

From unease to alarm: *escalating concerns about the model of 'VET reform' and cutbacks to TAFE*

Interviews with leaders from industry, government, regional communities, higher education and the vocational education and training (VET) sector, from October 2011 to October 2012

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RESEARCH - PLANNING - EVALUATION

Unease in 2011

Leaving training up to the open market there can be shortcomings, and that will have an impact on quality. We don't want to jeopardize our quality in New South Wales.

Also we want to protect the viability of TAFE; we don't want to do anything that's going to jeopardize the viability particularly of regional TAFEs. Victoria has moved a long way down their path of contestability and their regional TAFEs are in financial trouble, and we're not going to do that in New South Wales.

Adrian Piccoli, Minister for Education, NSW Liberal National Government, October 2011
(article No.1)

What the states are trying to do, and we support, is [inject] some competition and flexibility into the provision of services, but I don't want to do that at the expense of destroying TAFEs or reducing their capacity.

Chris Evans, Tertiary Education Minister, Federal Labor Government, November 2011
(article No.2)

Alarm in 2012

Basically people are burning their entitlement to training for a course that doesn't give them a career path, and doesn't give that person proper purpose or direction. [There have been] a lot of wasted training opportunities, as a result of this model.

Innes Willox, Chief Executive, Ai Group, July 2012 (article No.16)

In ACCI we're all about saying the market can dictate, but at the end of the day the public funding element of it [VET reform] changes the market dynamics. In economic terms, it [public funding] distorts the market and can incentivise providers to head down and follow the money trail, rather than what the customers want. Free enterprise is one thing, but free enterprise with public money is quite different again.

Jenny Lambert, Director of Employment, Education and Training, Australian Chamber of Commerce and Industry (ACCI), August 2012 (article No.18)

The pace of reform has been too rapid and there was insufficient consultation with the sector as to how it would adjust and what the impacts would be.

Claire Thomas, Director Policy, Business Council of Australia (BCA), September 2012
(article No.20)



Introduction

This document is designed to inform all those interested in the issues and controversies arising from the current implementation of 'VET reform' and the reduction in funding for the public provider, TAFE, particularly in Victoria.

The document consists of twenty two articles I prepared in the twelve months to October 2012 for my fortnightly column 'Inside VET', in the national tertiary education publication *Campus Review*.

Main foci

Many of the articles examine, either directly or indirectly, three pillars of the model of VET reform, particularly:

'market design', that is the proposition that an effective market for vocational education and training (VET) can be designed and implemented by government officials, while still meeting industry skill needs

'student entitlement', that is providing eligible students with access to a subsidised training place of their own choice, with an approved training organisation

'contestable funding', that is opening up to tender more and more of the public funds for training, so that TAFE and private registered training providers compete for those public funds.

The articles show that, over the twelve months from October 2011, VET reform based on these pillars remained elusive, as VET reform requires some foundational elements not yet in place, including well-informed consumers, well-resourced regulators and effective barriers to profiteering providers.

Many of the articles also discuss the role and value of the TAFE system and question the logic of cutbacks to it, given the public investment in its infrastructure, its widespread reputation among industry for quality, its network for servicing regional areas and its specialist strength in assisting the most vulnerable.

Interviewee sample and validation

The 18 interviewees for these 22 articles were drawn from the diverse categories of:

- politics (2 interviewees)
- government bodies (2)
- industry (3)
- higher education (4)
- TAFE (3)
- private providers (2)
- community college (1)
- group training organisation (1).

The names, titles and organisations of the interviewees are set out in Table 1, indicating that the interviewees represent different industries, education sectors and political perspectives.

Interviewees were sent interview questions or topics in advance, and all the interviews were digitally recorded and then fully transcribed by Perth-based company audio.net.au.

In every case, the draft of the full article was sent to the interviewee to validate the accuracy of the article. Each article was validated as accurate.

1

Table 1. Interviewees' details

| Interviewee category | Interviewee name | Title | Organisation | Article no. |
|---------------------------|------------------|---|---|-------------|
| 1. Government Ministers | Adrian Piccoli | Minister for Education | NSW Liberal National Government | 1 |
| | Chris Evans | Tertiary Education Minister | Federal Labor Government | 2 |
| 2. Government appointees | John Dawkins | Chair | National Skills Standards Council (NSSC) | 14 |
| | Chris Robinson | Chief Commissioner | Australian Skills Quality Authority (ASQA) | 11, 12 |
| 3. Industry leaders | Innes Willox | Chief Executive | Ai Group | 16 |
| | Jenny Lambert | Director Employment, Education and Training | Australia Chamber of Commerce and Industry (ACCI) | 18 |
| | Claire Thomas | Director Policy | Business Council of Australia (BCA) | 20 |
| 4. Academics | Phillip Toner | Honorary Senior Research Fellow | University of Sydney | 3, 4, 7, 19 |
| | Terri Seddon | Professor of Education | Monash University | 9 |
| | Erica Smith | Professor of Education | University of Ballarat | 13 |
| | John Quiggin | Professor of Economics | University of Queensland | 21 |
| 5. Public providers | Brian MacDonald | formerly CEO | Northern Melbourne Institute of TAFE | 5, 7 |
| | Tony Brandt | Board chairperson | Wodonga Institute of TAFE | 8 |
| | Jodee Pereira | Teacher | Challenger Institute of Technology | 10 |
| 6. Private providers | Martin Cass | Founder | JMC Academy | 6, 7 |
| | Mike Wallace | CEO | First Impressions Resources | 22 |
| 7. Community College | Ron Maxwell | CEO | Western College | 15 |
| 8. Group Training Company | Gary Workman | Executive Director | Group Training Association of Victoria | 17 |

Major themes: consistent and escalating concerns

In the document, the articles are set out in chronological order. A sequential reading of the articles will show that there were **consistent concerns** about the Victorian approach to VET reform and the Victorian government reduction in funding for TAFE, beginning in October-November 2011 with reservations expressed about the Victorian government's version of VET reform by both the Labor Federal Tertiary Education Minister Chris Evans and the Liberal and National NSW Minister for Education Adrian Piccoli (articles 2, 1). Their early concerns proved to be well founded, as later interviewees reiterated these concerns and added new information and insights.

A reading of the articles will show that **the concerns escalated** in the twelve months from October 2011, ending in July-September 2012 with representatives of the three national peak industry bodies expressing significant concerns with Victorian developments (articles 16, 18 and 20). These three interviews indicate that the fundamentals were not in place when Victoria implemented VET reform, and they are still not in place. For example, interviewee Claire Thomas, Director of Policy at the Business Council of Australia (BCA) noted in September 2012:

What was missing in this market was having spelled out where we were heading and how we were going to get there. We just started with the student entitlement and contestability and a commitment to good regulation and transparency, but it wasn't quite all there in time. And [there was] not a clear path to how prices would be set in that market eventually. So the key message is about the market design. (Claire Thomas, BCA, article 20)

Many other interviewees questioned whether these fundamentals can ever be put in place and questioned the wisdom of removing substantial funds from TAFE (e.g. articles 3, 4, 5, 7, 17, 19, 21).

Other interviewees warned of unintended or grave consequences of VET reform, such as a lack of support for quality teaching negatively impacting on learners (e.g. articles 9, 10, 13) and new funding arrangements leading to reduced training opportunities for youths, particularly young women, and people in regional areas (articles 1, 8, 15, 17, 22).

Another unfortunate consequence of VET reform was that high quality and longstanding private providers were tainted by association with shonky providers (articles 6, 15, 22).

Meanwhile, some interviewees hoped that their work for government bodies would lead to improved VET standards and that strengthened regulators would address the concerns about low quality training (e.g. articles 11, 12, 14).

Summary of critiques

In summary:

- the critiques of VET reform and the challenges to TAFE cutbacks are consistent throughout the document, for example
 - the concept of a VET market was an experiment based on ideology not evidence, and its implementation in Victoria was not based on firm foundations (articles 3-7, 19, 21)
 - the cuts to TAFE overlooked the fact that "TAFE operated for the public good" (AiG's Innes Willox, article 16) and that "the role of TAFE is critical" (ACCI's Jenny Lambert, article 18)
- the intensity of criticism rose over the twelve month period, with the tenor of the critiques shifting from unease in late 2011 (e.g. articles 1, 2) to alarm in mid-late 2012 (e.g. articles 16-19, 21-22).

Ultimately, this set of articles point to a failure and crisis in VET policy that stakeholders now demand be addressed (see articles 16-22). Importantly, those stakeholders are from different sides of politics and from the public and private sectors.

Table of contents

| | | |
|-----|--|----|
| 1. | Playing follow-the-leader has pitfalls | 4 |
| 2. | TAFE is central to skilling Australia, says Evans | 6 |
| 3. | Political economist challenges state VET system | 8 |
| 4. | Why COAG needs to rethink reforms | 10 |
| 5. | Spin, slogans, scandals and statistics | 12 |
| 6. | Deliver quality, or don't take the money | 14 |
| 7. | VET student entitlement schemes flawed | 16 |
| 8. | TAFEs power regional economies | 18 |
| 9. | Quality teaching not markets 'should be' VET focus | 20 |
| 10. | Why shark nets are needed in every state | 22 |
| 11. | ASQA defends its role | 24 |
| 12. | National regulator prepares to pounce | 26 |
| 13. | Bar set too low on teacher skills | 28 |
| 14. | Dawkins sends a wake-up call | 30 |
| 15. | VET reform risks the loss of economic benefits | 32 |
| 16. | Industry and TAFE harmed by VET reforms | 34 |
| 17. | Women pay higher price for reforms | 36 |
| 18. | Industry seeks to restore confidence | 38 |
| 19. | Frankenstein devours its creators | 40 |
| 20. | Market needs fundamentals in place | 42 |
| 21. | Balancing the budget sinks the public interest | 44 |
| 22. | Retail sector pays the price | 46 |

1. *Playing follow-the-leader has pitfalls*

John Mitchell's 'Inside VET' column for *Campus Review*, 18 October 2011

The NSW Minister for Education wants to consult widely with his stakeholders before adopting any interstate ideas on VET funding

Over the past three years Victoria has experimented with reforms to its VET system, and now South Australia and Queensland are about to implement similar changes. Going against the flow, NSW recently indicated it will be revitalising its VET system but it will not be jumping on any interstate bandwagon.

NSW's approach seems all the wiser, given recent indications that the Victorian reforms are producing unexpected negative impacts. The clear aim of NSW policy makers is to achieve desired outcomes for the state, not to experiment.

Late last month the NSW Department of Education and Communities released a discussion paper on the future of VET, *Smart and Skilled*, but the subtitle of the paper is telling: "making NSW number one". This theme of positioning NSW as number one is repeated in a statement on the first page of the discussion paper: "In implementing reform we will do what is best for New South Wales".

The Minister for Education Adrian Piccoli MP, in an interview with *Campus Review*, emphasised that his state would not simply follow the lead of other states: "we want to make up our own mind".

In particular, Piccoli is seeking further advice from all interested parties about the advantages and limitations of the student entitlement model for funding VET, a model championed by Victoria. The model involves giving eligible students access to a subsidised training place of their own choice, with an approved training organisation. Piccoli is aware that this individualistic model is an awkward fit with an industry driven sector, so he is inviting debate on the topic.

"The discussion paper is for people in the field to give the government their views about 'How should student entitlement work?' and 'How might it work to actually achieve those goals that we're trying to achieve for the State?'

"It's being done in Victoria, with mixed results, and it's about to go in South Australia, and it depends who you ask as to whether it's a success or a failure, but in New South Wales we want to make up our own mind about it, based on the feedback we get from this discussion paper."

As the ultimate policy maker, Piccoli is not grabbing for someone else's solution of a student entitlement model; he is intent on ensuring that training in NSW remains both affordable and high quality.

"We want to make sure that training remains affordable for students but we also want to make sure that quality is maintained and industry needs are met. It appears that one of the unintended consequences in Victoria is that a lot of training has occurred where there are not necessarily skills shortages.

"The priority is always to make sure that taxpayers' money is spent effectively and efficiently and we want to make sure it's spent on training that's relevant and the kind of training that's needed, not a 1,000% increase in the number of personal trainers graduating."

Much of the theory about student entitlement was imported to Australia from the UK during Tony Blair's era, prior to the global financial crisis, when people had more faith in the market. Piccoli is well aware of the theory around entitlement funding but is more interested in whether the model can deliver practical outcomes.

"We've got to make sure that the practice meets the theory and there's a lot of theory around entitlement funding. We want to make sure that the practical outcomes of it actually achieve the government's objectives."

Another element of Victorian VET reform, also supported by the Council of Australian Governments, which Piccoli is approaching carefully, is to increase contestability for funding among training providers. His major concerns about contestability are to protect the quality of training and the viability of TAFE, both of which may be at risk in some other states.

"Leaving training up to the open market there can be shortcomings, and that will have an impact on quality. We don't want to jeopardize our quality in New South Wales.

"Also we want to protect the viability of TAFE; we don't want to do anything that's going to jeopardize the viability particularly of regional TAFEs. Victoria has moved a long way down their path of contestability and their regional TAFEs are in financial trouble, and we're not going to do that in New South Wales."

As a resident of the NSW regional centre Griffith, Piccoli is passionate about the importance of providing people in regional communities with more choices for their education, whether it is provided by TAFE or other quality providers.

“If you’re in Sydney you can be on one side of the city and a training provider can be on the other side; so it’s a half hour train trip. In regional New South Wales it’s not that easy because public transport in many cases is simply not available, so we need to make training more available in more locations; we need to think flexibly about that.

“TAFE offers high quality training in a lot of communities, but not in all of them, so it may be a TAFE solution, or it may be a non-government training provider providing the solution, but wherever we can do it we need to train local people locally.

“Training local people locally is my mantra about dealing with skills shortages in regional New South Wales.”

While other states seem intent on reducing the role of TAFE and breaking up state-wide TAFE networks in order to create competing institutes, Piccoli again goes against the flow in valuing the role TAFE performs as a state-wide system.

“TAFE NSW is nationally and internationally renowned as a high quality provider. TAFE in New South Wales is essentially a state-wide system and I think that’s one of its strengths. A large employer can come to TAFE New South Wales and know that TAFE has a network of institutes across New South Wales that can deliver almost anywhere.”

However, Piccoli is open to suggestions about how TAFE NSW can be improved: “like any organisation it can be improved”.

One of the reasons for releasing the discussion paper is “to get ideas from students, teachers, employers and industry about how it can be improved. We need to make training relevant, we need to make it affordable and we need to make it accessible, whilst maintaining the quality of the service that TAFE provides.

“But I don’t want to pre-empt the discussion paper about how we can improve those things. That’s the point of the discussion paper.”

Instead of imitating the VET reforms of other states and imposing top-down policies, Piccoli is seeking ideas from industry, educators and the public on fundamental issues such as which industries require more training.

“One of the challenges with targeting skills shortages is we’re not quite sure where they’re going to be and governments are very poor at judging it, that’s why we want the feedback from industry about where their shortages are.”

In drawing on the collective wisdom of stakeholders and by preserving the quality, affordability and accessibility of VET, Piccoli is confident of achieving his overall goal of NSW becoming the number one state “for growth and jobs”.

2. TAFE is central to skilling Australia, says Evans

John Mitchell's 'Inside VET' column for *Campus Review*, 29 November 2011

While Victoria gambles with the public provider's future, the federal Tertiary Education Minister Chris Evans says it will remain the bastion of training

Some new and important voices are questioning Victoria's experiments with VET market reform and their impacts on TAFE Institutes.

The new voices include the NSW Education Minister, Adrian Piccoli, (*Campus Review*, October 17), who said in relation to Victoria that "leaving training up to the open market there can be shortcomings".

He gave as an example of the student entitlement scheme gone haywire in Victoria the dramatic increase in the number of personal trainers graduating. With regard to TAFE NSW he said, unequivocally, "We want to protect the viability of TAFE".

The latest voice to question the Victorian approach and to express support for the TAFE system is the Federal Minister, Senator Chris Evans, who talked to *Campus Review* about the long-term future of the public provider.

