mary* works for Hunter Institute of TAFE. She had recently spoken to four people enrolled in Certificate II courses who have withdrawn. Apparently the four students were all unemployed and had been told by their Job Network provider that their Certificate II course wouldn't be subsidised because it didn't get them 'job ready' and that they should do a Certificate III course instead.

Mary tried to explain to them that the Cert II course was a prerequisite for enrolling in the Cert III course but it didn't matter, their provider said they couldn't do it.

*Not her real name

The Federal government has continued to pare back entitlements for job seekers and, although access to training subsidies remains, the financial costs inhibiting their participation in courses may be completely unrelated to the cost of the course.⁴⁴ It should also be noted that this subsidy is very targeted, is restrictive in what it will allow (see above box) and only available to those who have already failed to gain employment for a period of time.

Richardson also highlights the role of government agencies in the training of apprentices and notes that the decline in these figures correlates to the privatisation of these bodies.⁴⁵ The trend will continue in this state over the next few years. Ausgrid has already made a decision to not take on new apprentices in coming years and the PSA is currently negotiating to force the company to allow apprentices currently employed to complete their courses. This represents a loss of hundreds of new electrical trades apprentices over the coming few years.

Within the VET sector, both within NSW and in the other states, we have seen a shift from blanket funding to targeted measures. Reskilling NSW was introduced as an election policy this year to provide direct subsidisation to specific groups.⁴⁶ Ostensibly around ensuring access for those most vulnerable within society, the program in fact is an attempt to cover up some of the more painful monetary increases included within Smart and Skilled. The signature policy provided 200,000 fee-free scholarships but places conditions on that scholarship such that it's difficult to see it reaching its target numbers. This may be just as well as the \$48M put aside from existing funds for the program

⁴⁴ **Wade, Matt.** "Miserly Newstart keeps unemployed further away from jobs". Sydney Morning Herald 23/5/2014. <http://www.smh.com.au/comment/miserly-newstart-keeps-unemployed-further-away-from-jobs-20140524-zrmvz.html>

⁴⁵ **Toner, Phillip;** *Declining Apprenticeship Training Rates: Causes, Consequences and Solutions* (2003) Pg 16.

⁴⁶ **NSW Government;** *Delivering the skills for a growing economy: Free vocational scholarships for 200,000 young people* (2015) <https://www.nsw.gov.au/media-releases-premier/delivering-skills-growing-economy-free-vocational-scholarships-200000-young>

works out at a subsidy of just \$240 per participant – far less than what these course actually cost individuals as a co-contribution. The Budget Papers identify that all these measures are to be funded from existing VET monies.⁴⁷

Additional programs have also been created within Industry to assist with skills development. Scholarships for technology growth areas run into the same problems as the funds placed aside for scholarships within the Education portfolio. At just \$1,000 the subsidy remains below the level of actual costs incurred.

A compact with peak business and industry groups has also led to a requirement being placed in major government contracts that apprenticeship and traineeship numbers will be mandated for workers on these sites. It can be seen that this attempts to reverse, at least partially, the loss to the apprenticeship numbers created by the privatisation of government enterprises. The PSA applauds the recognition of apprenticeship numbers as an issue but notes, once again, the shifting of a cost onto others.

What has occurred in the VET sector is a decision by government to shift costs from the government to individuals and industry. The effect on individuals is that they face a great deal of uncertainty in what they will pay for their course. As discussed above, cost rarely registered as a barrier for people undertaking VET in NSW. That has now changed.

At what cost?

John's* daughter wants to study nursing but didn't get the marks for University. John suggests she do a TAFE course to become an Enrolled Nurse, she can always work in the industry and get her degree later.

To help her out John visits the Smart and Skilled website and looks for details of courses in nursing in South West Sydney, so his daughter doesn't have to travel far. Looking at the Diploma in Nursing at Wetherill Park he finds that the fee estimate is \$4380. But when he clicks on the course details (HLT51612) he's told the **average cost is \$21000**** for the 18 month course.

His daughter is distraught at the thought of carrying that much debt (through the HECS-HELP scheme) before she even gets to Uni. Instead his daughter boosts her hours at her job stacking shelves and abandons ideas of study.

