

**INQUIRY INTO VOCATIONAL EDUCATION AND  
TRAINING IN NEW SOUTH WALES**

**Name:** Mr Aldis Svirskis

**Date received:** 12/08/2015

---

# SUBMISSION TO LEGISLATIVE COUNCIL INQUIRY INTO VOCATIONAL EDUCATION AND TRAINING

(General Purpose Standing Committee No.6)

By Aldis Svirskis (Retired TAFE Teacher and Curriculum Research and Development Officer)

Following terms of reference:

1(a)

(i) From my personal experience and other sources, students are motivated to enrol and study in Vocational Education and Training (VET) generally and the public Technical and Further Education (TAFE) system in particular mainly to gain skills and qualifications for employment. This frequently involves basic or pre-vocational skills, mainly in literacy and numeracy. The extent and importance of these are often insufficiently recognised. They may involve very basic literacy and numeracy, or more advanced levels, if the aims are study at diploma level in TAFE or eventual access to university.

In the past, TAFE offered many places to Higher School Certificate (HSC) students, as well as general education at Year 10 level. These have significantly contracted recently. In Western Sydney Institute (WSI), for example, Blacktown and Penrith colleges offered a wide range of HSC options, over one or two years, including evening attendance for those employed. Mount Druitt offered the alternative, TAFE-specific, Tertiary Preparation Course (TPC) widely accepted by universities. Now no HSC program is offered anywhere in WSI, which serves a demographic with many students who have had interrupted or unsuccessful school experiences. Students who enrol in such courses are generally highly motivated, having recognised the inadequacy of their earlier education and matured somewhat.

(ii) TAFE students choose courses for many different reasons, ranging through interests and abilities developed early in life, perceptions of appropriate employment prospects and encouragement by family and peers. Most TAFE students, unlike many at universities, do not relocate to attend courses. Since many are also working or actively seeking employment, travel can be a significant problem, so the availability of study within a reasonable distance is important. Younger TAFE students often do not yet have drivers' licences, let alone cars. The less affluent family circumstances of TAFE compared with university students affects the ease of travel or relocation. Many TAFE students require part-time attendance due to employment.

While distance/on-line education can be a potential solution in some cases, and the Open Training and education Network (OTEN) has considerable success, this is far from a universally appropriate solution, for 2 main reasons:

First, many TAFE students are not confident, experienced, highly competent learners, so direct interaction with teachers and fellow students may be important for successful learning.

Second, the practical aspects of some courses cannot realistically be delivered by distance education. Learning to lay bricks, join drainage pipes or cut hair on-line may be difficult.

(iii) I am unaware of barriers to participation in TAFE by students from non-government schools. VET-in-schools programs are widely available to private school students, and certainly a considerable number of my HSC students at Penrith TAFE were 'repeats' from private schools, often because parents were unwilling or unable to pay school fees for an extra year. I am not very familiar with home schooling situations, but I imagine that VET-in-schools programs would be more difficult to access and knowledge of TAFE opportunities might vary greatly among home-schooling parents/guardians, while teachers and counsellors in schools would be a more reliable and consistent source of information and advice.

**The major barriers to participation are fees and lack of course offerings within accessible locations.**

(b)

(i) Public TAFE has a long history of linkages with both secondary and higher education. I am unaware of the extent of these linkages through private Registered Training Organisations (RTOs). Bluntly, government funded and controlled agencies such as TAFE and public schools can be directly required to follow policies which the government has ascertained as being of benefit to students and the economy. These could be expanded in a planned manner.

Private RTOs may be offered public money to provide linked courses, but if commercial, their prime objective is and must be to generate profits for their shareholders, rather than implement government policies to the fullest extent. If non-profit, they may well have other agendas which to them are more important than government policy. That does not preclude their delivery of the required service, but adds a level of administrative complexity in ensuring external quality control and performance management, rather than the inbuilt mechanisms which already exist within government agencies.

(ii) Clearly, the development of skills required for the NSW economy is one of the 2 major reasons for any VET system, the other being the development of an educated, trained population capable of personal achievement as well as contribution to productivity. I see no reason why outsourcing these aims would improve the outcomes. The government, on behalf of voters and taxpayers, has the implementation of policies to benefit the state as its priority. The more directly it can ensure the efficient and effective delivery of these policies, the greater the likelihood of maximising success for resources allocated. Education (vocational or general) is far more complex than many other services which may be more appropriately outsourced, such as

transport, IT or building security. It has a long 'lead time' to deliver outcomes, and an even longer one to evaluate these.