Evans has a commonsense view about TAFE institutes: the government has invested heavily in them and they have performed well, so why put them at risk. "TAFEs are great public institutions and we've invested millions and millions of dollars over the years in building their capacity and skills and they've served Australia very well."

Evans supports state governments making the VET sector more competitive, but not at the cost of destroying TAFE. "What the states are trying to do, and we support, is [inject] some competition and flexibility into the provision of services, but I don't want to do that at the expense of destroying TAFEs or reducing their capacity.

"We're interested in some competitiveness in the market but TAFE will remain the major supplier of skills and training in this country. What we've got to do is allow them a bit more flexibility and a bit more capacity to work with employers to meet those emerging skills' needs."

He compared how the government in his home state of Western Australia has provided its TAFE institutes with more flexibility and this measured approach was succeeding, while the Victorian government many have "over-reached" with its competitive agenda.

"If you look at my state Western Australia, they have managed to free up the TAFEs to be more flexible, more entrepreneurial, and they're getting good results, whereas there's some concern that in Victoria the model may have over-reached in terms of the competitive market. We're seeing [in Victoria] some developments that are less than ideal and [there are] serious concerns about it [the model] undercutting the role of TAFEs."

Evans pointed out that TAFE institutes provide access for many disadvantaged groups, which he doesn't want discarded by the new competitive model.

"People have to remember [that] TAFEs provide access to training for people in rural and regional areas, people from lower socio-economic groups, from migrants and indigenous people. They're a great source of access for training so we have to make sure we don't provide a competitive model that actually gives us a worse result than we had previously."

He noted that some States have or are currently introducing reforms that seek to provide a student entitlement to training and to arrange their funding so that money follows students.

"Most are also considering introducing some form of contestability into VET delivery, albeit a more 'managed' approach than was adopted in Victoria. These are decisions that rightly sit with State jurisdictions."

However, while the Commonwealth will not be mandating what form of training market the states implement, "we will be mandating the types of improvements we want to see in the VET system, in line with the principles of efficiency, quality, transparency and equity".

Evans restated the Government's objective to achieve a world class VET system where Australians are able to choose "high quality, accessible and relevant training delivered by qualified instructors in institutions with modern supporting infrastructure." While there is room for TAFE to improve, there is broad agreement that TAFE largely meet these three criteria, so why take unnecessary risks with it.

Evans is supportive of competition among providers, but repeated his view that TAFE can perform a central role in a competitive environment. “There is a role for healthy competition to promote greater responsiveness to both employers and students, but I believe this can be achieved while recognising and supporting the central role public providers play in skilling Australia.”

TAFE is funded by state governments that are supported by Commonwealth funding under a National Agreement, and TAFE is expected to receive some of these funds, said Evans. For instance, the new National Workforce Development Fund is designed to put industry at the centre by making it the purchaser of training to meet the skills demand in high growth industries. “This fund is for accredited training and I expect that this will be provided by a combination of TAFE and private registered training organisations.”

“We are committed to a strong TAFE system and providing funding to states and territories to support quality training outcomes. Effective workforce development is dependent on employers having access to a responsive and efficient VET system, including TAFE.”

He is aware that “one of the criticisms of the normal training institutes, TAFEs and others, is that it’s a supply-driven model and not as responsive to employers as people would like. Some of that’s fair, some of it’s not.”

“TAFE have a great record of providing people with skills for employers but what we’ve done with the workforce development agency and various funds is use a demand-driven [model] where employers and the government partner to drive development of skills that are in demand in a way that’s more responsive [than the previous model].”

He gave as an example of this new demand-driven approach the recent announcement by Bechtel that it would train 400 adult apprentices. “The other day I went to the launch in Gladstone. This employer needs metal and electrical trades so we’ve partnered with them to try and [help] get them adult apprenticeships in 18 months or so.”

These demand-driven models are adding diversity to the way funds are made available in the VET sector, but they are not the only way to allocate funds. “The workforce development agency is about [promoting] greater awareness of workforce needs and employer input into that planning. The funds are [within] a demand-driven model that doesn’t replace the institutional framework with states and TAFEs, but just adds a bit of diversity and a methodology that’s more responsive to industry’s needs.”

Rejecting the view that TAFE is the only party that needs to improve its performance, Evans is measured in his approach to a complex sector. For instance, he believed that better data needs to be collected, industry could do more to fund training, and he wants to support small businesses who struggle to put on paper their workforce development plans and strategies.

From opposite sides of the political spectrum, the reasoned voices of Ministers Evans and Piccoli are refocusing the national discussion about VET reform. They are both saying that a more demand-driven and competitive VET sector doesn’t require taking risks with TAFE. VET needs an effective TAFE system as well as quality private providers, working collaboratively with industries, communities and individuals.

3. Political economist challenges state VET system

John Mitchell's 'Inside VET' column for *Campus Review*, 13 December 2011

Does Victoria have the evidence to support its vocational education and training policies?

8

There is a growing chorus of voices questioning the wisdom of the changes made to VET funding in Victoria, led by the Minister for Education in NSW, Adrian Piccoli (*Campus Review*, October 18) and the Federal Minister Chris Evans (*Campus Review*, November 29).

The latest voice to express disquiet over the Victorian experimentation is internationally recognised political economist, Dr Phillip Toner, senior research fellow at the centre for industry and innovation studies, UWS, who also provides advice to the OECD. In an interview for *Campus Review*, Toner posed a series of confronting questions for the Victorian policy makers.

Are the policy changes to VET in Victoria based on ideology or evidence-based policy making? Ideology, says Toner.

"It is not even good economics, it is ideology run amok in Victoria. It reflects an ideological position that has absolutely no relationship to the market reality. The policy makers have simply imposed a ridiculously simplified model of a market that wouldn't even get a pass mark in first year economics."

Where did this ideology come from? The UK, says Toner. "It's the neo-liberal marketised UK VET model that was developed in the late '70s, early '80s. And the UK VET model compared to any other in Europe is regarded by leading analysts as the worst in the developed world."

Toner backs this up by pointing to the recent report on the UK VET system. "There have been multiple reviews of the UK system and the most recent one, Alison Wolf's report, was scathing of the marketised model [for further education] in the UK."

Why is a marketised model inappropriate and too simplistic for VET? "Any market relies on a system in which prices reflect supply and demand conditions and where differences in prices reasonably reflect differences in quality. It relies on an informed consumer and a system of incentives that doesn't undermine quality." Each of these elements of a market is far from straightforward in the VET arena, says Toner.

What are the characteristics of VET delivery as an economic commodity, that don't fit the simple economic model of, say, the supply and demand of a potato?

"In the case of potatoes the quality's self-evident: you can look at a potato and you can compare prices. When you look at the distinguishing features of VET as a product, the quality is not self-evident. The first reason is that there are no requirements in relation to the duration of training, and secondly the standards that are specified in training packages are very general. And thirdly the assessment of the VET activity in terms of whether you're competent or not is solely up to the person who's delivered the training."

So on the supply side, "VET supplies a very unusual product in terms of objective assessment of what's being bought," making it difficult for many consumers to know what they are buying or what is its level of quality. Not like buying a potato.

Toner has examined in detail some industries where such distinguishing features of the VET product were abused by dishonest service providers, for instance in the training associated with the licensing of building inspectors. This was the subject of an inquiry by the Independent Commission Against Corruption in NSW and the training providers were found to be "rotting the system, either providing no training whatsoever or just minimal training".

As a result of this research, Toner is concerned by one of the developments seen as a positive by the Victorian government, the doubling in the number of private providers since 2008. Does the customer, let alone the government, have any idea what quality of VET product is provided by every one of these providers, asks Toner?

Consumers are not able to access sufficient and discriminating information about the hundreds of VET suppliers in Victoria. "On the supply side of VET, there are no rankings (of providers), no objective assessment of the quality (they provide). You can't go onto a website as you can with a university and look at where it stands in relation to other universities."

Toner says that on the customer or demand side “you have a remarkably segmented demand structure. It’s highly segmented in that people are doing VET training for a multiplicity of reasons and with very different knowledge bases about what it is they are buying and why they’re doing it.”

“Now what the policy-makers in Victoria assume, and what the student entitlement model assumes, is that we have an informed VET consumer.” However, Toner ridicules the idea that every VET consumer has perfect knowledge base and information processing capabilities. This belief in the all-knowing consumer “is economics 101 but nobody teaches, nobody believes this stuff anymore. The only people who believe these assumptions are the public policy makers.”

Toner was not surprised by what he calls the perverse enrolment patterns in Victoria over the last two years, such as the large increase in the number of people undertaking a certificate in fitness training. “When you open up public VET funding to competition this is an inevitable outcome. It’s not competition, it’s a totally perverted market with distorted incentives on the part of the people supplying and the people demanding training.”

In relation to the increased volume of training provided over the last two years, Toner has some blunt questions for the Victorian policy makers about planning responsibility and accountability for public funds. “A, can you put your hand on your heart and demonstrate to me empirically that that was high quality training? B, what are the labour market outcomes of that training? And C, what are the economic returns to the individual? Do they actually get a more highly qualified job?”

Australia has seen before the disasters of evidence-free neo-liberal approaches, with the explosion of traineeships in the late 1990s and the scandals that arose at the time, says Toner.

“This is the neo-liberal policy trajectory. They deregulate a field, the public sector provider gets screwed up, quality goes out the window and there are consumer rip-offs all over the place. Then there is a push back from the electorate and the neo-liberals are then forced to introduce extensive and expensive interventions and intrusive regulation.”

Toner believes the Victorian policy makers are dismantling TAFE in line with this ideological trajectory, not evidence. “This is privatisation by stealth, it’s a public sell-off, and of course the consequences are absolutely dire.”

“Show me the evidence that the problem was so profound in the delivery by TAFE that it required this phenomenal shock treatment, this complete 180 degree in public policy. Show me the evidence. There isn’t any. And this is where the ideology comes in.”

However, Toner holds out an invitation to the policy makers. “If someone can show me that this is a wonderful new VET system and that the old system was genuinely stuffed, I’m not going to be the equivalent of the climate change denier.

“I am not against ‘user choice’ in principle, but the way it has been implemented in Victoria is deeply damaging to quality in the VET system”.

For an extensive critique by Toner of neo-liberal approaches for the VET sector see http://www.pc.gov.au/__data/assets/pdf_file/0019/106633/subdro79.pdf

See The Wolf Report on UK VET at <https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00031-2011>

4. Why COAG needs to rethink reforms

John Mitchell's 'Inside VET' column for *Campus Review*, 24 January 2012

Measuring the quality of profit-driven providers and their training is proving difficult

The Victorian government experimentation with VET funding is starting to unravel, with the latest revelation that one of its training providers increased its recognition of prior learning enrolments from 1 to 134 in one year.

"Blind Freddy could have seen such perverted results coming," said Dr Phillip Toner, senior research fellow at the centre for industry and innovation studies, UWS.

OECD adviser Toner is well placed to make such criticisms, as arguably the leading academic in Australia focused on the limitations of the outdated neo-liberal thinking that is driving Victorian VET policy and, more importantly, the Council of Australian Governments (COAG). Toner exposed the holes in the neo-liberal concepts in his critique of the Productivity Commission's interim report on the VET sector and he said the same flawed thinking still informs Victorian government policies.

Neo-liberals believe that the publicly funded market for a complex product such as a VET qualification can be trusted to operate in an efficient manner, where informed consumers can confidently purchase high quality products from trustworthy, profit-driven providers.

Following the recent revelations of a malfunctioning VET market in Victorian, Toner agreed to a second interview for this column, adding to his earlier critique of this policy setting (*Campus Review* 12 December 2011).

Toner claimed there are five aspects of VET that make it difficult for government to contract out and maintain quality in provision by profit-driven RTOs. Some of these problems are inherent in VET, but others are caused by the policy makers' design of the system.

First, VET as an activity is inherently problematic to contract out because quality is extremely difficult to define in a way that can be captured in a legal contract between the government and the private RTO.

"Quality is generally defined as conformity with specifications and continuous improvement – but how is the government going to contractually specify the often complex set of manual, behavioural, attitudinal and knowledge attributes that are embedded in a VET occupation such as maintenance fitter or aged care worker?

"Despite the importance of all four elements, most can't be satisfactorily specified in a legal contract and this opens the way for opportunism on the part of the RTO. As the lawyers say, 'if it isn't included, it's excluded!'"

Second, there are low financial and regulatory barriers to setting up or closing down a private RTO.

"Excluding training for trades and some other capital intensive fields, it is cheap to set up with leased office space and equipment and casual teachers. Equipment standards required for particular Training Packages are either not set or vague. There is no need for the contractor to lodge a performance bond, as occurs with many other commercial contracts.

"The financial risk born by RTOs, if they are disqualified, is minimal. In other words, many RTOs have 'little skin in the game' to keep them honest. This is conducive to short-term profit maximisation; or less technically, 'short term feeding frenzy'. The current VET market is a case of privatising profits and socialising losses as the taxpayer bears the cost of RTO financial failure, as we saw in the foreign student debacle and collapse of large RTOs."

Third, there are minimal teaching qualifications required for entry – a Certificate IV, sometimes of uncertain and dubious provenance.

"The Productivity Commission never did explain why VET should have much lower teacher standards than schools. Reducing teacher standards, pay and conditions undermines the future supply of quality VET teachers. This is especially the case in more technical fields where there is robust demand in the labour market."

Fourth, Training Packages generally prescribe no fixed duration for training.

Toner said that "you are competent when an RTO with an interest in shortening courses and, therefore, costs, deem it! This just opens another door to opportunism.

“This is typical of neo-liberal ideology, giving priority to ‘flexibility in training’, but the neo-liberals only recognise one type of flexibility. What about the flexibility an employer gains in having well trained, broadly skilled individuals who are capable of solving problems? What about the flexibility a well trained worker has in being able to transfer their skills to other firms and industries? These types of flexibility are undermined by low quality training.”

Fifth, a large number of students do not demand quality in training and therefore RTOs do not supply it.

“Corruption inquiries in NSW for example demonstrated that many thousands of students required a ‘ticket’ to enter a low skilled job and viewed training as having to ‘jump through the hoops’. These were people with limited education for whom any type of formal training was a burden – they just wanted a job and many cynical RTOs were prepared to ‘meet’ their qualification needs.

There are many other market segments where there is also little interest by students in quality provision, said Toner. For example, existing workers can find themselves enrolled by the boss in a fully on-the-job course to teach them how to do the job they have been in for many years. “The problem of market segments that are disinterested in quality is exacerbated where students bear little if any cost of the training, such as short Certificate or Diploma courses where the state covers all fees.”

“The combined effect of these market conditions makes it increasingly difficult for the many ethical and high quality private providers to continue. It is a case where competition can dilute quality rather than stimulate it.”

Toner said that the response of the neo-liberals to the inevitable market failures is predictable: improve information to enable an ‘informed consumer’ and impose more intensive regulation and supervision.

“But these approaches will not address the fundamental problems in design of the VET market. When quality is hard to define, exactly what aspects of RTO performance will the state sanctioned consumer information focus on? Improving information and tightening regulation is easy to say, but extremely hard to do effectively.

“Just look at the last decade as bureaucrats have struggled to stop firms exploiting consumers in deregulated fields such as utilities, financial products, superannuation and telecommunications. Marketing and obfuscation can easily undermine the best bureaucratic efforts.”

Toner is concerned by the impact of neo-liberal policies on the public provider, TAFE. “The public system is not perfect, and some degree of competition is a good thing. But VET policy makers fail to grasp that the economic incentives facing teachers and administrators in the public system before contracting out was introduced were fundamentally different from those currently facing many private RTOs, and that this difference is critical to quality in VET.

“The great irony is that the neo-liberals who design and support ‘market-based VET’ do not understand the structure of the industry and economic incentives in the very market they created. They are idealists, reluctantly forced to tinker with a system when market realities, consumer backlash and political embarrassment demand it.”

Fortunately there are indications that at least the NSW government is re-assessing the discredited neo-liberal experiments, providing hope that COAG’s 2012 VET session will be based on a realistic appreciation of the VET market.