*Not a real person, representative only

** Actual outcome of search using www.Smartandskilled.nsw.gov.au on 28/7/15.

The announcement of Smart and Skilled in 2012 was accompanied by the news that fees would be rising as part of its implementation and that people in existing course would not be protected from

⁴⁷ **Op Cit.** *Budget Paper No.1. 2015.* Pg A-6.

the increased costs associated with study. Student numbers in 2013 and 2014 plummeted; an assessment of government funded students show numbers dropping over 35,000 from the high of 2012.⁴⁸ At the same time as numbers in training drop it should be noted that youth unemployment in NSW sits at 12.4%, up from a 10% average in 2012.⁴⁹

Reports suggest the figure in the first year of Smart and Skilled are even lower.⁵⁰ PSA members working in TAFE support this view through their observations. Not only are there fewer students across all faculties, in their view, but some of these students drop out or discontinue when they begin to comprehend the true cost of courses and realise they will carry a debt. Members tell us to expect lower numbers of people enrolling, and even larger decreases in graduation numbers as financial issues become more of an issue for people in study.

As with most efforts to shift costs there are pitfalls for government in exposing the sector to additional private providers. One such cost is for VET/TAFE to ensure compliance and accreditation for each provider in the field. The high standards of TAFE and many existing providers in the field need to be protected to ensure that public confidence in the system is maintained. Additional government funding is therefore necessary to ensure that compliance is robust and regular. The recent identification of a Melbourne based provider rorting the system and providing fake qualifications highlights the risks to government.⁵¹ The cost of compliance is compounded by the risk of students being put off by the declining reputation of providers and a lack of faith in the system. Students caught up in this crisis are now lost to the economy and may not undertake training in that field again. However the simpler issue is that the courses provided by these type of institutions are already available to students through the TAFE system and numerous other quality providers. It makes no sense for the government to accept new RTOs that don't meet a new or identified need within the market.

⁴⁸ **Op Cit.** National VET Provider Collections.

⁴⁹ **Op Cit.** Australian Bureau of Statistics. Headline figure is for July 2015. Youth is defined as 15-24years of age, the figure for school leavers is closer to 20%.

⁵⁰ **Needham, Kirsty;** *School leavers vote with feet on NSW TAFE fee hikes.* Sun Herald. 28/6/15.

<http://www.smh.com.au/comment/nsw-school-leavers-vote-with-feet-on-nsw-tafe-fee-hikes-20150627-ghysqj.html>

⁵¹ **McKenzie, Nick & Baker, Richard;** *“Exploitation fears as students pay for fake skills”* Sydney Morning Herald (6/8/2015) Pg 14. <http://www.smh.com.au/national/cash-for-visas-international-colleges-fake-qualifications-in-migration-rackets-20150805-gis11z.html>

d. The effects of a competitive training market on student access to education, training, skills and pathways to employment, including opportunities and pathways to further education and employment for the most vulnerable in our community including those suffering a disability or severe disadvantage

- **The financial implications of the competitive training market on the TAFE system has affected its ability to support disadvantaged groups into training**
- **As the system is cost sensitive, providers are discouraged from creating programs that encourage participation from high cost students**

We have already considered the way that TAFE has ensured a system that is available and accessible to those most disadvantaged and vulnerable within society. The TAFE social compact has seen the development of services and programs that allow a greater level of access for those without independent or strong support networks. The risks associated with a competitive training market are twofold. Firstly, the reduction of services within the dominant player, TAFE, as it competes with private providers in an uneven financial environment. Secondly, the push towards competition means that existing resources, currently put into service will come under the double threat of protecting the bottom line and of being diverted into marketing budgets.

TAFE has a legislative, policy and historical commitment to the social welfare of students. The number and breadth of supports to students available to campuses has been discussed elsewhere in this submission. However what we have seen in TAFE in the past few years has been a race to the bottom on service provision by the TAFE Institutes. Support services have been slashed as TAFE attempts to reduce costs in preparation for the loss of recurrent funding.

As an example of how this has affected support to students and prospective students, we can take the example of South West Sydney Institute (SWSI) of TAFE. Over the past few years successive restructuring has seen the equivalent of over 80 full time positions lost across all campuses. This includes internal counselling services, with students now only referred to private practitioners. All specialist disability support staff have now been made redundant, as have the Outreach Co-ordinators who ran programs to support the most disadvantaged students.

