

Education and Employment References Committee

Inquiry into Vocational Education and Training in South Australia

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Scope of the Submission

This submission addresses primarily item (g) any other relevant matters in the Inquiry's Terms of Reference. It provides important background material on understanding the causes and consequences of the serious deterioration in quality of vocational education and training (VET) provision.

Vocational Education

The VET system and VET trained workers plays a crucial role in production and the generation and diffusion of innovation (Toner 2011). The supply of an adequate quantity and quality of skills in key industries such as manufacturing, construction, agriculture, vehicle repair, restaurants, hospitality, welfare, nursing, and utilities such as water, electricity, waste disposal and gas relies significantly on a well-performing VET system. The VET system corresponds to the International Standard Classification of Education (ISCED) levels 4 and 5 that deliver post-school training below ISCED 6-8 university bachelor degree and above (Eurostat 2016). VET thus covers 'skilled workers' such as tradespeople and technicians as well as production; service industry workers as well as remedial literacy and numeracy programmes.

The Australian VET System

The Australian VET system is large with a total of 4.2m students participating in 2016 representing 24.2% of the Australian population aged 15 to 64 years (NCVER 2017a: 8). The sector is comprised of 4279 training providers of which 75% are private fee-for-service with the remainder being government funded providers. In 2016 there were 1.3 million students enrolled in the government-funded system representing 7.8% of the Australian population aged 15 to 64 years (NCVER 2017b: 5-6).

The scope for VET to contribute to the supply of workforce skills and innovation is thus potentially large. However, there are persistent concerns regarding quality and malfeasance that are hindering current performance of the system and its capacity to meet future skill needs in the economy. These concerns arise from three main sources:

- first contracting-out of publicly funded VET delivery to private colleges;
- second, changes to the overall design of training content and assessment which created the conditions for opportunism and a reduction in the quality of VET delivered by private providers (Parliament of Australia 2015);
- thirdly, funding restrictions have reduced the capacity of TAFE to keep up to date with new technologies and deliver the volume of training demand from it.

Creation of the 'Training Market'

Following the lead of other Liberal Market Economies, notably the UK, Australia has embarked on a series of radical changes to the VET system. Over the last three decades Australian governments have been incrementally contracting-out publicly funded vocational; creating a 'training market' by making funds contestable between public and private VET providers for the delivery of publicly funded training (Brown 2006, Hampson 2002).

The principal changes were the introduction in 1998 of User Choice and in 2008 Australian governments agreed to make all public VET funding open to competition between public and private providers (COAG 2008). Competition between public and private training organisations for the delivery of publicly funded VET would promote efficiency; flexibility in content, duration and assessment; innovation and create incentives for trainers to meet the specific needs of students and firms.

Contestability resulted over time in a huge increase in the number of registered training providers (RTOs), from around 400 in 1995 to 4300 in 2015, with the great majority being private providers (Korbel and Misko 2017: 13). At the beginning of the 1990s almost all publicly funded VET was delivered through publicly owned and operated institutions notably Technical and Further Education (TAFE) colleges, and other institutions like agricultural colleges. In 1996 98% of students receiving publicly funded VET were in public technical colleges or not-for-profit community education providers but, by 2016 this had fallen to 58% (NCVER 2016: Table 11). In 2015 (latest data available) \$4bn or 42% of total operating expenses for publicly funded VET went to non-public providers (NCVER 2016b: 5).

Changes to Design of Training Content and Assessment

Two major complementary changes to pedagogy occurred in 1999 with the introduction of Training Packages and Competency Based Training. Training Packages created national, as opposed to state based, qualifications and licensing. Consistent with the goal of ‘flexibility’ and meeting the needs of industry the skills and knowledge content in Training Packages is expressed broadly permitting the customisation of training to the needs of individual students and firms. ‘Training packages do not suggest how a learner should be trained; rather, they specify the required skills and knowledge to perform effectively in the workplace’ (Australian Skills Quality Authority 2017). Prior to the introduction of Training Packages detailed and uniform curricula, textbooks, learning materials, assessment methods and standards were produced by specialist professional TAFE teachers. An explicit goal of the system was uniformity and consistency in training content and assessment in training for each occupation.