5. Spin, slogans, scandals and statistics

John Mitchell's 'Inside VET' column for *Campus Review*, 7 February 2012

Senior TAFE leader says avoid the Victorian model at all costs

Skills Victoria's experimentation with market-based VET funding is causing increasing disquiet, even among the usual supporters of such policies.

Recent reports by the Productivity Commission and Victoria's Essential Services Commission acknowledged there are concerns with the quality outcomes of some of the training now being funded by the Victorian government.

Meanwhile more stories are emerging in the media and in the Victorian Parliament about opportunistic private providers offering inducements for students to sign up for training. As noted on the ABC's 7.30 report, these inducements range from iPads to shopping vouchers.

Despite all these red lights flashing and random policy back flips, the Victorian government seems intent on pushing forward. To provide a view on developments by someone immersed in Victorian VET, Brian MacDonald, for the last 23 years the CEO of Northern Melbourne Institute of TAFE (NMIT), agreed to discuss with *Campus Review* these latest scandals, their origins and any lessons for other states.

Considering the determination of the Victorian Government to foster the massive expansion of private providers while tightening funding to the TAFE institutes it owns, it is worth a brief look at the operation MacDonald leads. NMIT is accredited to deliver over 500 nationally recognised vocational courses and it continues to grow its higher education provision with a range of specialist bachelor and associate degrees in accounting, agriculture and land management, aquaculture, Australian popular music, equine studies, education (early years), hospitality management, illustration, viticulture and winemaking, and writing and publishing. A further four bachelor degrees, four associate degrees and three masters programs are currently under development.

NMIT is located across six campuses in Melbourne's north including Epping, Preston, Fairfield, Collingwood, Heidelberg and Greensborough. It also has a specialist regional training facility at Ararat and six specialist training centres on Melbourne's northern fringe.

Currently it has 22 partners in mainland China with over 20,000 course enrolments making it one of the largest provider of vocational training in China. In addition, it has a partnership in Hong Kong, two in Korea and has completed preparations for recruitment in 2012 with the Singapore Turf Club and the Malaysian Turf Club. With 67,561 total course enrolments – 23,059 off-shore enrolments and 44,502 domestic enrolments – the NMIT student population is a culturally rich community with students from around 69 countries.

Given this profile, if you owned NMIT and you wanted to develop the Victorian economy, would you look to strengthen or weaken NMIT, asked MacDonald? If you owned Victorian TAFE Institutes but wanted to introduce more private providers, would you look to foster or jettison the type of private provider mentioned in Parliament late last year that offered Melbourne sporting clubs a \$1000 commission to recruit VET students and a \$500 cash bonus for students to sign up?

Rather than wait for the next exposé, MacDonald called for such disreputable private providers to be culled urgently, while acknowledging there are some high quality private operators in the sector. He also understood that the Government is the owner of NMIT and "has the right to direct the operations of the institute".

"Having said that, one does not have to like some of the policy decisions or agree that they are sound decisions. The skills reforms were introduced by the previous government and backed by spin and slogans. The current government inherited the mess and the same bureaucrats who constructed the mess."

MacDonald has consistently challenged the VET reforms in Victoria that have produced the current scandals. For example, in 2008 he put forward a list of 46 questions to Skills Victoria when it asked for initial feedback on its reform proposals and his core questions disputed the research, statistical basis and overall rationale for radical change to TAFE and VET.

"The government did not respond to those questions; in fact, no issues raised in the NMIT submission were directly addressed. Some vague motherhood statements and bureaucratic spin was forthcoming, but generally our criticisms, questions and recommendations were ignored."

“The fundamentals were wrong from the start. For example, there never were 1.4 million 15-64 year old Victorians needing or seeking training. The Australian Bureau of Statistics indicates that the figure is approximately 50,000 at any one time. The figure of 1.4m people included many high school students as well as existing TAFE students and university students who hadn’t completed their programs.”

“The bureaucracy, after a few years, was finally forced to admit that the magical number of 1.4m Victorians without a post-secondary qualification who needed VET training did not actually exist.”

There was no crisis in 2008 and at that time TAFE institutes generally over-delivered above their funded targets, added MacDonald. If additional demand actually existed, one low-cost answer “would have been to fund the existing TAFE Institutes to meet that demand”.

Rather than the government support TAFE, he is alarmed that the process for registering private providers in the last few years was “neither rigorous nor driven by commonsense assessments” of what would reasonably constitute the resources, academic skills and management structures of a viable and reputable educational institution.

“A significant number of dishonest providers then managed to rort the system at the expense of gullible or compliant students, and were only exposed because of an increasingly vigilant and investigative media. For a period of time, investigative journalists were the default regulatory authority for the Victorian VET sector.”

He noted that total VET delivery in Victoria is claimed to have increased by up to 25% since 2008 – “an outcome much celebrated by the bureaucracy”. However, his analysis of the increased delivery statistics revealed “much worthless so-called delivery by disreputable private providers”. It was worthless for three reasons: some of the training was in areas in which there were no jobs; some providers were offering recognition of prior learning (RPL) services of dubious quality; and some employers were refusing to employ graduates of some of these colleges, as reported by the Productivity Commission in its analysis of aged care training.

MacDonald offered some advice to other states looking at the Victorian reforms. “At all costs, avoid the current Victorian model which is costly, has damaged the TAFE brand and the TAFE sector, has not delivered to match skills shortages and is a navigational quagmire [for those seeking information about courses]. It drags resources away from core business activity to be wasted on mindless bureaucratic micro-management in the absence of effective regulation.

“Other Governments should decide first what they require of their TAFE sector, how it should be regulated, the levels of compliance and reporting required and then shape their bureaucracy accordingly. Significant savings would be made immediately [with a reduction in the size of the bureaucracy].”

Having watched the mushrooming of shonky colleges for international students in Victoria, MacDonald is pessimistic about the ability of the government to avoid another disaster.

“All pleading for effective regulation of the international student sector fell on deaf ears, resulting in a very significant loss of export earnings for Victoria. The domestic market is now vulnerable to similar damage.”

6. Deliver quality, or don't take the money

John Mitchell's 'Inside VET' column for Campus Review, 21 February 2012

John Mitchell talks to a leading private provider concerned about funds flowing to inappropriate providers

In recent months Skills Victoria's experimentation with market-based VET funding has been questioned in this column by the Federal Labour Minister, Chris Evans, the National Party Minister for Education in NSW, Adrian Piccoli, the political economist Phillip Toner and the TAFE Victorian Institute CEO Brian McDonald. The missing voice from this powerful chorus is that of a prominent private provider.

Are all private providers comfortable with the Victorian government's approach to VET funding and the increasing number of revelations about rogue providers? The answer is no, according to Martin Cass, founder of the thirty-year old JMC Academy, a college specialising in music, film and television and digital media, offering VET and higher education programs from its campuses in Melbourne, Sydney and Brisbane.

Cass's high standing in private provider ranks is demonstrated by his elected position since 2009 as chair of ACPET's NSW committee for private providers. In 2008 Cass put in writing to his ACPET colleagues his predictions about the impact of unscrupulous providers in the field of international education. "In 2008 I could sense that something was going to happen, and of course in 2009 all hell broke loose in Victoria".

He is dismayed but not surprised that new scandals are emerging as a result of the loosening up of VET funding for private providers in Victoria, such as the revelation in the Victorian parliament recently that one of the private providers currently being investigated had claimed over \$10m of government training funds last year.

As a long-standing private provider, he feels tainted by association with rogue providers; even though he believed their number was small. "I don't think people realise how easily quality institutions are tarred by these dodgy providers. I have to admit it, they exist and it's a sad state of affairs; they shouldn't be there."

He has learnt that scandals about any private provider affect the brand and reputation of all private providers. "Your brand does suffer, because people take a generic view. Prospective students just automatically assume that because you're a private provider therefore you are not a quality provider, and that's disruptive, it's bad for the industry, it's bad for innovation."

Organisations like his are hurt by the small number of providers in Victoria who are driven by profit, without any commitment to education. "As opposed to those who come in purely for the purpose of making a dollar, it's the people [who own training companies] who have come in with an educational background who are suffering."

He believed that education requires rigorous regulation, which is not always evident in Victoria. "In my view, education is as important as the health system and should be treated in the same way. If you have regulators that are not zealous for the right reasons, you get the problems that we've experienced over the last few years."

Cass considered that regulators in many states had lost their way in recent years, focusing on minutiae and overlooking unethical practices. "They're over-zealous on minor issues and they're too concerned about process, and not concerned enough about quality delivery and real outcomes."

The Victorian regulator, the Victorian Registration and Qualifications Authority (VRQA), was strongly criticised by the Auditor-General in late 2010 – "We all know about the criticisms made by the Auditor-General" – and Cass would like to see VRQA improve. "I'd like to see them doing their job in a more systematic and consistent way."

Ultimately he would prefer VRQA was replaced by Australian Skills Quality Authority (ASQA), the new national regulator for VET. "It is a nonsense that we have national curriculum and national standards, yet in Victoria we still have two regulatory systems, competing against each other."

The latest Victorian problems are not just the result of for-profit providers looking to make a profit or of the regulator under-performing, noted Cass. He also pointed out the responsibility of Skills Victoria to ensure that public funds are made available to reputable organisations.

"Some of the responsibility also sits with Skills Victoria's funding policies. Some changes are needed to the rules about which providers can be eligible. Managing public funds is a serious thing to do, and they ought to be focusing on a set of criteria that ensure that the people that they're giving the public funds to are worthwhile and honest."

"I endorse the Victorian Government's opening of the market to provide real choice for the consumer, but I am concerned that without stringent eligibility and auditing measures, rogue providers are capitalising and prospering."

A partial solution is to ensure that all providers be expected to bear the costs of implementing and maintaining quality systems, like his organisation. "It costs money to deliver quality, and you've got to be prepared to do that."

The number of private providers in Victoria has more than doubled since 2008 and Cass is concerned that a proportion of them are not implementing quality systems. "If they can't deliver that kind of quality because of their size, then should they be in the game? I am talking about government funds; I am talking about money that belongs to the people. And if you're going to take that money, then you ought to be able to deliver the product and whatever it takes to ensure that it's a quality product. If you can't deliver quality, don't take the [government] money."

While Skills Victoria has progressively reduced funding for TAFE Institutes, Cass sees an ongoing role for TAFE providers in a reformed VET sector. "I think that there will always be a place for TAFE. TAFE is part of our system and there's absolutely no need to see it dismantled." Cass added that the TAFE sector also had "some quality issues in some locations. There are some great TAFE colleges and some not so good".

Interestingly, Cass would like to see TAFE strengthened in the sense of being able to compete better with private providers like his own company. "I believe that TAFE needs to be freed up to compete with the private sector. I think it needs to make itself more competitive."

He considered that TAFE and reputable private providers share the same goal, quality provision. "We're all in the same boat. We all need to get on with the task at hand, which is to deliver quality education."

Cass respected the Victorian Government for attempting to improve VET, but believed it was time for an urgent review of their reforms. "Changes need to be made quickly in Victoria. What they need to do now is to review the reforms and make the necessary changes to ensure that the monies are going to the right people for the right reasons. You've got to get to the point where the providers who are in the system are the ones that deserve to be there."

Looking beyond Victoria, Cass hoped that VET funding policies will be handled more carefully. "I'm hoping that at least in NSW and maybe everywhere else, the criteria for getting access to government funding is significant enough to ensure that they're giving it only to the quality players."

See www.jmccademy.edu.au and
http://www.audit.vic.gov.au/reports__publications/reports_by_year/2010-11/20100710_vrqa.aspx

7. VET student entitlement schemes flawed

John Mitchell's 'Inside VET' column for Campus Review, 6 March 2012

Five reasons why leaving provider choice to students does not always work

In recent months Skills Victoria's experimentation with market-based VET funding has been in the news for all the wrong reasons. Despite attempts by the Victorian government to maintain a positive narrative, stories keep emerging in the Victorian Parliament and in the media of disreputable providers, inappropriate training and the misuse of public funds.

These relentless stories indicate that two key pillars of the Victorian design for the VET market are now crumbling. Those pillars are "contestability" and "student entitlement": that is, the benefits of increasing contestability for funds between training providers; and the benefits of providing students with an entitlement, the equivalent of a voucher redeemable at a registered training organisation.

Since late 2011, a series of articles in this column has focused on the pillar of contestability, as modelled by the Victorian government. The articles have highlighted the concerns of diverse parties that contestability has lowered the quality of educational delivery. These concerns were reinforced by the Victorian government's recent admission that it was contracting around 100 fewer providers than in 2011, to ensure quality standards are met.

The second, crumbling pillar of the Victorian model is student entitlement, a term which proponents of VET market design seem to associate with the attractive notion of empowering consumers. Despite its superficial attraction, student entitlement doesn't fit at all well with a VET sector for five reasons, as explained by some prominent VET stakeholders.

The **first reason** why a student entitlement doesn't fit with VET is because the sector has spent the last twenty years ensuring it is industry-led, not driven by the individual. In an essay for an NCVER publication in 2010, the national industry leader, John Hart, CEO of Restaurant and Catering Australia, fundamentally challenged the student entitlement model in an industry-led sector.

"By placing the purchasing decision in the hands of the student... the employer relationship with the system will be rendered all but irrelevant. Not only will there be no link between the training delivered and the job role that the trainee is preparing for, but there will be no sense that any information will be provided to trainees on what jobs might be suitable for them."

The **second reason** why a student entitlement doesn't fit well with VET is because it assumes that students are informed consumers, able to make sound decisions.

Martin Cass, founder of the highly regarded and longstanding private provider JMC Academy, hopes that when reforms to VET are made in his home state of New South Wales, the consumers will be given more information than in Victoria about how to use their entitlement.

"One of the issues in Victoria, which I hope doesn't happen when we introduce the reforms in NSW, is to ensure that we provide more information to the general public about the entitlement model. I don't think they're up to speed. If students are going to make a good choice as to who they study with and how to spend a valuable entitlement, they need to understand the big picture of the reforms. By doing that you would hope that they will then become more demanding consumers."

Cass believes "it's too easy" for students to make a rash decision and simply say "Here's my X dollars and I've got the money, so I'll just use it wherever". He adds that consumers have responsibilities to use their entitlement wisely: "I think there needs to be a certain amount of responsibility taken by the consumer, to ensure that they do the research, that they find the right organisation to go with."

The **third reason** why a student entitlement doesn't fit well with VET is because it assumes that all training providers can be trusted to provide clear information about their services.

Some of the scandals in Victoria have revealed that unsuspecting, misinformed students were not sure what they were buying from training providers. For instance, the recent ABC 7.30 Report featured a student who had accepted a shopping voucher from a training provider before she commenced her course, and admitted that before she started she didn't know what the course would entail. After the course concluded, and she had spent her entitlement, she was dissatisfied with the course delivered and didn't acquire the skills she had sought.

In response to such potentially deceptive behaviour by providers, political economist Phillip Toner from UWS predicts the Victorian government will go down the path of asking training providers to issue versions of product disclosure statements, but there is a high likelihood these will be useless. Toner says there is a whole branch of economics dedicated to the “economics of obfuscation” which shows how many industries specialise in confusing the customer with complicated offers. “For example, many mobile phone contracts and banking products are deliberately constructed to obscure what is being bought, and to make comparisons between providers nearly impossible.”

The **fourth reason** why a student entitlement doesn’t fit well with VET is because it assumes that some students and rogue providers will not collude to pervert quality requirements.

UWS’s Toner provides examples of this collusion in VET. He has studied government corruption inquiries into training providers in licensed fields of work, such as the licensing of building inspectors, and found there are a “confluence of interests between the student and the VET provider to diminish quality”. This trend is likely to continue because of “the huge rise over the last 20 years or so in what is called occupational licensing”. In such “short-run VET courses” there are no strong incentives for either party to be “overly concerned” about the quality of the program.

Toner has also found that in cases where the training is free and compulsory, the students are there “by compulsion; it’s mandated activity” and some students “couldn’t give a rat’s [tail] about quality. They will be choosing the line of least resistance; something that’s easy and attractive. They’re not making decisions based on their long-term labour market outcomes, or based on what’s the highest return for their time.”