We can see here a clear contradiction in the aims of government policy, to increase participation, and the outcomes of a system where funding is a competitive commodity. All three services, previously run from campus and providing assistance on campus are now gone. Outreach Co-ordinators were specifically employed to support people who would traditionally find it hard to participate in training and in many cases were undertaking it to transition back into the workforce. At SWSI, these programs were targeted at single mums, youth at risk and migrants. At TAFE Institutes, these programs are designed locally to meet local needs, meaning they have historically been targeted and successful in gaining enrolments from these groups.

With the decision of government that TAFE Institutes should compete for the same student regardless of location, we find them making commercial decisions to challenge for the more capable

students while neglecting those from their area that could undertake training if provided with additional supports.

As well as these individually focused resources, we have witnessed a massive reduction of other services to students at TAFE Institutes. At SWSI 27 full time positions have been lost from Library services, with all but one campus now acting as a booking and courier service from the main Library. Students at nine of the ten colleges now have limited access to books on demand. At the same time Customer Service Centre staff responsible for student enquiries, enrolments and transcripts have had their numbers cut and been relocated into makeshift accommodation within the former Library spaces. Their loss has meant student enrolment processes have become more laborious and time consuming for students.

Outside of regular hours, Student Association staff traditionally provided assistance to students with early morning or evening classes. Unfortunately at SWSI all these officers have been removed meaning this function is now not done at all, along with their other roles as assisting with job seeking and campus social functions. Members tell us that campus life has been diminished greatly by these cuts, students who used to remain on campus now don't. The environment is not as welcoming, nor is it as safe for students finishing courses after hours.

The long term effect of these changes will be a massive reduction in the number of participants from disadvantaged groups. Instead of gaining employment, many of these people will end up on government subsidies, as long term unemployed or on one of the various other payments such as a disability pension.

If the government is serious about ensuring access to VET remains at the historically high levels it has experienced in NSW, then it needs to ensure providers are legislated to provide services that facilitate access to students with disabilities, from severe disadvantage or from other identified groups. If providers are unable to deliver these services in-house and are reliant on TAFE to fulfil their obligation, then they should be required to pay TAFE at a commercial rate for their student access to those services. Under this arrangement, students do not lose access to vital services that may force them out of training and TAFE is compensated appropriately, allowing it to continue offering those services to a high standard.

e. The level of industry participation in the vocational education and training sector, including the provision of sustainable employment opportunities for graduates, including Competency Based Training and the application of training packages to workforce requirements

- **The outcome of increased industry input has been an increased focus on overcoming short term skill shortages over long term skills development**
- **Providers, including TAFE, have reacted by attempting to cut course lengths and content**
- **Valuable skills are being lost to the sector in the rush to please an industry focused agenda**

In her discussion on skill shortages, Richardson points out that in many cases the shortage isn't in the broad skill but in a specific subset or specialisation of that particular vocation.⁵² The issue may also be that the person with the correct skills set does not wish to accept the position under the current conditions or that the employer is looking for additional skills on top of those essential for the position. A modern economy requires that skills be broad and flexible and not be limited to specific positions. To focus training to that level is to trap workers in positions and decrease the flexibility of the workforce. Apprentices who trained with government agencies or corporations have traditionally been a large source of workers for private companies in this country. Their breadth of training meant that their skills were highly portable and created flexibility and dynamism to their fields.

In contrast to this we have seen industry and, to an extent, government policies take an alternative view of skills development. The Federal Department of Industry's recent report fails to identify the dangers of narrowing the focus of qualifications.⁵³ The COAG Industry and Skills Council has set a number of priorities for VET reform. Objective two of its list of priorities states the wish for a "streamlined industry-defined qualifications"⁵⁴ system, yet fails to identify how such a system improves their goal of responding "flexibly to major national and state priorities". Any attempt to streamline course content or direct learning time will contravene objective 3 which require that trade apprenticeships "are appropriately valued and utilised as a career pathway". The crucial element in this objective is around a career pathway. As noted elsewhere in this submission, one in five workers loses their job every year. A system that narrows qualifications and limits the breadth of skills will lead to longer periods for workers out of the workforce and/or greater costs to them or their new employers in skilling up workers to meet their requirements.