There is an elemental flaw in the original design of the training market which persists to this day. This is tension between the principles of ‘flexibility’ and ‘standardisation’ which underpin the system (Toner 2014). Flexibility of all aspects of VET was sought to allow customisation of training to the needs of individuals, workplaces and industries. Standardisation was applied to create national as opposed to state based qualifications and regulation, but the principle was not applied to form prescriptive and detailed content and assessment methods. At key moments in the formation of the training market, when the principles of standardisation and flexibility have conflicted, priority has been given to the former. An identical argument was later made by Bowman and McKenna (2016) who focussed on the ‘dynamic tension, built into the system, to achieve both national consistency and sufficient flexibility to ensure that training meets specific local, industry and learner needs’. The resulting ‘lack of standardised national assessments means that there is no standard to ensure that a particular set of skills has in fact been acquired’ (Guthrie 2009: 13).

Giving priority to flexibility also created fundamental ambiguity as to whose needs VET is intended to serve. Is it the individual, the employer or industry? Arguably each entity has differing perspectives on the content and assessment of training. Meeting these diverse

interests requires a degree of ‘elasticity’ in the system that is incompatible with prescriptive standards.ⁱⁱ

These sources of ambiguity can be exploited by RTOs, employers and students to collectively lower their costs respectively, in granting a qualification, receiving a qualification and increasing the pool of qualified labour.

External reviews of the VET system commissioned by the federal government reach similar conclusions. Allen Consulting (2013:9) found there is a ‘strong general view that the Standards for the Regulation of VET are in need of fundamental revision reflecting concerns about aspects of VET quality’. It found ‘inadequate standards for delivery and assessment’ covering virtually the entire system from ‘specific trainer requirements’ to the ‘volume of learning’ (Allen Consulting Group 2013: vii-viii). These ‘revisions’ have not occurred.

Quality problems in the System

A key assumption in the creation of the training market over the last three decades is that competition would lift quality. This has not happened. Toner (2014) provides a detailed analysis of the causes of this failure in the VET market. This analysis is supported by detailed reports from the VET regulator, the Australian Skills Quality Authority (2016) identifying systemic problems with the design and implementation of the training market.

First, there is inadequate specification of standards relating to the volume, duration and quality of training under CBT and in Training Packages.

Secondly, there exists ‘information asymmetry’ between the training provider, who knows the true quality of their provision, and the prospective student, who does not. Partly because of the inadequate standards and commitment to ‘consumer sovereignty’ by governments funding training, there is no public resource which rates or ranks the performance and outcomes of private training organisations. Inadequate specification also creates considerable difficulties for VET regulators enforcing imprecise standards. ‘Training Package requirements’ and ‘Standards for RTOs’ are ‘very broad, there can be significant differences between RTOs in the nature and quality of both learning and assessment resources, and in the actual training and assessment process. These differences can create difficulties in the registration and audit process of RTOs in terms of consistent interpretations by regulators’ (Allen Consulting 2013: 10-11).

Third, ambiguity over their interpretation has created considerable latitude for some private providers to act opportunistically by diminishing the quality and quantity of training, thereby cutting costs and increasing profits. A recent Department of Education review of the student loan scheme VET Fee Help (2016b: 24) found that ‘an essential challenge to the scheme has been dealing with uninformed, poorly informed or misinformed consumers who may not understand their options or the implication of these options. Critical to understanding this is the scale and breadth of unethical practices undertaken by some providers and brokers employed to attract and enrol students’.

Four, educationists also argue there are inherent problems with CBT and Training Packages. They are focussed on training for and assessment of discrete tasks with inadequate recognition of underpinning knowledge; they are too oriented to the needs of an individual workplace (as opposed to an ideal type of ‘occupation’) and the content of Training Packages

is produced by industry representatives primarily employer associations and unions, with little if any involvement of professional TAFE teachers (Knight 2012; Wheelahan and Moodie 2011). More than half a century ago the ILO (1964: 7) recognised 'that technical and vocational education is a prerequisite for sustaining the complex structure of modern civilization and continued economic progress'. It recommended that vocational training for workers needed to have an adequate theoretical grounding *and* be forward looking to provide skills and knowledge not just for current jobs but to allow workers to adapt to an unknown technological and economic future. 'The education and training of skilled workers, while providing a broad basis for later specialization or advancement, should be directed to the practical and theoretical skills and knowledge which are or may be required for future employment' (ILO 1964 : 46).