Toner warns that in other industries he has examined, the policy makers unwittingly created the grounds for corruption. “The original design of the system set up incentives that didn’t promote quality, and actually set up incentives that facilitated, if not encouraged, malfeasance.”

The **fifth reason** why student entitlement doesn’t fit well with VET is because the Victorian policy makers keep changing the rules, causing confusion.

Brian MacDonald, CEO of Northern Melbourne Institute of TAFE for the last 23 years, gives the example of how his organisation provides students with a 38-page booklet, explaining the complex rules and the different categories of eligibility.

“Contrary to one of the explicit objectives of VET reform in Victoria, the current VET structure is extremely difficult and frustrating for students, employers and practitioners alike to navigate. One problem is that there are so many different fee structures for different classes of program, and then you have all of the eligibility criteria on top of that. The Institute’s student booklet of fees charged is 38 pages, with around eight appendices.”

Ultimately, UWS’s Toner believes that student entitlement in VET is based on the myth that all VET students are “all-knowing consumers with perfect information processing capabilities”. One solution is to construct a new pillar for VET reform, called consumer protection.

8. TAFEs power regional economies

John Mitchell's 'Inside VET' column for *Campus Review*, 20 March 2012

Government funded institutes play an important role in retraining workers and can't be left to wither on the vine, says an experienced chairman

Skills Victoria's implementation of market-based VET funding has raised some fundamental issues for the sector. The implementation has prompted stakeholders to express concern about whether the era of industry leadership of VET is now over, replaced by student entitlement, and whether the federal and state government regulators can collaborate to effectively ensure the existing quality assured, competency based system is not undermined by a 'free' market based on contestability.

The Victorian experimentation has also raised questions about whether governments want public providers to survive, be sold off or left to wither on the vine. In particular, the experimentation has raised the question of whether governments are willing to continue subsidising regional TAFE Institutes, because regional institutes will always be more expensive to operate than metropolitan ones surrounded by dense markets.

In an interview for *Campus Review*, solicitor Tony Brandt, chairperson of the Wodonga Institute of TAFE for the last fifteen years, while wishing to assist the government to find solutions, tabled some challenging questions for his government about its long-term commitment to regional TAFE institutes.

"The real issue I see is that we're owned by the Victorian government, whether they like it or not, but why cut us off at the knees? Because if we fold or one of us [regional TAFEs] folds, they've got to pick up the bill. If anybody should be failing it should be the fly-by-nighters [dodgy private providers] who offer these deals [for students] to get a course, and they produce a course with a bit of paper at the end of it and don't provide the training. What's the point in that?"

Brandt is frustrated that "Victoria as a state produces really good results for probably the cheapest per student cost of anywhere in Australia and I believe it's the best system", and yet the government keeps reducing the base funding for TAFEs. "I can't see how any government can expect you [TAFE] to perform, and they keep on talking about productivity, and then they keep on cutting the money. How can we produce better for less and less?"

He is concerned that government expenditure per hour of training has declined by about 25% since the late 1990s and believes that sooner or later something will give. "What will give will be the quality, and that's the last thing we want to see eroded because that's the benefit [we offer regional communities] and I see that as our competitive advantage [as a TAFE Institute]."

Brandt and his Board accepted some years ago that they needed to prepare for the reduction of government funding and the unpredictable impacts of contestable funding. "Four years ago we saw this coming. We took the view that there's going to be some pain in contestable funding and all that [other new policies] and we needed to be organised. We actually performed better than we thought last year and it's only because of the groundwork that was done three and four years ago. How that stands up in the future is another question."

While Brandt supported the efficiencies recently made within Wodonga TAFE, he believed there will always be programs the local community wants the Institute to run which are not profitable.

"We are removing courses that aren't profitable, but there are some courses you have to do for the benefit of the community. If we were a private provider you'd say 'Oh, get rid of that because we can't make a dollar out of it'. But there are some things that we have to do because of our 'embeddedness' in the regional community, and there's a pain factor in that. That's part of what we do. You can't make a quid everywhere; there are some things you have to do to fit the community."

Brandt explained further what he meant by the embeddedness of regional TAFE Institutes in their local communities. "It's a funny word, but if you're in with the community, if you walk down the street or go to the supermarket everybody knows who you are, whether it's me or the executive officer or any of the managers, and we get asked questions all the time. City-based managers don't get that; they're almost invisible."

“Regional communities rely in many ways on the benefits they get from their institute. It’s a bit different to having three institutes within a couple of miles or a couple of kilometres of each other in the city, because a student can easily go from one to the other.”

The embeddedness of TAFE also delivers an economic benefit for the local economy, added Brandt. “From a regional point of view, the economic contribution of the Institute to the region is huge. We’re probably the second-largest or third-largest employer in Wodonga and that has a massive impact, including our buying of services.”

The embeddedness of regional TAFE institutes results in the upskilling of people in surrounding towns and their gaining of jobs, which Brandt pointed out is a stated objective of government, despite their conflicting policies fostering “fly-by-nighters”.

“When you’ve only got one TAFE in your region it can’t be all things to all people, but it can provide real opportunities for retraining people and keeping them in the area rather than having them go out of the region. Many regional towns, especially smaller ones, are losing people because they can’t get employment because they don’t have the skills. Our role as a regional institute is to upskill people, which is exactly what the government says it’s trying to do.”

Brandt believed the government has made policy changes to VET that are based on flawed assumptions about the nature of vocational education. “I don’t think they’ve thought it through. To think that TAFE institutes are like water boards is ridiculous, and I’ve said that to them before.

“A TAFE Institute is not like a water board, we do completely different things; we’re not dealing with water, we’re dealing with people and their lives and their futures, that’s what I see TAFE doing. And that’s really more important. Water is important but people are really important; that’s what this country’s run on. That’s my passion.”

He is aware that government services such as TAFE services are more expensive to provide in regional areas with their thin markets, but he calls that expense a pain that governments need to wear. He is also concerned that the bureaucrats advising ministers are focusing only on economic policy levers and are forgetting about the people in small communities.

“The economic [bureaucratic] drivers are changing what we’re doing, without thinking about the people that are there [in the regions]. But there is not just the economic reality: in education we’ve got to be prepared to wear some pain to make sure people are educated, and have the right skills they need in the workforce.”

9. Quality teaching not markets 'should be' VET focus

John Mitchell's 'Inside VET' column for *Campus Review*, 17 April 2012

Governments are sending unclear and contradictory messages to VET teachers, a leading researcher tells John Mitchell

COAG decisions on VET funding arrangements are of secondary importance compared with the future quality of teaching across the sector. Funding arrangements are simply a means to the end, effective learning, and the main way to achieve such learning is through good teaching. If Australia is to prosper, VET teachers need to be positioned on centre stage, and their role respected, protected and fostered.

Broadly, that is the position of one of the leading researchers in the national VET sector, Monash University's Professor Terri Seddon, as expressed in an interview with *Campus Review*. She accepts that "governments have to ask these questions about entitlement and contestability; that's their job. But the danger is that those questions are about means, not ends. I think that some of the discussion around market reform and student entitlements is all about how you do it, rather than what you do." And "what you do" is Seddon's specialist field: that is, understanding the essence and improving the practice of teaching.

In undertaking three Australian Research Council (ARC) and other funded research projects, Seddon has observed the political philosophy of market design unfolding in Australia and noted that the questions asked by governments have not fully addressed "the ends" of VET activity. Those ends are beyond meeting the learning needs of the individual and include the provision of benefits for multiple groups. Seddon holds the view that the VET sector has "a public responsibility" to meet not only the policies of governments, but also the learning needs of different groups within society.

VET needs to meet "the big [policy] goals which are a national government responsibility, and then the expectations and needs of sub-groups," she explained. The sub-groups "would include employers, it would include workers that have to make a living, it includes communities who need to be sustainable, and it includes all of us as members of a society who actually use the outcomes of the learning that come through VET teaching."

A long-standing educator of VET practitioners and researcher of VET practice, in the last few years Seddon witnessed government policies dominating public debate about VET, leading to a decline in the appreciation of the critical role of VET teachers. "It seems to me that, at the moment, the overall role of the VET teacher is being driven by government policies and co-ordination frameworks, which are becoming increasingly controlling."

Greater intrusion by government means that VET teachers have less capacity to meet "those broader moral obligations to communities: communities at the national level, the big public that we serve, and also communities at the smaller lever that are located in regions, or in particular industries, or in particular networks of different kinds."

Governments are sending unclear and contradictory messages to VET teachers, said Seddon. "The demands of the governing agency are often more complex nowadays, because they're unclear. There's always an emphasis on achieving goals and outputs, but is the output innovation, or is the output a capacity to comply, because these are very different outputs?"

"What's complicated these days is that those processes that govern education are really very contradictory, particularly in the VET sector, but across all sectors. On the one hand there's a great deal of rhetoric about learning societies and the importance of innovation and how all of this is critical to national competitiveness and sustainable societies, but on the other hand teachers' work is more and more controlled and constrained by accountabilities that are not to do with the core work but are about the co-ordination processes.

"So you get this call for innovation on the one hand, with a demand that the educators who are supposed to enable that innovation 'work to rule', and it's entirely contradictory."

Governments are unclear about how teachers can comply with government accountabilities as well as stimulate innovation, and meanwhile the educational work of teachers is becoming more demanding, partly because "learners are more and more diverse" and the workplaces of VET practitioners – from classrooms to mining sites – are becoming more challenging, said Seddon.

If VET teachers are to meet these additional demands, they need to develop higher order capabilities including, "as an absolute minimum, a capacity for interpersonal work, for communication and a sensitivity to culture, for language and the way words are used, and to emotional conditions, emotional affective behaviours. That's almost the bottom line."

Seddon stressed the pivotal relationship between the teacher and the individual student, but finds that “more and more, that kind of core relational work is restricted by the demands of the teacher’s workplace and the demands of whoever is governing education”.

In contrast with the “moral obligations” of teachers to meet the needs of learners and communities, Seddon viewed as unethical the approach of those rogue training providers attracted by the easier availability of government funds who shorten the length of VET courses and offer training of dubious value.

“The relationship building [between a teacher and student] takes time and it also takes a particular kind of orientation. I would call that an educational orientation; it’s an orientation that’s actually committed to enabling particular learners to learn.

“When I hear the stories about shonky providers who are cutting course lengths, or being paid for training but actually offering virtually nothing in return, it seems to me that what we have is a profit-making orientation. If people are in the business of making money, I think it’s entirely unethical to make that money at the expense of learners who come into that business as customers wanting to learn.”

Seddon insisted that “educators have a duty of care to their learners, and the fact that you’re a training provider doesn’t mean that you can simply slough off that duty of care to those individuals.

“For me that [duty of care] goes beyond simply customer service where you’re trying to keep people happy; it goes to the nub of the work that you’re trying to do, which is to enable their capacities to act in the world. And that’s a bigger call than just having happy customers.”

Seddon posed a challenge for governments. If they want VET practitioners to “do the job that governments appear to be asking them do, which is about building skills and capacities for innovation while working in more and more complex workplaces and environments,” then can governments provide VET teaching practitioners with more support? That includes giving VET teachers the time and space to reflect on their practice and develop additional capabilities.

Seddon fully understood that this focus on teachers’ abilities runs counter to governments’ focus on market design. “There is a tension between contestability and the business end of VET, and the educational work that needs to go on.” Her challenge remains on the table: can governments reposition educational work as the number one issue in VET?

10. Why shark nets are needed in every state

John Mitchell's 'Inside VET' column for *Campus Review*, 1 May 2012

There are dangers in giving public funds to providers who lack experienced teachers

COAG has signed the agreement to open up the nation-wide market for VET funding. When Victoria started down this path around three years ago, it led to the registration of large numbers of newly established training providers.

Sadly, recent events show that, in the grab for funds in a new market system, some unscrupulous new providers – with their eyes trained on the profits, not on the skill development sought by the student, industry and government – will be tempted to employ inexperienced teachers with minimal qualifications.

VET teaching is a sophisticated professional activity, so safeguards are needed to guard against such profiteers gaining access to VET funding. Admirably, the South Australian government has drafted some demanding requirements for providers wanting to access VET funding. For instance, providers will need to ensure that at least one “accountable” staff member has “sufficient experience and background” in teaching and learning strategies and assessment practices. But are the other states alert to the dangers of funding new providers with no experienced teachers?

The importance of teaching experience was highlighted recently by Monash University's Professor Terri Seddon in *Campus Review* (16 April 2012). She said that the work of teachers is becoming more demanding, partly because “learners are more and more diverse” and the workplaces of VET practitioners – from classrooms to mining sites – are becoming more challenging. To function effectively in these contexts, VET teachers need “higher order capabilities” that are not acquired overnight.

Seddon also said that teachers, to be effective, need sufficient time and a particular orientation to build a relationship with learners. “The relationship building [between a teacher and student] takes time and it also takes a particular kind of orientation. I would call that an educational orientation; it's an orientation that's actually committed to enabling particular learners to learn.

“When I hear the stories about shonky providers who are cutting course lengths or being paid for training but actually offering virtually nothing in return, it seems to me that what we have is a profit-making orientation.”

To put some flesh on Seddon's concepts of educational and profit-making orientations, let's take a look at two very different VET teachers. Bob Shark will represent the profit-making orientation and Jodee Pereira the educational. Bob doesn't exist: he is a parody; an extreme example of the dodgy behaviour described in the media in the last six months.

Jodee Pereira does exist, and she is a tangible example of an advanced VET practitioner, based on measures such as her qualifications, experience, industry engagement and commitment to continuous improvement. She agreed to be profiled in this article, and is an exemplar of a VET teacher modelling Seddon's concept of an educational orientation.

Prior to hearing about the VET market reforms in Victoria, Bob had no background in education, but in 2008 he decided to fast-track his teaching career and gained, quickly and cheaply by distance education, a Certificate IV in Training and Assessment. He also set up his own registered training organisation in 2010, with a view to being the owner, manager and sole teacher. Lean and mean, his profits will be maximised.

For ten years Jodee Pereira worked in HR at Curtin University before changing careers and becoming a licensed practitioner and teacher in the field of beauty therapy. She taught with private VET providers in Perth for a few years before joining Challenger Institute of Technology in 2001, where she remains. Over a decade later, she is an advanced skill lecturer in the school of health and lifestyle.

Her VET practice is underpinned by one Certificate III and four Certificate IV qualifications and an associate degree, she is continuously engaged in professional development activities, and she says she benefits hugely from advice from her mentor in her school. Her industry credibility is evidenced by her appointment in 2011 as a senior judge at the prestigious World Skills competition.

In the last two years Bob Shark has become a very wealthy man. His business model is simple: he has no need to own, rent or maintain expensive equipment or facilities, as all of the qualifications he offers can be delivered on farms, in football clubs or inside aged care facilities. He just needs a car, laptop, phone and business cards. While he won't pay for professional development, he does splash out on marketing Shark Institute. You can imagine the ads.

Bob loves making money but dislikes teaching and he sees no need to acquire more educational qualifications. And he cleverly avoids any contact with the private provider organisation ACPET, which takes a tough stand on ethics.

In the last three years Jodee Pereira has undertaken 19 structured professional development programs – from auditor training to a program on student mental health – as well as completing a three-year long program on instructional intelligence. In the same period of time, she completed her associate degree in VET practice with Charles Sturt University, in which she focused on improving how she interacts with students in the different contexts in which she teaches. She teaches in the classroom and in a simulated salon owned by the Institute in the commercial district of Fremantle. Additionally, she travels two-three times a year to the Pilbara, to train and assess in workplaces.

As an advanced VET practitioner, Jodee is conversant with the major theories about learning, ranging from behaviourism, cognitivism and constructivism to the more recent models, and finds she needs to understand subtle aspects of different theories and apply them in a nuanced fashion, depending on the unique features of each student. Her overriding goal is to help with the development of what she calls “the whole student” and, on a daily basis, she attempts to create an environment where “students completely immerse themselves in learning so that they can manage themselves in future learning situations”.