Despite the apparent focus on relevance and high quality training contained in government policy, the effect of recent VET reform has been very different in the classroom. The experience in Victoria following the opening of the sector to competition is indicative of the issues discussed here. Course quality has suffered as hours are cut and certain RTOs prove to be deceitful in their conduct. An example can be seen in the 2009 example of RTOs being in breach of standards.⁵⁵ In this instance

⁵² **Op Cit.** Richardson. Pg 9.

⁵³ **Op Cit.** Department of Industry. Pg 5.

⁵⁴ **Ibid.** Department of Industry. Pg 6.

⁵⁵ **Das, Sushi**; *College in gross breach of standards*. Sydney Morning Herald (23/7/2009)

<http://www.smh.com.au/national/education/college-in-gross-breach-of-standards-20090722-dtl2.html>

students undertaking a 3 year apprenticeship were passed in around 40 weeks, having suffered from overcrowding in classrooms, inadequate learning materials and being moved to avoid scrutiny from auditors. Federal reforms enacted in 2010 to try and improve standards have not been able to end these types of practices, as highlighted by the case in Victoria of another college being deregistered for similar offenses in 2012.⁵⁶

In NSW the response of TAFE has been to cut courses, cut teaching staff and to cut course lengths and face to face teaching time.⁵⁷ There is no doubt that the experience of other states has highlighted to TAFE management the need to reduce costs and cut overheads.

As well as the cuts to student services and social programs discussed previously, SWSI has also been ruthless in cutting its teaching and support structures. Without addressing the issues of our colleagues in the Teachers Federation, we can still discuss the losses in teacher support and its effect on the quality of training provided. General Assistants and Tool Storemen positions have been reduced by over 12 full time positions. People who have developed specific knowledge of an area now no longer work exclusively in that area. Their efficiency, built over many years of supporting the same courses and recognised through a tiered salary scale, will be lost as they act across various faculties.

Within the Science faculties the loss is even more severe. Eight full time positions have been cut as science courses are reduced from four campuses down to two. This has included the loss of very specific knowledge in fields such as chemistry and animal husbandry, these positions require TAFE qualifications in their own right.

The effects for teachers is that they need to spend more time on preparation and less time on face to face teaching. As there is increasing casualization of teachers who are only paid for time in the classroom, this exacerbates the problem. Management has responded by downplaying these issues as cost saving measures however the outcome is the same. Students often undertake preparation and cleaning up which management justifies by asserting that students will be required to do this in the workplace. Time students spend preparing reduces the time they are learning core or job content skills. The result is students acquire fewer skills, hardly what Industry is calling for.

It could be argued that the influence of industry on course development has placed undue importance on addressing immediate issues of labour supply above those of long term issues. Regardless of the intention of industry or the relevant governments in attempting to streamline courses and keep them relevant, the situation on the ground is that providers are looking for advantages over their competitors and using these processes to attempt to reduce costs. An attempt by Miller TAFE to reduce its engineering course by three weeks in November 2014 was stopped after intervention by the Sydney Morning Herald and the Minister's office.⁵⁸ Without the imperative of

⁵⁶ **Preiss, Benjamin**; 'College's registration revoked, leaving students out in the cold', Sydney Morning Herald (19/9/2012) <http://www.bordermail.com.au/story/345286/colleges-registration-revoked-leaving-students-out-in-the-cold/?cs=12>

⁵⁷ **Needham, Kirsty**; 'TAFE funding cuts raise fears over training skills', Sydney Morning Herald (9/3/2014) <http://www.smh.com.au/national/education/tafe-funding-cuts-raise-fears-over-training-skills-20140308-34e1j.html>

⁵⁸ **Needham, Kirsty**; 'TAFE NSW reform brings students to tears' Sydney Morning Herald (21/2/2015) <http://www.smh.com.au/comment/tafe-nsw-reform-brings-students-to-tears-20150221-13km34.html>

bad media coverage and impending state election as incentive, the PSA fears that such a cut will not be reversed in the future.