Finally, there is concern that, due to competition between providers, government funding cuts and rising enrolments, resources for off the job training are diminishing. By one standard measure real (inflation adjusted) government recurrent funding on VET fell by 39 per cent between 2005 and 2014 (Productivity Commission 2016: 5.34). Previous research indicates under-investment in public VET is a chronic problem which reduced the capacity of the system to keep up to date with new technologies and maintain the currency of teacher skills and knowledge (Toner 2005). This is likely to have worsened in the last decade within the Australian VET system over recent decades.

Deterioration in the quality of publicly funded VET following creation of the training market has clear adverse consequences. For employers it reduces access to appropriately skilled labour. Low quality, high cost vocational education is a particular problem for disadvantaged groups in the labour market, as the groups have higher participation in VET than other groups and skill acquisition is one of the few means they have to redress their disadvantage in the labour market. Karmel and Lim (2013: 18-20) showed that young people in the lowest quintile socio-economic status are 2 times more likely than those in the highest quintile to participate in VET directed at remediating literacy and numeracy gaps; 3 times more likely to enrol in low entry level lower level qualifications and 2.3 times more likely to be in an apprenticeship (Karmel and Lim 2013: 19-20).

Declining Union Density

An important structural factor affecting the quality of VET, that requires separate treatment, is declining union density. The literature on vocational education and training finds that to have a sustainable and effective VET system it is essential to balance the needs of those groups whose interests and welfare are substantially determined by the system (Curtain 1987). These interests groups include training organisations, employer associations, unions and government, to the extent that the latter is involved in funding the system. The ILO (1964: 25) recommended that:

'Representatives of employers' and workers' organizations should be included in the bodies responsible for governing publicly operated training institutions and for supervising their technical operation... educational and training bodies, employers' and workers' organizations and others directly concerned should collaborate in:

- (i) defining the occupations for which standards of qualification are considered necessary or desirable;
- (ii) establishing such standards and the appropriate training curricula;

(iii) conducting the appropriate examinations and determining the nature and status of the qualifications obtainable’.

A summary of some of the key vital interests conventionally ascribed to employers and unions is presented in Table 1. The VET system needs consultative mechanisms for the interest groups to equitably bargain their needs and to ensure the full support and participation of all parties. It is clear that the interests of the key groups cover a very wide range of dimensions.

Table 1 Simplified overview of employer and union interests in VET

	Interests in VET System			
Employers	Firm specific training	Satisfy immediate production Limited to current competencies required to do the job	Firm based qualifications	Wages linked to worker output
Unions	Industry or occupation level to enable labour mobility and creation of occupational labour markets	Broader based skills & knowledge to meet current and future needs of the firm, industry and worker. To enable career progression within the firm and industry and promote productivity.	Nationally recognised qualifications to enable mobility, create worker occupational identity and industry based or occupational bargaining	Wages tied (in part) to qualifications and skills

Unfortunately, the capacity of unions to actively participate in the design and management of the VET system at both a high consultative level and at the workplace is declining due to a precipitate and secular fall in union density. Between 1986, when the push to the new CBT system commenced to the present union density fell from 46% to just 15% (ABS 2016).

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ⁱ 'Training packages do not prescribe how an individual should be trained. RTOs use training packages to help design curriculum and/or learning and assessment methodologies that assist individuals to gain and/or demonstrate they have the skills and knowledge specified in training packages. Training is tailored to individual learner needs and can be contextualised to the specific circumstances of an employer and/or industry sector' (Australian Industry Skills Committee 2016: 5-6).

ⁱⁱ The scale of training customisation is large. Smith et al (2017: 24) in a large survey of employers found that 75% of employers 'who used nationally recognised training said that this training was customised to the specific needs of their organisations, with 30.3% saying that it was customised to a great extent'.