In line with contemporary VET practice, Jodee has focused in the last few years on improving her understanding of students’ challenges with language, literacy and numeracy. To extend her own knowledge in this field, she recently wrote a case study about how she analysed and effectively assisted one student who exhibited significant issues with language and literacy, and is dyslexic as well as being diagnosed with Attention Deficit Disorder. Jodee loves teaching and is motivated by helping such students.

Meanwhile Bob is weighing up the threats to his growing fortune. He knows his ‘tick and flick’ approach would be unacceptable to government auditors, but he is gambling on avoiding scrutiny because he knows there are many other operators like him, and all the auditors are over-stretched with work.

Following the COAG decision on market-based funding, VET decision makers around the states have the opportunity to exclude sharks like Bob and ensure VET practitioners like Jodee continue to foster deep skill development. Much is at stake in the way the states frame up their basic requirements about teachers’ experience, for those providers seeking public funds.

Declaration: Challenger Institute of Technology is a client of John Mitchell’s.

See the SA requirements at <http://www.skills.sa.gov.au/for-training-providers/skills-for-all-training-providers/selection-criteria-and-supporting-evidence>

11. ASQA defends its role

John Mitchell's 'Inside VET' column for *Campus Review*, 15 May 2012

The Chief Commissioner of the Australian Skills Quality Authority answers criticism that his organisation is keeping a low profile

These are extraordinary times for VET nationally. The relentless stories about dodgy providers in Victoria over the last few years were topped on 1 May 2012 with the unexpected announcement in the Victorian Government budget that Victorian TAFE's historical funding for 'full service provision' was being withdrawn. With one budget decision the rug was pulled from beneath Victorian TAFE, for so long the most highly regarded TAFE system in Australia.

Clearly, this decision to embrace a 'fully open market' in Victoria was not based not on successful trials and sound evidence. It went against key advice of its own Essential Services Commission and it appears that even the Minister for Higher Education and Skills was overruled in the budgetary process.

This Victorian decision raises questions about the transparency of decision-making regarding VET, nationally. Is it now a farce to continue to call VET 'industry led'? Do the state treasuries now run VET? Do government officials not have to base on hard evidence their decisions about VET?

What will be the next pillar of VET to receive this type of evidence-free decision making? How about political interference with the national regulator, the Australian Skills Quality Authority (ASQA)? Just as the Tertiary Education Quality and Standards Authority (TEQSA) is a respected pillar of the post-Bradley higher education sector, commonsense says that it is important for the national VET system that ASQA, which opened its doors last July, find its feet and function effectively. Is ASQA vulnerable to bureaucratic tampering?

Curiously, over the last nine months TEQSA has developed a high media profile while ASQA has remained low profile. Given ASQA's low profile and the politically charged treatment of Victorian TAFE, it seemed fair to confront the head of ASQA with some blunt questions.

Four lines of questions were put to ASQA's Chief Commissioner Chris Robinson by *Campus Review*. The first line of questions asked whether ASQA was a shrinking violet. Given that TEQSA seems to taking an ideas leadership role in the higher education sector, do you intend to raise the profile of ASQA, or do you intend to keep the profile low key? Will ASQA follow the same path as TEQSA and provide ideas leadership around the big issues such as VET standards and quality?

Robinson responded with facts and figures to debunk the myth that ASQA was a poor imitation of TEQSA. A key fact is that TEQSA has a role to draft standards and engage with the higher education sector about those standards, but in VET the role of setting standards and issuing discussion papers lies not with ASQA but with the national skills standards council (NSSC). "We [ASQA] implement the standards they set; it's not our role to do it," said Robinson. And he expects the NSSC approach to modifying standards will be totally transparent: "They're going to undertake a review of those standards shortly and [I understand] there'll be a discussion paper published and we'll all be able to put in submissions. It will be quite a visible exercise within the sector."

Robinson tabled statistics which dispute the concept of ASQA being inactive. "We started out with 2,100 of the 4,900 RTOs and over the first nine months of our operation we've had over 3,000 applications and we've made over 2,000 regulatory decisions already. Nearly 150 of those decisions were to either refuse application for registration or re-registration, or to refuse an application to extend [the scope of] courses. That's involved a hell of a lot of direct dialogue with the sector.

"100,000 different people used the ASQA website in the first nine months. We've made 23,000 responses to hotline calls and over 10,000 emails have been sent out. We've run workshops all around the country and we're running more because they were sold out. So we've had a very big direct engagement strategy with the sector."

A second line of questions invited Robinson to respond to recent public criticisms of ASQA by Skills Victoria and the Australian Council for Private Education and Training (ACPET). Robinson said that behind the scenes ASQA was working collaboratively with the Victorian Government and its regulator, and that most of the controversies in Victoria had nothing to do with regulators: the controversies involved the providers potentially breaching their contract with the government. "The regulators don't have any role in those [contractual] processes."

In response to criticism from ACPET about ASQA moving too slowly, Robinson acknowledged that “there is an inevitable tension between a regulator and providers. There’s been concerns about the time it’s taken to process some of the applications [for registration], but we received over 600 applications on the first day, from the previous regulators. That caused a large backlog and we’ve been dealing with it. It certainly has led to delays longer than I would have liked.”

A third line of questions for Robinson focused on whether ASQA was already a lame duck. It was put to him that WA and Victoria have so far not embraced ASQA and there are suggestions that Queensland could follow their lead, so where does this leave ASQA? In limbo, waiting? In doubt? At risk? Robinson was not rattled and pointed instead to the substantial number of providers ASQA now regulates, in comparison to TEQSA’s 200 or so higher education providers: “We started our work last July with 2,100 of the 4,900 RTOs and we assumed responsibility for another 400 in March when Tasmania and South Australia came across. And it could be another 1,400 or so in Queensland.” At this stage, he said, “I have no reason to believe” Queensland will not come on board with ASQA.

A fourth line of questions invited Robinson to respond to the view that quality is at risk across the VET sector, because of the profiteering approach of some providers. Robinson said that ASQA is well aware of widespread concerns about quality and currently is auditing, or about to audit, 500 registered training organisations, many of which are in Victoria: “They’re the ones that we’ve got some concerns about. There’s a lot of work going on at the moment to look at those providers. Formally I’ve written to the [Victorian] minister asking for notification of any they have a concern about and we’ve been acting on the ones they’ve told us about, so basically we’re in that space.”

All of Robinson’s responses were transparent and evidence-based, and normally his answers would be reassuring, but confidence in the behaviour of public officials with regard to VET is shaken, following the Victorian budget. Are there some unknown policy makers out there, waiting their chance to pervert ASQA’s public mission? Robinson says no.

“There has been no political or bureaucratic interference in the workings of ASQA. The National VET Regulator Act 2011 makes it clear that regulatory decisions are made by ASQA Commissioners quite independently from Government. The support from the Federal Minister Chris Evans for having more rigorous national regulation of VET could not have been stronger, as is his position in supporting ASQA’s independence from the political system.” Hopefully this position will hold true, indefinitely.

12. National regulator prepares to pounce

John Mitchell's 'Inside VET' column for *Campus Review*, 29 May 2012

While controversies rage in Victoria about shonky providers, ASQA is closing in wherever it can

Just a few years back shonky providers were viewed as a temporary aberration in the VET sector, located within and then hopefully eliminated from the international student market.

However, Skills Victoria's continuing experimentation with opening up the training market has opened the door to shonky providers within the mainstream of VET, evidenced by a series of scandals played out in the Victorian Parliament and reported in the media.

These shonky providers are associated with practices such as offering students iPads or shopping vouchers to sign up for government-funded training programs, and delivering in, say, 40 hours, programs that normally take six months. Given the media exposure of these practices, the whole of VET is now tainted by association.

Over the last year, federal and state education ministers and other leaders, distressed by these Victorian developments, have voiced their concerns in this column. Adding to concerns are the latest decisions by Skills Victoria to reduce the TAFE budget in order to prop up a market design which encouraged dodgy providers, and offering payment of \$1.50 per student hour for some popular programs, a price that will only appeal to providers willing to cut corners.

Meanwhile Victoria has declined the offer to have the new national regulator, the Australian Skills Quality Authority (ASQA), regulate VET providers that only operate in Victoria, preferring that their own Victorian Registration and Qualifications Authority (VRQA) continue as regulator. Embarrassingly, VRQA was criticised in late 2010 by the Victorian auditor-general.

In his first major media interview as ASQA's Chief Commissioner (*Campus Review* 14 May 2012), Chris Robinson explained that regulators like ASQA or VRQA "don't have a role" if a shonky provider has broken a contract with the government. Regulators only have a role if it involves the "non-compliance of the RTO" in relation to the national standards.

ASQA cannot move in and stamp out shonky Victorian providers currently regulated by VRQA, unless invited to do so, but in response to further interview questions from *Campus Review*, Robinson set out his intention to implement a new era of national VET regulation that will apply to those providers that do fall within the jurisdiction of ASQA.

Robinson's pointed messages will be welcomed by those concerned about disreputable providers proliferating beyond Victoria. His **first message** is that ASQA has unprecedented legal powers for a VET regulator which will be used, including criminal provisions.

"There've been a number of things that haven't been sufficiently strong with previous state and territory legislation regulating VET, and the new federal act for ASQA does give us greater powers to deal with some of those things," he said. "There are criminal provisions as well as civil penalties that didn't exist in previous legislation, and we've got very clear powers to direct RTOs and require information from them." To date, ASQA has made 2,000 regulatory decisions, including refusals to grant registration, re-registration or extensions of scope on 150 occasions.

"We are starting to cut our swath across larger numbers of RTOs and we will be able to do things that will take away the ability of an RTO to keep operating if they're not up to speed."

Robinson's **second message** is that ASQA has identified a particular cohort of RTOs that have previously been ordered by local regulators to get their houses in order, but haven't. From now on, they will have 20 days to fix the problems or they will lose their license.

"What we've found as we've started to audit some of these [providers] is that there might have been several times in the last few years where they've been found not-compliant, [and] they've done a plan each time to rectify the non-compliance, but never actually implemented the plan. What we've started to do is say 'Well, that's interesting, and now we're refusing your licence'. We've got more powers to really deal with that. We are giving people 20 days to rectify [the issues], not some unspecified time which turns into never."

His **third message** is that he knows this 20 days limit will be unpopular, but ASQA will not back off. "The reason why some training providers might be a bit nervous, [is] because we're starting to put more rigour around our processes and decisions, giving people very short amounts of time to sort out something or we will refuse the application. We're taking a far stronger stance now."

His **fourth message** is that private providers are not ASQA's sole focus: some TAFE institutes may well find the blow torch turned on them. "I think there's also not necessarily been enough scrutiny on the TAFE sector in the past. In some jurisdictions I think they have been treated differently than the private sector." The prospect of shutting down a TAFE institute in 20 days will be very big news.

His **fifth message** is that ASQA, following the lead of the Australian Tax Office, will soon commence "strategic industry audits", to target industries that have drawn complaints about the quality of training providers. ASQA will "roll out a series of strategic audits across the board something like the tax office where I think they examine 7% of tax returns every year. We'll start to do some sampling in different areas and identify those areas that people have been saying 'Oh, for years there's been a problem in this industry or that industry.'"

Robinson gave as an example of a possible target the aged care industry. "We might go out and do some audits of a percentage of all the providers in that industry and then look at the extent to which the things that have been said in the Productivity Commission report, for example, are widespread, and then take regulatory action targeted at addressing those issues."

His **sixth message** is that ASQA expects to take five years to bring about an overall improvement to VET, as the size of ASQA'S task is so large, but it will achieve its goal of fundamentally lifting quality across the sector and largely ridding it of dodgy players.

"You can't expect an immediate and short-term overall improvement in the sector, but I think when we've gone a full cycle of five years, which means everyone will have had their registration renewed or not by ASQA over a five-year period, that at the end of that period there will be fewer concerns about this sort of thing then than there are now."

His **final message** is that ASQA has quietly prepared itself since its launch last July and is now ready to escalate its deliberate targeting of questionable providers. "We haven't made a lot of broad pronouncements at this point because we've only been partially established, but you'll hear a lot more from us as we start to rollout nationally more in the next year or so." Quick translation for shonky providers regulated by ASQA: your days are numbered.

ASQA's determination to protect VET quality will be some relief for VET people distressed by the damage to the credibility of the whole sector from the ongoing controversies in Victoria. Unfortunately, ASQA's future successes are unlikely to gain media coverage, except in reports from the criminal courts.

See http://www.audit.vic.gov.au/reports__publications/reports_by_year/2010-11/20100710_vrqa.aspx

13. Bar set too low on teacher skills

John Mitchell's 'Inside VET' column for *Campus Review*, 12 June 2012

The Productivity Commission report into vocational education and training has flaws in some very important areas

The current damage being inflicted on the VET system in Victoria is no surprise to those who have observed related attacks in recent years on the VET brand. It has become a favourite punching bag for groups who are strong on market design ideology and weak on evidence.

For instance, unexpected damage to the sector's reputation was caused by the Productivity Commission's patchy report on VET in April 2011, as previously discussed in *Campus Review*. While the report contained some useful ideas, its weaknesses included largely overlooking a massive proportion of the VET workforce: its leaders, managers, administration and support staff. A second weakness was its assumptions about a market-based system for VET, as critiqued in an extensive submission to the commission by UWS Associate Professor Phillip Toner. And a third weakness was its use of maverick data about TAFE teachers' existing qualifications, as exposed by TAFE Directors Australia.

Perhaps the most damaging aspect of the commission's VET report was its endorsement as an adequate qualification for VET teachers the minimalist Certificate IV in Training and Education, subject to a range of caveats, such as the intriguing recommendation that those people seeking to demonstrate competence at the Certificate IV level be required to prepare and deliver "a total of at least four" supervised training sessions of "at least 60 minutes duration". How did they arrive at four sessions totalling four hours? What evidence or expertise did they draw upon?

In its report, the commission rejected the commonsense advice of Innovation Business Skills Australia (IBSA), the industry skills council that advises the sector on VET teaching qualifications, that a person teaching others the certificate IV in training and assessment needed to have a qualification at least one step higher, at diploma level. No need, said the commission.

Not only did the commission ignore the advice of IBSA on this fundamental matter, but also it put aside the advice of the Australian Council of Deans of Education (ACDE), whose detailed submission to the commission recommended, among other points, that at least 25% of the teaching staff of a training provider should hold a university qualification in VET teaching. To support its arguments, the ACDE submission cited evidence about the value of a university qualification for teaching practitioners, evidence about the characteristics of degree-qualified people and evidence about the limitations of a certificate IV qualification.

The Council of Deans has not walked away from these issues. Following their submission to the Productivity Commission, they established a vocational education group (ACDEVEG), with the initial objective of promoting the importance of university qualifications as contributing to the 'professionalisation' of VET teachers and increasing the proportion of the VET workforce who hold such qualifications. One of the other objectives of the group is to promote research into VET teaching to help ensure that VET policy about teachers is informed by contemporary and international research evidence.

The inaugural chair of the group is Professor Erica Smith from the University of Ballarat, who has specialist knowledge and deep respect for the challenges of teaching in VET. While careful not to infer that teaching in VET is more difficult than teaching in other sectors, in an interview with *Campus Review* Smith emphasised that many VET teachers are "dealing with people who have had learning difficulties all the way through school and because of that, they're reluctant or nervous learners. That aspect becomes quite prominent for many VET teachers."

Another challenge is to teach in multiple environments. "In the old days students were brought into a classroom or a workshop for people to teach. That's almost the exception now, where you very often have to go out and teach them in the range of different environments."

And the biggest challenge is the curriculum. "Competency based training, whether you think it's a good thing or a bad thing, is actually a really hard way to teach because so much of it has to be teacher driven, in that you're given the competencies and then you have to figure out how to teach it and how to assess it. So it's actually really complex.

"Without wishing to say VET teaching is harder than school teaching or university teaching, it's without a doubt a challenging environment and seems to be getting more complex by the minute."

At her own university Smith teaches many students who come armed with a Certificate IV in Training and Assessment and finds, despite the Productivity Commission recommendation that they have four training sessions as a teacher, the students are not confident at teaching. "A certificate IV is not very valuable and therefore if they don't go further with their studies, then they've pretty much got a base of hardly anything, in terms of their pedagogical skills."