f. The Smart and Skilled reforms, including:

- (i) Alternatives to the Smart and Skilled contestable training market and other funding policies**
- (ii) the effects of the Smart and Skilled roll out on school based apprenticeships**

- **Contestability of funding is designed to ensure public services that are natural monopolies remain responsive and cost effective**
- **Smart and Skilled is not a contestable model but rather an extreme version of demand-side competition policy**
- **It is designed to limit the financial liability of the state government and pushes costs onto individuals and industry to achieve this**
- **Smart and Skilled has reduced participation rates in VET in NSW**

The idea of contestability within competition theory was originally raised as an idea in the 1980s within US economic academia. It was argued at the time that firms did not need to face actual competition to behave competitively, what was important was the potential of competition emerging.⁵⁹ Gary Sturgess, in his 2015 paper on Contestability in Public Services, explores the development of contestability as a concept for public services. He defines Contestability as “the credible threat of competition.”⁶⁰ Although he goes on to discuss how contestability may be used in relation to market-testing or outsourcing it is important to note that Contestability is about ensuring a monopoly service remains responsive and cost effective, it also recognises the advisability of natural monopolies in some areas of public service.

Smart and Skilled is a policy based on demand-side competition and an evolution of existing practices within the VET field. Demand-side competition is where “users are free to choose among providers, with services funded in whole or in part by the taxpayer.” Medicare, all levels of Education (including VET) and the National Disability Insurance Scheme work on this basis. *Smart and Skilled* is different to the previous system of funding in two key ways:

1. TAFE has had its recurrent funding slashed and has been told to compete on an open market against private providers for funding, which is now attached to enrolments.
2. Fees have been deregulated, increasing the costs to the students through delayed debt similar to HECS, while placing caps on an individual’s entitlements to government assisted training.

⁵⁹ **Baumol, W and Willig R;** ‘Fixed Costs, Sunk Costs, Entry Barriers, and Sustainability of Monopoly’, Quarterly Journal of Economics (1981) Pg405-31.

⁶⁰ **Sturgess, Gary;** *Contestability in Public Services: An Alternative to Outsourcing* (2015) Pg 13.

The vocational education and training sector is financed largely by the public purse. Of the roughly \$2.3 Billion committed to VET within the 2015 NSW Budget, well over three quarters of the funds are delivered by the State or Federal government directly from consolidated revenue.⁶¹ The State government delivers over \$1 Billion of this amount. With Federal reforms aiming to increase the amount of people undertaking training, this represents a direct risk to the State Budget. Many measures within the *Smart and Skilled* policy appear to focus on this revenue risk and not actually increasing enrolments.

Despite the design of the program being skewed towards limiting the financial risk to the State government, the chief claim made about Smart and Skilled is that it increases the number of places available in training.⁶² However an availability of positions is not the issue for VET in NSW, numbers of students in training have been dropping since Smart and Skilled was announced in 2012, national statistics place the numbers in government assisted training at 595,300 students in 2012, 560,000 in 2013 and 560,400 in 2014.⁶³ The capacity is there within the existing TAFE Institutes to greatly increase training numbers if they can be convinced to enrol. Unfortunately, this State government has increased barriers to participation and increased the cost to those that do undertake training.

Attempts to discover student numbers for TAFE this year have been met with comments that such figures are commercial in confidence. Official figures probably won't be published until the 2016 Budget papers are released. However the Minister for Skills, John Barilaro, may have let the cat out of the bag when he commented to the Master Builders Association of NSW concerning the lack of qualified tradesmen in NSW. Mr Barilaro claimed the NSW government was assisting "452,000"⁶⁴ students with training this year. Even if this is just the number of students acquiring skills through TAFE it represents a massive reduction on previous years. If it represents the whole VET sector in NSW, it's a policy disaster.

It is the defunding of the public provider and the extreme nature of the market based training system that *Smart and Skilled* creates that sets it apart from the demand-sided policy of governments in NSW previously. The removal of the public safety net reduces the fixed costs of the government but has also destroyed the conditions that allowed TAFE to be so effective at driving participation in the sector.

The PSA has set out in the next chapter of this Submission a series of recommendations for VET in NSW. They revolve around three key principles for a strong VET system in NSW.