Drawing on her own and others' research, Smith knows that VET teaching "is quite a complex and sophisticated thing to do. And it's not a certificate IV activity; it's a higher level activity."

Smith pointed to the definitions of a graduate, as described in the Australian Qualifications Framework, at level 4 for a certificate and at level 7 for a degree. Level 7 requires the graduate to perform "a range of activities and [resolve] unpredictable and complex problems". A degree, said Smith, provided a VET teacher with "a broader knowledge base, a broader understanding of how to apply knowledge, and deeper generic skills as well".

Overall, Smith believed that the Productivity Commission lacked an understanding of "the subtleties of teaching" and was more focused on lowering entry requirements so that enough people could be recruited into VET teaching.

"They think that if you raise the bar in requirements for an occupation, in this case VET teaching, then you won't get enough people coming into it. To an economist that makes sense, but to nobody else does it make sense when you're dealing with a complex and important occupation. You would never say that about doctors, for example. The underpinning assumption is that it doesn't really matter if people aren't taught very well in VET."

Despite contending with the alternative view of the high profile Productivity Commission, the ACDEVEG perseveres, mapping a body of knowledge in higher education VET teacher training programs and promoting a better understanding of the nature of higher-education VET teacher-training courses. The group is also actively seeking to influence constructive debates and developments around the sector, about VET teaching.

"We always try in our group to be positive. One thing that we have been heartened about is that everything we're hearing nationally is supporting the fact that the VET workforce needs to be more highly qualified," Smith said.

See the ACDE submission to the Productivity Commission at <http://www.acde.edu.au/pages/images/ACDE%20PC%20Submission%20Final.pdf>

14. Dawkins sends a wake-up call

John Mitchell's 'Inside VET' column for *Campus Review*, 26 June 2012

The tough reformer promises to tackle the big issues in a review of vocational education and training standards

A former federal education minister, John Dawkins, intends to sharpen the teeth of the Australian Skills Quality Authority and says a review of VET standards by the National Skills Standards Council (NSSC) will not shirk controversial issues.

Dawkins was famous for gang-tackling and restructuring the university sector in the late 1980s. In an interview with *Campus Review* he had no doubt about the primary role of his review as NSSC chairman.

"Remember that this review is not undertaken by the regulator, this is trying to provide standards, and hopefully improve standards with greater clarity, so that the regulators can do their job of ensuring compliance with the standards," said Dawkins.

Some questions were raised about the NSSC after the muted tone of its consultation paper on the VET sector released in early June.

The consultation paper blandly set out a range of issues the council was asked to investigate by government ministers. Despite the tone of the paper, some of the issues for investigation are potentially explosive, such as developing new national standards for regulation in a sector where two states are currently thumbing their noses at the new national regulator.

Another potentially explosive issue for investigation is whether students and employers can be assured that the quality of a VET qualification is consistent across Australia, in a sector where the same person can be trainer, assessor, granter of the qualification and banker of the government funds.

On a first reading, the consultation paper appears oblivious to some present-day conflicts captivating the VET sector. Please don't mention the war.

For instance, there is no mention in the paper that Commonwealth and Victorian Ministers Chris Evans and Peter Hall, have duelled in the public arena since late 2011 about the way Victorian government funding policies have attracted shonky providers offering, for instance, courses in a fraction of the normal time. This is not just a failure of contract management: dodgy providers have not been adequately regulated.

There is no mention in the consultation paper that two states, Victoria and Western Australia, have refused to accept the new national regulator, the Australian Skills Quality Authority (ASQA), as the regulator of training providers who operate solely within those states. In those two states, local training providers are still audited under the Australian Quality Training Framework, not the new VET Quality Framework. Put simply, two sets of standards are in use and the national VET system is fractured.

But the big message from Dawkins' recent interview with *Campus Review* is don't be fooled by the coyness of the consultation paper. His review will not avoid controversial issues.

"The job's to be done, and as a result of the process we intend to go through, we hope we can deal with any and all issues that come up. What's the alternative, to throw a bag over it and hope that it goes away? Well that's not going to happen, so the better approach, and the approach the ministers have decided on, is to undertake this review.

"I'm doing it because I happen to chair the NSSC and the NSSC has been asked to do it, but I might say that from a personal point of view my involvement with this whole area goes back to 1987. And it was whilst I was federal minister that we introduced competency based training: that was no cakewalk and nobody wanted to move away from old time-served basis for VET training, and it was a struggle to get competency based training accepted."

Dawkins noted that his earlier reforms for the VET sector brought both short-term pain and long-term gain. "It was during that period that the Commonwealth increased significantly funding for skills training, and that has continued to grow. It's not to say that the VET sector has been universally content: the sector has had to confront reforms of various kinds and those reforms were considered necessary because there was a task to create the skilled workforce that the new Australian economy required."

Education and training reforms, he added proudly, "have been quite central, in my opinion, to the success and perhaps the continuing success of the Australian economy".

Fast forward 20 years and Dawkins has lost none of his desire to make a difference on difficult issues. In answer to the question of what can his review do to establish more consistency of VET qualifications, Dawkins acknowledged this is an issue for the regulator, but then expressed a view that will surprise those who have pretended for years that, say, a certificate in one location is exactly the same as a certificate granted in another.

“It doesn’t matter if there’s some variation in [the] training [delivered], as long as the competency outcomes are consistently achieved,” when a VET qualification is awarded in different parts of Australia, said Dawkins.

“This is not to say that providers should all be regulated the same. There’s got to be the opportunity for diversity and there’s got to be opportunities for institutions, whether they’re universities or VET providers, to respond to local circumstances [by tailoring their delivery and assessment approaches].”

“You wouldn’t, I’m quite sure, say that a bachelor’s degree from one university was identical to say [a degree from] another university. But that’s really not the point, the point is those bachelor degrees carry with them the credibility of the institution that grants them. The university that grants them has the responsibility of ensuring that the standards are maintained. Whereas 25 years ago there were very few bachelor degrees that one could take, now there are significantly more as universities have responded to a changing workforce and a changing appetite amongst students.”

Warming to the controversies the review can address, Dawkins turned his mind to the exposure of shonky providers and ensuring that regulators have the teeth to bite them.

“When it comes to the question of one qualification being achieved over a weekend as opposed to say six months or a year, they are important questions and they are questions which this review will be focusing on very clearly. And that brings up the whole question of the ability of the regulators to maintain standards.

“Regulators have tended to regulate the institutions rather than regulate the product or the qualifications that they offer. I think that is an issue which this review will be looking at, because we do want to ensure that a qualification with the same name has the same general currency.”

Dawkins said that the currency of qualifications “is important not only for the people who work hard to get the qualification, it’s important for the governments which spend a lot of money on providing the opportunity to get the qualification, and it’s important for the employers who think, as a result of employing a person with that qualification, that that person has the skills and knowledge needed for the workplace.”

15. VET reform risks the loss of economic benefits

John Mitchell's 'Inside VET' column for *Campus Review*, 10 July 2012

Who loses out if governments only fund apprenticeships and diplomas?

Should VET drop all other programs except apprenticeships and feeder programs for higher education? A focus on apprenticeships was promoted recently by politicians in both Victoria and Queensland, when they suggested that VET providers had lost their way and should focus on programs that are directly linked to skills needed right now in the workforce, such as trade skills for the mining industry in Queensland.

An increase in feeder programs for higher education is being driven by universities thirsty for new students, following the uncapping of enrolment numbers for universities. As an example of VET programs feeding universities, an innovative marketing slogan directed at potential TAFE students at one dual sector university in Victoria reads "Diploma into Degree Guarantee".

Which VET providers would hit the wall first, if the VET sector simply offered apprenticeships and pathways to degrees? While a significant number of the 5,000 registered training providers would probably shut down if the sector went in this direction, a leader in the field of adult and community education (ACE) believed that his field will suffer more than others; and the big losers will not only be ACE colleges and their students but also the Australian economy and society.

Unusually, he has concrete evidence to back up his claim about the economic and social benefits of programs offered by his not-for-profit ACE college. To support his claim he has published both qualitative evidence, including documented case studies, and quantitative evidence, including dollar figures derived from a formal cost benefit analysis.

Economics graduate Ron Maxwell is CEO of Western College at Dubbo, 400 km from Sydney. He is passionate about the role of ACE, and champions its cause on the NSW Executive Committee of the Australian Council for Private Education and Training (ACPET). Western College sets high standards: it is the current holder of the national training award for 'community pathways to VET' and one of its senior staff members, Kate Davis, was included in the NSW government's 'Hidden Treasures' honour roll for 2011, for her dedication to disadvantaged youth through her ground-breaking program, Links to Learning.

In pursuit of documented evidence of the economic and social benefits of the College programs, in late 2011 Maxwell commissioned me to prepare a short publication on the work of Kate Davis and her colleagues, and eleven of the programs offered by the college that have a strong element of social inclusion. These programs cater, for instance, for students who didn't fit into normal secondary schooling, and for young Aboriginal youths recently released from gaol.

Maxwell is concerned about recent statements by political leaders advocating a narrowing of the focus onto apprenticeships and pathway programs to higher education, as neither area is a focus of his college. He also is concerned that funding seems to be drifting away from small providers like his college and towards large organisations.

In an interview with *Campus Review*, he pointed out that the Skills Australia report, 'Skills for Prosperity: a roadmap for vocational education and training', recommended the need to adequately resource the ACE sector. Yet this recommendation, he said, "seems to have been forgotten in the climate of 'VET reform' which seems to be aimed at imposing a 'template' approach towards securing government funding for vocational training, based on a large institute approach". He believed that new or proposed funding requirements disadvantaged small providers like his college.

He also believed that smaller providers like his are being tainted by association with a minority of small, dodgy providers exposed in Victoria in recent months. Small now means potentially corrupt. "The climate of VET reform seems to be born out of a belief that all small RTOs are greedy rent seekers and rip off the participant and the governments that fund them. This is not the case."

To prove that his college delivers value for money and clearly delivered a strong return on any government investment in his operation, he commissioned a cost benefit analysis of social inclusion programs at his College by the independent group of economists at Western Research Institute, an organisation with strong links to and based within the grounds of Charles Sturt University in Orange.

Maxwell said that the resultant Western Research Institute study “shows a very good ROI [return on investment] for governments when they fund programs at the college. The findings are important, considering Governments seem to be redirecting funds into higher level qualifications, and cutting back in many other areas.

“The study outlines our work with disadvantaged people, following on from your case study publication for us last year, and shows a clear economic benefit, for instance through reduced incarceration costs, additional taxes received by government when the young people are placed in employment, and the reduction of crime investigation costs.

“These benefits are invisible to the powers that be. There is often an interest in photos of graduates in hard hats and fluorescent vests. However it is the work done at our local college level that prepares the young people for those hard hats and provides the government with a return of \$8.92 in benefits for every \$1 spent at the college. Despite this positive economic return, and despite the Skills Australia recommendations, policy bodies overlook the ACE sector and continue to reduce funds to this field.”

The cost benefit analysis undertaken by Western Research Institute scrutinised government funding for Western College for the 2011 calendar year, including \$75,938 from the NSW Department of Education and Communities for the Links to Learning Program, \$51,600 from the NSW Adult and Community Education Unit for the Language, Literacy and Numeracy Program, and \$57,300 from NSW Adult and Community Education Unit for the Partnering Education Program.

In return for this government investment of \$184,838, the quantifiable benefits identified by Western Research Institute included a reduction in unemployment benefits, increased taxation revenue and a reduction in costs associated with the Juvenile Justice system. For example, the projected reduction in unemployment benefits over five years was \$567,160.

The study’s major finding was that, when analysed over a five year period, using a discount rate of 7 per cent, “the programs generate a net present value of \$1,368,507 and a benefit cost ratio of 8.92. As the net present value of the programs exceeds zero, the programs can be considered an efficient use of funds”.

The programs also have “other benefits which are less easy to quantify but are nonetheless real. These include lowering the costs to the community associated with crime, and the education of future health and social workers”.

Health and social workers may not wear hard hats and fluorescent vests, “but they are in short supply in Western NSW”, said Maxwell. And he has figures to prove it.

See both reports at <http://westerncollege.com.au/NewsandPublications/publications.html>

Declaration: Western College is a client of John Mitchell & Associates.

16. Industry and TAFE harmed by VET reforms

John Mitchell's 'Inside VET' column for *Campus Review*, 24 July 2012

Ai Group's Innes Willox says taxpayer-funded VET courses cater more for student whims than industry needs

Many groups have voiced their concerns about the VET controversies continuing to unfold in Victoria, including educators, students and local communities, but the one voice that has been largely muted to date is that of national industry leaders. That has changed now, with a peak industry body, the high profile Australian Industry Group (Ai Group), highlighting fundamental flaws in the Victorian reforms and asserting the value of the public provider, TAFE.

In an interview with *Campus Review*, Ai Group chief executive Innes Willox said that the Victorian skills reform model is unbalanced, focusing too much on the individual's demand for training, and not enough on industry's skills shortages. "There needs to be a balance, a structural balance, between the individual demand-driven model and a model that more broadly recognises the needs of industry and the broader economy as a whole."

Willox added that the Victorian skills reform model has led to "a proliferation of courses that have sprung up to meet the demands of individuals rather than demands of industry". In many cases this has resulted in "people doing things that are seen as easy, or as sexy in some way, rather than being core to the economic needs of the country".

In addition, "there hasn't been proper guidance for people about what career pathways they could take, so people have been able to take the VET system down pathways that don't recognise our broader economic needs. Basically people are burning their entitlement to training for a course that doesn't give them a career path, and doesn't give that person proper purpose or direction. [There have been] a lot of wasted training opportunities, as a result of this model."

Willox is also disturbed by the growth in the number of opportunistic training providers. "What we're seeing is the huge growth, almost overnight, in the number of private providers in the market, expanding their businesses and their enrolments, using public funds, and attracting enrolments without any regard to the broader economic needs of the country."

He believed that the Victorian approach has gone beyond the original intentions of COAG, which are around "a national training entitlement, improved quality, expansion of access to income contingent loans, greater transparency of the sector as a whole, and a focus on bigger and better support for disadvantaged people". Instead, the Victorian approach amounted to "the marketisation of the notion of entitlement, and we think that [Victorian] concept of entitlement needs to be either more clearly defined or redefined, so it's not open-ended, not untargeted, which is what it is now."

A more appropriate definition of student entitlement would involve student choice within an industry framework. "The entitlement provisions COAG should be looking at should operate within the broad industry framework, so that there is public return on taxpayers' money being spent [on training]". He believed that COAG could promote a "three-pronged" VET entitlement system that "meets the needs of industry, the needs of the broader economy and the needs of the individuals who are participating".

Willox is concerned by the latest response embedded in the Victorian budget to the widespread rorting of the student entitlement system by unscrupulous providers. "That unfettered individual demand approach led to structural rorts within the system, and the Government has gone some way to addressing those issues, but their response has been blunt and heavy-handed."

In particular, Willox is concerned about the low prices the Government is now offering for some industry training. "The only measure they've used is pricing, and this can only lead to one of two different outcomes: that there are either going to be low quality training programs on offer, which will damage the VET system as a whole and undermine confidence in the VET system, and there'll be no increase in skills, or certain industry programs and areas are going to miss out [on government funded training]."

Willox noted the damage of the government cuts to TAFE, which he said "has been, for a long time, a standard bearer in the delivery of training and education". He valued TAFE as "deliverers for business of people who have the basics and beyond the basics, in terms of skills in crucial trades, and there are still chronic shortages of trades people around the country. Boilermakers, electricians, plumbers, gasfitters, welders: they're all in short supply, and are high demand for business."

He believed that in the past TAFE Institutes have often cross-subsidized such expensive technology-based courses, with profits generated in other program areas, and this cross-subsidisation will end. "This is where the TAFE cuts will impact most, because there are going to be less incentive for TAFEs to deliver these programs that business see as being crucial."

The removal by the Victorian government of the full service provider model for TAFE will impact on disadvantaged students in particular, said Willox. "The full service provider model allowed TAFE to provide a broad sweep of services to students and to fulfil broader community service obligations, so that counselling, libraries, services for disadvantaged students, disability programs were delivered by TAFEs. Without that full service funding we fear that TAFEs will lose that ability and that will make a huge difference to students, or potential students, about whether they can access training or not."