1. Costs within the system need to be managed
2. Quality of training must not be compromised if NSW is to remain a world class economy
3. Only government control through the TAFE Institutes can ensure the right mix of skills is available for tomorrow's economy.

⁶¹ **Op Cit.** Budget Papers No 1. Pg 5-22.

⁶² **Op Cit.** NSW Government. The figure claimed in this media release is 60,000 additional training places.

⁶³ **Op Cit.** National VET Provider Collections.

⁶⁴ **Mater Builders Association;** 'NSW Housing boom under threat from tradies shortfall' (24/7/2015) <http://www.mbansw.asn.au/Media/Industry-News/NSW-HOUSING-BOOM-UNDER-THREAT-FROM-TRADIES-SHORTFALL/>

g. Any other related matter

- **The PSA has consulted widely on this issue and hope that Regional NSW is consulted directly through the Public Hearing process**
- **TAFE is currently attempting to slash pay and conditions to compete with cheaper private providers**
- **This is after cutting over 2,000 jobs in the last two years**
- **Ours members fear that together, these measures will destroy the product that is TAFE and lead to even more people giving up on VET in NSW**
- **A federal takeover of VET will not fix problems with the system, state based TAFE's remain the most effective service providers**

In preparing this submission the PSA has consulted widely with our members and the community. Over 25 meetings of members were held to discuss this issue and over 100 people provide individual comment. Around half of those figures were from people not directly involved in TAFE NSW.

Regional members are deeply concerned by the impacts of budget cuts and *Smart and Skilled* on their local communities. The PSA is concerned that public hearings for this Inquiry are held state wide to ensure rural and regional people are heard in this discussion.

The PSA is currently part of Enterprise Bargaining negotiations with TAFE NSW. Management's proposal to staff was recently made public and represents a sweeping cut to pay and conditions. The major highlights of the proposal are as follows:

1. A rushed and untested new classification system agreed to within 8 weeks
2. 80% of TAFE staff currently working 35 hours per week to work an extra 2 hours per week, for no extra pay
3. Extending the span of hours for all staff to 6am to 9pm
4. Introducing broken shift work which can be used for all staff
5. Drastically restricting and limiting access to flexible working hours arrangements

The suggested changes represent such a cut to existing pay and conditions the PSA calculates they may reduce conditions close to or even below the minimums set by the National Employment Standard and required by FairWork Australia for the registration of the Agreement.

The PSA will not, at the time of writing, be accepting any of the proposals put forward by TAFE. However our purpose in raising this issue is to highlight the change that TAFE NSW is currently going through, and the way that this organisation is currently treating its staff. After watching over 2,000 of their colleagues lose their jobs in the past few years, our members are now being threatened with a loss of conditions.

The staff at TAFE NSW is part of the NSW community. Their pay and conditions determine how they contribute within their local area. Less pay means less money spent in the economy, worse work conditions represents time lost with family, friends or within their local communities. Especially in rural and regional towns, the loss of a sports coach or carer can have massive ramifications to the

local community. A system that forces employers to not value educators is not a good education system.

Many members tell us they have lost faith in TAFE as their employer. Many feel demotivated and can't provide the same level of service to students that they once did due to budget cuts. Even the language used by management is distasteful to them – students have become customers. Our consultation has uncovered a large and growing frustration that *Smart and Skilled* will kill TAFE and be ruinous to training within NSW. One member pleaded with us to mention that there are now 12 marketing budgets within TAFE – 1 for head office and 11 for each of the institutes and that these marketing budgets are being used to try and take students off each other. They note that this money was previously used for educational purposes.

Of further concern to the sector as a whole is the apparent decline in training and education as a career path. From a high of 12,400 students undertaking training packages in training and education in 2012, by 2014 this number had plummeted to just 7,300 students.⁶⁵ At the same time as government talks about more training and more courses, what we find is the changes in VET policy leading to a massive drop in the number of people undertaking training courses. It is difficult to assess if this trend is due to the glut of trained educators flooding the market following the cuts to TAFE over the past few years or a general view that training is less important.