"TAFEs aren't perfect, never have been, never will be, but there is ample evidence that when TAFE delivers programs well, it delivers them really well, and the outcomes are overwhelmingly positive, both in terms of what students are taught and how they learn it, and then how they're able to apply it.

Above all, TAFE operated for the public good, said Willox. "TAFE's remit goes well beyond the basic trades, they provide services to local communities, and particularly in regional areas they're a key hub in the community. They don't just aim just for the lucrative parts of the market, they fulfil a much broader training role, and they're very much organisations that operate for the public good."

While Willox supported private providers that deliver high quality training, he believed their reputations have been damaged in recent times: "Private providers [in Victoria] have on the whole developed a bad name or reputation within many an industry, because of the way the [VET] market has operated. There was this massive influx of new private providers delivering questionable courses in less than perfect conditions with outcomes that were not optimal."

Willox noted that the Victorian VET reform model assumed that "the market would just work things out and there would be this alignment" between industry need and individual demand.

But the training market doesn't operate like that, said Willox. "It's not pure, it's not straightforward, it has to be regulated, managed and directed. There needs to be public funding in the public market, so there needs to be accountability; and the best way of getting accountability is to ask 'Are we training people for the right skills for the right jobs?'"

17. Women pay higher price for reforms

John Mitchell's 'Inside VET' column for Campus Review, 7 August 2012

A training director fears that the student voucher system may result in more funding going to traditional male dominated areas

Career options for young people are being reduced by Victoria's VET policies, and the full, negative impacts of the policies may not emerge for another year or two.

The young people who will be affected most by Victorian VET reform include young women in traineeship programs, school students undertaking VET programs, and youths who live in regional areas who will have to move to the city to undertake training. And cutbacks to TAFE will worsen their plight.

These are some of the views of Gary Workman who has specialist knowledge of the training needs of young people, from his work as executive director, Group Training Association of Victoria, part of the network of Group Training Australia, the largest employer nationally of apprentices and trainees.

"Around the country we employ about 36,000 apprentices and trainees, and in Victoria we employ – across about 30 group training organisations – between 8,500 and 9,000 people, which is 10% of those markets. In some of the traditional trade areas such as automotive and engineering, and in regional areas, we're about 20% of the market in Victoria."

Following experimental VET reform in Victoria, students basically have vouchers which they can cash in with training providers, but Workman is concerned that young people are being encouraged by opportunistic training providers to undertake inappropriate courses, hence wasting their entitlement. In highlighting this waste of government funding, he was seeking to not only protect the specific interests of young people commencing apprenticeships, but also the many other young people being disadvantaged.

"Basically many young people are burning their entitlement to training for a course that doesn't give them a career path, and I think that's the real danger of this current policy, [the full effects of] which we're not going to see for another year or two. It's going to have a long lasting effect."

Workman believed that young people often need to undertake a course to find out whether it is the right industry and career path for them. "If the Victorian training guarantee won't allow people to go back and have another go at a qualification, it's limiting a young person's options. We're putting too much pressure on a young person to make the right decision upfront, without them understanding the industries they're going into."

He acknowledged that the new funding arrangements allowed apprentices to switch apprenticeships: "They're saying that apprenticeships are exempt at the minute, so that's one good thing." However, the scenario that most upsets him is where poorly advised young people enrol in multiple qualifications in one year, only to find "it leads nowhere" and they need to pay full fees the second time round. He has observed this scenario regularly in the traineeship area in Victoria.

"We've already seen that happen this year, where some young people are enrolled in up to three or four qualifications over a 12-month period. And then the next year, as soon as they turn 20, they'll go back and they'll have to pay for that training again, because it either wasn't what they were looking for, or it wasn't to the highest standard it should have been."

Workman supported the concept of traineeships providing opportunities for young people to work inside an industry before deciding whether they want a career in it. And he regretted that the recent tightening of conditions around traineeships removed this opportunity.

"We've got to stop putting pressure on young people to make the decision upfront, before they even start to know exactly what they want to do. We need some more flexibility in the system, for young people to move around."

The Victorian budget in May 2012 reduced the funding for training in fields such as retail, hospitality and business administration, and this has had a larger impact on the options of young females than on young males, said Workman.

"Our members provide apprentices and trainees across every industry sector and the business admin one is probably the one that's most affected [by the budget cuts]. If you look at the issues purely from a gender perspective, 90% of females go into business, retail, hospitality, and health and community services, and the males go into the traditional trades, and IT. Programs that are better funded [by the recent Victorian budget] are the traditional trade skill shortage areas, whereas a lot of the programs that females have traditionally gone into are the ones that have been heavily affected by the new funding arrangements."

Some of these negative impacts on young people will result from Victorian government's reduction in funding for TAFE institutes. "A lot of TAFEs have traditionally been providers of what industry would call expensive programs to deliver. In the past, these expensive programs have been cross-subsidised by some of the other TAFE programs that are cheaper to run. Now that the TAFEs won't have that luxury [of cross-subsidisation], my concern is who is going to continue to provide the more expensive programs in the future?"

"I think industry will step up and play a role, and that will probably expedite things like more workplace delivery, but I'm not sure we've got the mechanisms in place to ensure that the quality of training is going to be there. I think a lot of these things are still unknown."

Despite the fact that hourly subsidies for trade training in skill shortage areas has not decreased, Workman believed that these subsidies have always been inadequate. He believed that TAFE Institutes in both regional and metropolitan areas will no longer be able to subsidise expensive trade training, and the negative results will be easier to see in regional areas.

"TAFE colleges are now re-evaluating the support they were giving to those [expensive trade] programs from their other programs, and I'm not sure we're going to see the effects of that for probably the next 12 months. I think these issues will come to light first in regional areas, but I think across the state it will be an issue.

"Even in a big metropolitan city like Melbourne, a lot of these kids don't have cars and they rely on public transport to get around [to TAFE], so it [the reduction in TAFE training locations] is just going to be another reason why kids don't get into these industries to begin with."

Overall, Workman is concerned that the government is plugging gaps, while shonky providers find new gaps in the policies. "We've come to a situation now where governments seem to be just plugging errors in their policy, while some providers in the market then find loopholes to just receive funding. This current change in policy really just means some of the smaller [opportunistic] providers will move around the system, still attracting the same dollars as they were."

18. Industry seeks to restore confidence

John Mitchell's 'Inside VET' column for *Campus Review*, 21 August 2012

The ACCI wants vocational education and training reform to be guided more by industry demand, rather than providers and students

Public confidence in the VET system is at breaking point, as a result of the scandals about shonky providers in Victoria that continue to be exposed in the national media. The latest scandals were aired in national bulletins on the ABC's 7.30 Report, over three consecutive evenings from 7 August 2012, and these unfortunate stories of students being ripped off made a mockery of the Victorian government's attempts to rein in disreputable training providers.

And while profiteering providers are still operating, the Victorian government is putting its energies into two activities that could create further damage to skill development in that state. First, it is defending its own regulator, the Victorian Registration and Qualifications Authority (VRQA) – on whose watch the international student scandals also occurred – instead of handing over powers to the national regulator, the Australian Skills Quality Authority (ASQA). Second, it is removing \$290m from the not-for-profit TAFE Institutes it owns.

Ideas leadership is required if VET is to extract itself from the mess portrayed by the 7.30 Report; a mess created by ideologues dreaming of a perfectly designed free market. Interestingly, ideas leadership in VET is starting to come from peak industry groups, with the Australian Chamber of Commerce and Industry (ACCI) the latest high profile industry body to speak out about the risks from current interpretations of VET reform. ACCI represents 350,000 businesses and considers itself the largest business advocate in Australia, counting among its members 27 national industry associations.

ACCI commonly championed high quality VET provision, but believed that the perception of VET quality is being put at risk by the undermining of public confidence in the sector. "Quality is about confidence, and we believe that a lot of things that have gone on recently have undermined confidence [in the VET system]," said ACCI's director of employment, education and training, Jenny Lambert, in an interview with *Campus Review*.

The benefits of a high quality training sector were set out by ACCI in its written response to the current national review by John Dawkins of the standards for regulating providers in VET. ACCI's submission argued that the current standards focus too much on the business processes used by training providers, and not on the outcomes for students or industry. Supporting the ACCI position, the ABC's 7.30 Report lampooned the business processes of disreputable providers taking photographs of students faking the acquisition of skills, and using these photos as part of 'paper trail' to mislead the local regulator.

Lambert explained what ACCI meant by an outcomes focus: "In our view, an outcomes focus looks at whether the industry's needs are best served, and whether the student is really benefiting appropriately from the training".

She also challenged the notion of VET reform being driven primarily by student demand. "We believe very strongly that the training system needs to be industry driven, not demand driven, and although that terminology of industry driven is contained within a lot of the Federal [government] documents, it's not sufficiently represented in the way that the national agreement is rolling out at the state level. And obviously the Victorian [demand driven] reforms have come under tremendous pressure, and I certainly share some of those concerns."

Lambert was concerned where there was no cap on the number of training providers who could access public funds, unlike the cap on providers in higher education. "They [the Victorians] were out there with a demand driven uncapped system, and you can do that more in higher education because you're controlling the supply [of providers]. But when you're not controlling supply, when you've got an unfettered supply of training providers, a demand-driven uncapped environment has resulted in unsatisfactory outcomes [in VET]."

She was aware that ACCI was normally associated with free enterprise, but the VET situation was complex. “In ACCI we’re all about saying the market can dictate, but at the end of the day the public funding element of it [VET reform] changes the market dynamics. In economic terms, it [public funding] distorts the market and can incentivise providers to head down and follow the money trail, rather than what the customers want. Free enterprise is one thing, but free enterprise with public money is quite different again.

“In a training market that is free and contestable and uncapped, if the money was in the hands of the student and they were fully informed, in theory it should work, but in practice we know it doesn’t quite work that way.”

Lambert was also aware that ACCI normally would not promote the cause of the public provider, TAFE, but ACCI acknowledged TAFE’s critical role and its need for additional funding to cover extra expenses.

“We recognise that the way that Victoria has rolled out its reforms has significantly inhibited TAFE. There are systematic issues within the way that TAFE has to conduct its business that makes TAFE more expensive, whether it be their enterprise agreements or other things. So the previous differential in the funds that they [TAFE] received needs to be maintained.”

“We believe TAFE’s role in the market is very important, particularly in regional areas and areas where there is no ability for the private system to go in effectively. The role of TAFE is critically important.

“A contestable market requires TAFE to be more efficient and effective, more customer focused, but contestability only works if you have quality mechanism. And the trouble, as we have found in Victoria, is moving to that contestable and demand driven uncapped market without the quality infrastructure properly in place.”

Lambert said that one solution to the current situation is to involve industry more in assessment validation and in identifying labour market needs. Industry involvement could underpin a system that delivers positive outcomes for individuals and industry.

“If they [states] concentrate more on delivering an industry driven system and engaging industry more, whether it be on the regulatory side or on the assessment side or in ensuring that their processes for determining labour market needs are in consultation with industry, then they should get a system a lot closer to it [positive outcomes].”

The ACCI paper on the standards for the regulation of VET advocated a number of other improvements to the sector including a star rating system for training providers, to recognise different levels of excellence. ACCI was also concerned that some auditors have limited industry experience, and recommended that auditors be helped to develop additional skills that “allow them to check on outcomes” of training. Lambert added that all states including Victoria needed to support ASQA, so that “we’re all in the same system”.

Reviewing the standards for the regulation of training providers was a chance to position the sector beyond recent controversies and to reassert quality, she said.

Declaration: From 2008-2012 John Mitchell undertook research for ACCI on apprenticeships and workforce development.

19. *Frankenstein devours its creators*

John Mitchell's 'Inside VET' column for *Campus Review*, 4 September 2012

An eminent economist believes the Victorian training policy mess is an example of a text book model banging up against the real world

Around Australia, treasury officials and policy advisers are sitting on review committees reconstructing the VET sector. Unfortunately, their model is based on a simplistic understanding of the sector, says OECD consultant Dr Phillip Toner.

The University of Sydney political economist said their major reference point, the Victorian government's VET policy, deserves lampooning. "In future, when the public policy textbooks are written, this policy and these people will be held up to ridicule," he told *Campus Review*.

Inspired by their own economists, last year the Victorian government injected an extra \$400m into VET provision, only to find a litany of scandals exposed this year in the media and parliament. Ironically, a succinct summary of this public policy failure was provided by the Victorian Premier, Mr Baillieu in parliament on 16 August:

"Enrolments had exploded for courses that were cheap to deliver and were profitable for providers but which did not deliver on jobs...When cash is offered [to students] for training courses to be undertaken, when iPads are offered and when there is a blow-out in one year of more than \$400m, it has to be addressed. You cannot stay silent. You have to be responsible."

Mr Baillieu then went on blame the previous Victorian Labor government for creating this mess; a claim with a degree of truth. What is true is that his government continued the policy direction set by the Brumby government's economists and policy advisers. What the premier didn't acknowledge was that, in the period leading up the Victorian government budget in May 2012, a raft of VET, community and political leaders publicly appealed to his government to reconsider its model for funding VET.

Those leaders challenged the two major pillars of the VET reform model: student entitlement and contestable funding. The model basically gives the individual a voucher which can be cashed in with a training provider, including dodgy ones. The model also encourages opportunistic providers to do as Premier Baillieu described, and offer inducements such as iPads or cash to attract students, in order to access government funds.

Instead of heeding this external advice, the Victorian government surprised the VET and Victorian communities with its decision in the May 2012 budget to remove \$290m from the not-for-profit TAFE providers, clearly to compensate for the blow-out, yet TAFE did not cause the problem.

This penalising of TAFE did not surprise Toner, who researched the sell-off of public utilities in the 1990s and the stripping out of specialist labour, leading to structural problems ten years later. The attack on TAFE was "perverse" and "it was entirely predictable that these perverse outcomes would arise" from the policy failure summarised by Premier Baillieu.

Toner described the Victorian situation as "a classic example of where the simplified textbook model of a market economy head butts up against a real world. It reflects very poorly on the quality of advice coming out of the state economic agencies, because they are the architects; they're the ones who provide the rationale for this public policy."

Treasury officials artificially created a market and now it is unravelling, said Toner. "It's not actually a market, it's a created market, it's a false market, because it's all to do with the use of public funds; they've created a market by basically allocating public funds.

"In a sense they've created this Frankenstein monster, this privatised VET training market, and as in the original Mary Shelley book, it is now turning on its creators, and they're having to cobble together a series of patches to try to restrain the monster they've created."

To restrain the monster, Victoria's Higher Education and Skills Minister Peter Hall noted in a media release of 10 August that, in the last 12 months, his VET regulator had "cancelled the registration of 75 registered training organisations". Interestingly, no details were provided about the volume of public funds accessed by these deregistered providers or the number of students who burnt their entitlements by undertaking training with these providers.

Toner said the continuing media exposure of disreputable providers “reflects an unbelievable degree of naivety on the part of the state public policy advisers” who framed the Victorian policy. “The bottom line is that a group of public servants has been taken to the cleaners by some very agile and highly entrepreneurial private operators.”

The economists and other policy advisers were naïve in six ways, said Toner. **First**, they assumed that providers would be involved for the long-term and not be opportunistic. Because the economists did not understand that some VET courses “require very little capital investment and are cheap to run”, the economists “created the perfect conditions for opportunism” and fostered get-rich-quick providers.

Second, he said advisers naively created a market where fly-by-night providers were able to charge the same price as reputable providers, and use persuasive marketing to mislead consumers. “If there’s no clear relationship between price and quality, and the consumer simply has no idea as to the quality of the product they’re buying, that totally undermines the policy advisers’ simplistic economic conception of how markets operate.”

Third, government advisers assumed that the consumer would be capable of making an informed decision about which provider to choose. “Consumer sovereignty is the idea that a consumer can readily identify quality differences and understands the product they’re buying. People do their best to make rational decisions, but they can be very easily persuaded, especially young people, and especially disadvantaged young people, when it comes to making career choices.”

Fourth, government advisers assumed that students would choose courses that would lead to available jobs. “Both the ACCI and the AiG [in *Campus Review* July 24 and August 20] have picked up on this flaw in the Treasury line when it comes to VET, that somehow there’s a sympathy of interest between what the individual student wants and what industry needs,” Toner said.

Fifth, advisers believed that taking funding off its own TAFE and outsourcing VET provision would save money. However, “apart from other inefficiencies such as skills not being acquired by students enrolled with disreputable providers, they hadn’t factored in the extra costs of regulating these providers”. An example of an extra cost is the Marketing Monitoring Unit announced recently by Minister Hall.

Sixth, government advisers assumed that they could remove thousands of experienced TAFE teachers and the market would adjust. “It’s taken generations to nurture and develop expertise within the TAFE system and its being destroyed.

“They’re damaging the TAFE system at a time when the demand for higher level and high quality VET skills is increasing, so it will be written up in future as another one of those public policy disasters.”

20. Market needs fundamentals in place

John Mitchell's 'Inside VET' column for *Campus Review*, 18 September 2012

The BCA believes that Victorian VET reform was poorly planned and the recent budget cuts too savage

The Business Council of Australia is the third national representative industry body to voice concerns about the way VET reforms were implemented in Victoria.

In an interview with *Campus Review*, the BCA's director policy, Claire Thomas, said that "there were gaps in the design of the [VET] market when the reforms were first launched, and to some extent Victoria's [government] been having to make it up as they go along".

The fundamentals required to underpin market design were not in place when the reforms were introduced, noted Thomas, such as adequate information for students, suitable prices for courses, appropriate subsidies for providers and sufficient regulatory mechanisms. Her concerns were similar to those expressed by AiG's CEO Innes Willox and ACCI's director of employment, education and training, Jenny Lambert (*Campus Review* 23 July and 20 August).

Thomas is well qualified to comment on how well market design was implemented in Victorian VET, because she had responsibility for market design within Victoria's Department of Treasury and Finance until she moved to the BCA in mid-2011.

Despite her concerns, she still supported the key principles of a market for VET, including the creation of a market in which all providers compete for students and government funding and which puts "the purchasing power in the hands of the student," enabling the student to "shop around for the provider that offers them the best service".

"The objectives of the reform were fundamentally to increase participation in the system and to harness the forces of competition to drive a more flexible responsive system; one that's more customer focused. We think those are the right directions," said Thomas.

"The key levers being pressed, to deliver those outcomes, were a combination of a shift to demand driven funding, to the introduction of an entitlement for some students for some courses, and of growth and contestability for publicly funded courses to encourage more competition between providers of those courses."

However, she believed that in Victoria some fundamental features of market design were not in place before these changes were implemented. "Of course that [delivery of outcomes] depends on a number of things being in place and working well, particularly around information to the market about the quality and the cost and the content of the courses on offer."

"There needs to be good quality assurance and accountability regulation, so that the students in the market place have good information backed by good quality regulation and accountability arrangements that enable them to make informed choices. There also need to be the conditions in the market place for genuine competition, and that requires a level playing field between providers in the market."

"These features of the market were no doubt envisaged when the Victorian reforms were launched, but they were not sufficiently in place, I would argue, for the reforms to be implemented without a few bumps."

While Thomas was impressed by the increase in the number of private providers in the Victorian VET marketplace, the growth was too fast for the regulators. "The share of private RTOs in that market has increased very substantially in a very short period of time. But I suspect that was really too rapid for the regulatory arrangements to keep pace with it all, and to manage the accreditation process and quality assurance adequately."

"And so we did see a few rogue providers enter the market in search of quick returns. It's not the end of the world, but it's certainly done some reputation damage [to VET]."

And while she was impressed by the significant increase in the number of enrolments in Victoria, she believed this rate of growth was not fiscally sustainable. "There does seem to have been strong growth [in enrolments] across the board, including in a number of the courses where skills are in demand or where there are projected shortages in the future. So the shift to the demand driven system and a more contestable system appears to be working to deliver those outcomes."

"The problem has been that it [the rate of growth] has been not fiscally sustainable. So instead of rising by whatever the Victorian government budgeted, which I think was \$100m for that growth, it ballooned out by about five times that amount."

This ballooning of government expenditure raised questions about whether governments can manage a market where VET programs are almost free: “The introduction of that uncapped [student] entitlement has basically taken the decision about the level of spending on core subsidies out of government’s hands, and that raises some critical questions about the design of the market and how to manage demand in this sort of market, because it is obviously difficult to control consumption of what are almost free goods.

“That points to a question about whether the subsidies [for providers] are too high, and/or not well aligned with public good.”

She supported the view expressed by the Victorian government’s Essential Services Commission in late 2011 that it was important to identify an “efficient price” for students to pay and to synchronise this with suitable, not overly-generous, subsidies for training providers. This work on prices and subsidies remained unfinished.

“There’s a need to have a good look at how well the subsidies [for providers] align with actual efficient costs. The [Essential Services] Commission suggested that tuition subsidies need to be monitored to make sure they’re lining up with what the market tells us about what the efficient price is. And I think that’s right, I think that’s where we need to head. But there needs to be a well thought out strategy for getting there, and a transition path.”

“What was missing in this market was having spelled out where we were heading and how we were going to get there. We just started with the student entitlement and contestability and a commitment to good regulation and transparency, but it wasn’t quite all there in time. And [there was] not a clear path to how prices would be set in that market eventually. So the key message is about the market design.”

Additionally, Thomas was concerned by the Victorian government’s alterations to VET policies in its May 2012 budget, particularly the significant changes in prices and subsidies and the reduction in funding for TAFE. “It was done very suddenly and very savagely, without time for the whole sector to adjust. Public and private providers alike needed time to adjust their business models and their course offerings.

“The pace of reform has been too rapid and there was insufficient consultation with the sector as to how it would adjust and what the impacts would be.”

21. *Balancing the budget sinks the public interest*

John Mitchell's 'Inside VET' column for Campus Review, 2 October 2012

Prominent economist John Quiggin explains why governments are taking funds from TAFE and promoting a free market for VET, despite scandals

In one week in September, the Queensland government reduced the TAFE budget by \$80m, the NSW government announced the removal of 800 jobs in TAFE over the next four years, and a leaked Victorian cabinet document described the effects on TAFE Institutes of a \$290m cut. In each state the public explanation given for the unprecedented reduction in TAFE funding was, quite simply, to balance state budgets.

TAFE didn't cause the blow-out in state government budgets, but it is now a favourite source of funds for balancing the books. And both sides of politics are tempted by any opportunity to cut into public services like TAFE where they can get away with it, said Dr John Quiggin, in an interview with *Campus Review*.

Quiggin is a Professor of Economics at the University of Queensland and Australian Research Council Federation Fellow. He is also an independent thinker who doesn't shirk public debate, recently challenging the assumptions underpinning Peter Costello's audit review of Queensland finances which led to the announcement of large cutbacks in the public sector in that state, including TAFE.

He believed that previous governments were overly generous in better economic times and now needed to find savings. "Governments at every level used the relatively good times in the lead-up to the global [financial] crisis to provide some combination of cutting taxes and providing services, but now we're seeing attempts both at state and federal level, but particularly the state level, to meet the gap [in income] by cutting services," said Quiggin.

Quiggin explained why state governments are especially focused on savings. "State level services are more vulnerable to the ebb and flow of these things because their finances are more precarious. They tended to expand when times were good, but the states have much less room for manoeuvre than does the federal government [when economic conditions deteriorate]. The various sources of revenue that made things easy for both federal and state governments are drying up, and at the same time there's a stronger ideology of 'budget balance' than we have had in the past."

The reduction in income provided governments with the excuse to take initiatives like reducing the size of TAFE and introducing a VET market, which they had been afraid to implement in the good times, said Quiggin. "Governments see it as an opportunity to push through things which they would like to do anyway, but which they really need a kind of crisis atmosphere to force through."

Both sides of politics are using this opportunity of a "perceived crisis" in funding to promote a free market ideology, said Quiggin. "While conservative governments are keen to actually wield the axe [on TAFE], in the Victorian case the problems were primarily created by the outgoing Labor government. They were the ones who opened the flood gates to shonky private providers, and the budget blow-out is now being balanced on the back of the [Victorian] TAFE sector."

The major political parties "contain a significant element with the view that 'never let a crisis go to waste'; and this [current period of tight economic conditions] is a chance to push a free market ideology into sectors [like VET], where it hasn't been [implemented] before."

Quiggin added that the same governments imposing a market on VET are loath to push a free market ideology in the school sector "which has basically remained not-for-profit", or in the higher education sector where for-profit experiments like Melbourne University Private have "largely failed".

Despite the popularity among politicians and bureaucrats of a free market only in VET, Quiggin believed that its introduction in Victoria inevitably has led to scandals like those that emerged a few years ago around colleges catering for international students. “The general principles of competition policy were being pushed in a number of areas [such as international education], and have largely blown up in governments’ faces [like the] immigration racket business. And now the attempts at introducing market competition [in VET] have not been properly evaluated. Looking globally, these kinds of policies have failed spectacularly.”

An independent evaluation of the Victorian VET fiascos was likely to reveal patterns Quiggin has monitored in the USA and the UK: “Because of the nature of education, if you have sharp profit incentives, it’s very hard to set up a system which will produce good behaviour once you have purely for-profit providers in the business, because it’s just so easy to cut corners and lower standards.”

Around the world, and in all education sectors, attempts at introducing market incentives “have failed consistently because it’s almost impossible to measure these things [like the quality of all providers]. In some of the courses the students are paying for and being promised a qualification that isn’t really worthwhile; in other cases they’re providing something which is essentially entertainment, passing it off as education.”

Quiggin stressed that the frequent media exposures of shonky providers has not deterred those who advocate a free market for VET. “The obvious point is that these problems have emerged in Victoria, but what we haven’t heard them saying is ‘Let’s step back from this and go back to a [TAFE] system which has worked for a long time and delivered very good outcomes’. They’re saying ‘Let’s cut that TAFE system in order to balance the budget.’”

Overall, Quiggin believed that national competition policy and COAG as a vehicle for the national reform process have “have been driving forward an assumption that we should do things this way”; that is, cut public providers to balance the books. “There are supposed to be, of course, public interest provisions [in the national policy], but there hasn’t been any careful assessment of them in the VET sector.”

Based on his international monitoring of profit-based operators in the school and university sectors, he predicted ongoing scandals around profiteering VET providers. “I think that we will continue to see many examples of the rorts by [dodgy] educational institutions. They are going to be much more common than examples of successful profit-driven training or education enterprises.”

Quiggin described the free market ideology in VET as “incredibly short sighted” because the main victims of profiteers are students at risk. “This is affecting the most vulnerable young people in the community; it’s cutting off opportunities which are aimed at the most vulnerable.”

He believed that, in the long term, VET needed to be removed from the fluctuations of State-Commonwealth government relationships. “The only solution is ultimately for the federal government to take over this area [of VET] and to then have a much more robust accreditation system for private providers than we have, and a much more sceptical one.”

22. Retail sector pays the price

John Mitchell's 'Inside VET' column for *Campus Review*, 16 October 2012.

An award-winning training group fears employers will soon not to able to afford to train many staff

Over the last 12 months the national media revealed that "VET reform" opened the door to shonky providers. However, a story that has not received much attention is that the reform has impacted negatively on some high-quality private providers, and their students, employers, industries and whole regions.

One such provider is First Impressions Resources, a specialist in the field of retail training for the last twenty four years. The company's headquarters are located in Brisbane and it has staff or partners in every state of Australia, including in key regional towns.

Evidence of its high quality approach is demonstrated by its receipt in 2012 of two national awards: one from Service Skills Australia for industry collaboration and another from the Australian Council for Private Education and Training (ACPET) for industry innovation. First Impressions Resources also was the focus of a number of recent national research studies of best practice by training providers.

Its CEO Mike Wallace has two masters' degrees and is a keen student of VET trends and directions, but some of the policy changes over the last twelve months have left him bewildered. "I've given up trying to rationalise some of these [policy] decisions," he said.

While other private providers might be reluctant to speak publicly, for fear of discriminatory treatment in future, he was comfortable talking with *Campus Review* about the way these government policy decisions have resulted in unintended consequences.

"The unintended consequences can manifest themselves in a number of ways. And one of those ways we've seen is that a few opportunistic providers, without regard for the quality of their training, may just jump for the dollars. And then when governments change things around again, the quality providers are left suffering and the dodgy providers are jumping ship onto the next thing that has money attached to it," said Wallace.

"Providers with a long-term commitment to industry are left trying to pick up the pieces."

He added that if quality training providers are suffering, then so are their students: "The consequences for us [of policy changes] mirror the consequences for our students".

Another example of unintended consequences of VET policy changes was the reluctant withdrawal of some quality providers from retail training in Victoria, as a direct result of the reduction in funding for some retail qualifications from \$5 per student hour to \$1.50 per hour, announced in the Victorian government's May 2012 budget.

"Quality providers have said to me 'Look, we're moving away from retail because we can't make it pay'. And that's not to say that they're necessarily just following the next dollar; it's just that [private training] providers have to look at their costs."

Wallace is concerned that some of these quality training providers are pulling out of retail training, and other industries that were "subsidy-slashed", in regional areas of Victoria, leaving students and employers with no options.

"Some of those training providers are servicing regional areas or towns that don't have other access to training [including TAFE]. We [private providers] drive to towns in the back of beyond to see one trainee in a workplace and spend money on it, because that trainee is important to our client.

"These things [like reductions in funding] have hit quite hard for some training providers. The providers just say 'Look, this is not worth our while, we can't support that anymore, we'll just focus on other parts of our business where we can.'"

As his training company operates nationally, Wallace was able to observe that the subsidies currently paid for retail training differ widely from one state to another. "There's no consistency between the states."

The \$1.50 per hour in Victoria was inexplicable, said Wallace: "\$1.50 is a very round number. And it takes no account of the method of delivery, or the resources that are required, or the level of support from the employer, or the literacy abilities of the individual."

Another unintended consequence of the cut to retail training is that some employers are not supporting their staff undertaking full qualifications. “Effectively the funding rate now is a little more than a quarter of what it was. And the consequence of that is we have to charge the employers a higher contribution. Okay, people might say well that’s fair enough, they should do that, but basically when an employer has a budget for training for the year, then instead of that budget going across 200 staff, it’s now going across 50.

“And the other thing that happens is we start to lose the employers from the national training system, in terms of accredited training. If they still do training, then they’re just doing non-accredited training.

“If they’re now being asked to pay X thousand dollars, they’re saying ‘Well, where’s the value for us, the employer? What we want is for our people to be able to sell the product, know the product, give good customer service, or whatever. The priority for the client may be the skills set, not the necessarily the qualification.”

With such employers swinging towards skills sets and away from full qualifications, the individual student loses out, said Wallace. The student will miss out on developing the full “range of skills and employability skills that help to develop them as people and for a future career. Plus the government is unlikely to meet its targets for the number of workers with high-level qualifications.”

Despite the government reduction in funding for retail training, it remains a massive industry, said Wallace. “Service Skills Australia and our clients will tell you there’s still a need for training in retail, our clients tell us there’s still a need for training in retail. Retail is still, in most areas, the largest employer in the country.

“In the Western Victoria labour market region, which takes in Bendigo, Ballarat, Hamilton and Horsham, the retail trade is the biggest employer and accounts for 17.2% of employment, employing 50,000 workers. In regional Victoria, if they start to miss out on this funding, a huge swathe of retail workers is not going to get qualifications.”

A further unintended consequence of the cut in funding for retail training is that pathways into higher education will be severed, said Wallace. “We have articulation arrangements with the University of Wollongong and the University of Southern Queensland, from our Diploma into either a Graduate Certificate or a Bachelor of Business respectively. So if you start to chop out of those low to mid-level retail qualifications, then you’re really just eroding that pathway; it has bigger consequences.

“By chopping away at the roots of the tree, it’s going to stop the achievement of higher level qualifications and pathways to higher education.”