We also note the recent comments to come out of the COAG leaders retreat in Sydney regarding the potential referral of VET to the federal government.⁶⁶ The PSA opposes a takeover of VET policy by the Federal government. The Federal government already provides a framework for VET delivery and within that, it is our view that NSW needs to be able to set its own agenda to ensure the correct mix of settings for our economy. State based TAFE organisations remain the most useful and appropriate service delivery model within the national system.

⁶⁵ **Ibid**; 2014 National VET Provider Collections.

⁶⁶ **Hare, Julie**; "Federal takeover of VET on the cards under COAG" The Australian. 23/7/2015.

<http://www.theaustralian.com.au/higher-education/federal-takeover-of-vet-on-the-cards-under-coag/story-e6frgcjx-1227454130367>

6. Recommendations

- 1. Restore course subsidies and student fees to 2011 levels (adjusted by inflation) immediately and remove all HECS-HELP debts incurred under *Smart and Skilled*.**

This decision would immediately restore confidence in VET in NSW and lead to an immediate boost in student numbers for next year. Any delay in implementing this measure would only multiply the current issues with student numbers.

This policy would not be cost prohibitive, thanks to the disastrous enrolment rates under *Smart and Skilled*.

- 2. a. Make TAFE the default training agency for all VET in NSW and fund it appropriately.**

Education should not be used as an experiment in market economics.

Acknowledge that TAFE has the capacity to train people in the numbers required by the economy (especially with new and innovative methods of training) and the best use of government funds is in providing them the freedom of funding surety to get on with the business of training.

OR as a minimum

- b. Protect TAFE as the principle training agency by restoring and maintaining recurrent funding at 2010-11 levels (adjusted for inflation).**

The PSA is not blind to the reality of politics within NSW.

Although we maintain that TAFE should be restored as the default training provider, that is not the current view of any mainstream political party in the state. As a bare minimum, we believe recurrent funding for TAFE needs to be restored to the level it was prior to the cuts announced in September 2011.

- 3 a. Allow private providers to tender for the provision of course and allow TAFE to grant them funding where:**
- 1. They identify a niche or new market not currently catered for by TAFE; or**
 - 2. They can provide an existing course in a region where it is not currently being offered by TAFE; or**
 - 3. They prove they can run the course more efficiently than TAFE could without compromising quality.**

There will always be new and innovative ways of doing things and private enterprise has its part to play in that. We should recognise this and ensure that the whole system benefits from the innovation.

OR as a minimum

b. Freeze funding for private providers at 2010-11 levels.

Similarly to 2(b), the PSA believes that the funds available to private providers should be capped at 2010-11 levels. This funding should be contestable within the private providers only for courses on the government's Skills list to ensure that funding really is targeted at areas of need.

4. Require private providers to match TAFE requirements in terms of social responsibility and support services as defined within the TAFE Act.

The provision of training needs to be accompanied by the understanding that it exists as part of society and for society. Only by catering to the most disadvantaged in society can we achieve the aims of VET. Any degradation of service and support levels will adversely affect participation levels and compromise the required outcomes of policy.

5. Require private providers to employ staff on the same pay and conditions as TAFE to ensure that staff are valued for their skills.

The implementation of Smart and Skilled has launched a race to the bottom on wages and conditions within the sector. Rather than driving innovation and increasing course delivery, it has driven experienced trainers and staff out of the industry and weakened the delivery of skills.

Only a system that values its staff can value its students.

6. Commission urgent research into the real barriers to participation in VET.

The absence of research in this area means that policy mechanisms have been poorly designed to address training numbers. The result has been three years of declining enrolments as poorly designed policy has placed additional barriers in the way of participants.

7. Commission urgent research into skills shortage areas within the economy to determine the best method to address the shortage.

Understand that skills shortages occur for different reasons and that VET policy is only one mechanism to correcting this issue. Only a comprehensive understanding of the labour market will allow government to apply the correct policy solution to issues of skills shortage.

8. Acknowledge the important role government agencies have had in apprenticeship numbers and require those businesses to meet legislated targets for apprenticeship numbers.

Apprenticeship numbers remain a long term concern in many traditional skills areas. Government needs to acknowledge that the historical role they have played in this area has been allowed to be degraded. Only a legislative requirement for business to carry apprentices will address this matter in the short term.

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