That is not to say that some private VET provision cannot be useful – private providers have existed for all my considerable life-time. They can be particularly useful for 'niche' training in the use of enterprise-specific equipment or procedures, for example. But they cannot readily substitute the ongoing commitment to an integrated, co-operative system across levels from basic to advanced to a diverse population of students throughout a large geographic area, with the provision of advisory and remedial services as required. **The problem is not the existence of private RTOs; it is their subsidisation with public funds to create a very imperfect pseudo-market.**

(iii) Opportunities for the unemployed, migrants, students with learning difficulties or other special needs are especially difficult to outsource, since the students ('customers' in the prevailing inappropriate jargon) are least capable of informed choice, generally less able to pay and more difficult to provide with necessary services. They often require counselling services, specialist teachers and consultants and appropriate physical environments. Such provision is not commercially viable in the short term, although in the long term it can generate significant benefits not only to individuals, but to taxpayers and the economy in creating productive contributors to society and saving on welfare dependence and, in many unfortunate cases, the enormous expense of the criminal justice system (keeping someone in gaol costs around \$100,000 a year, in addition to police and court time and the personal damage to victims). TAFE has a long history of providing for special-needs students, with specialist staff and facilities. Expecting RTOs new to the 'market', be they profit-making enterprises or well-intentioned charities, to replicate such provision readily is naive.

(iv) Delivering services to regional, rural and remote communities shares many features with the preceding point (iii). It is expensive and fairly complex. I know of very few private RTOs in areas such as Brewarrina or Finley, both of which have TAFE campuses. A few years ago the National Council for Vocational Education and Training (NCVER) found only a third of private RTOs operated outside metropolitan areas. A statewide public system, with the backing of OTEN, is more suited to such a task, but any government committed to providing services to this dispersed and diverse population has to accept the cost.

**Regarding points (iii) and (iv) it is unlikely that private RTOs will wish to or be able to deliver programs adequately to students with special needs and in remote communities, and the public provider will be left with the expensive 'heavy lifting', just as public schools cater disproportionately more for such students.**

(c) Factors which affect cost of delivery have, in part, been addressed above. Delivery is more expensive for students with special needs and in remote communities; these are also generally the students who are least able to afford 'co-contribution' – the unemployed, whether recent school leavers (especially with poor to mediocre school results) or redundant older workers, those with

physical, intellectual or psychological impairment, those from socio-economically disadvantaged families and those in remote areas (especially since the latter are more likely to be socio-economically disadvantaged and unemployed as well).

Another important cost factor is the nature of the course. Some trade subjects require expensive equipment, substantial suitable physical areas and/or constant consumables. While I am unaware of any precise data, the anecdotal evidence is that private RTOs tend to offer less in the way of the practical elements of the 'heavy' trades, which are also less able to be successfully delivered on-line.

A communiqué from the Council of Australian Governments (COAG) in August 2011 referred to TAFE's key role in the '*delivery of high-cost technical training, encouraging participation of disadvantaged students and offering services in regional and remote areas*'.

I can hardly express the impact of 'co-contributions' –i.e. fees – better than it was done by the then opposition spokesperson on education and training, and subsequent Deputy Premier, the National Party's Andrew Stoner in 2008:

*...for TAFE students who usually work part-time and study at TAFE struggling with the normal cost of living – increased grocery prices, fuel prices and in some cases interest rates [the last may be no longer the case] – it is a very difficult time and the [then ALP] Government has not helped by increasing these fees by some 9 per cent, which is well and truly above the consumer price index.*

*The impact of the increase in fees has been that enrolments in TAFE are falling and that is a real shame because TAFE has been a great success story in this State, especially at a time when we have a skills shortage. In 2002 total student enrolments for TAFE New South Wales were 525,865. According to the latest statistics, by 2007 that number to a total enrolment of 497,747...*

**Both fee increases and falling enrolments have accelerated massively since then.**

TAFE NSW has traditionally had a higher completion rate than the national average (e.g. in 2011, 41% compared with 28%). While there may be a common, if not entirely evidence-based, perception that one is more likely to value what one pays for and strive harder to succeed at it, thus increasing the (percentage) completion rates in high-fee courses, the total number (and hence population percentage) of TAFE graduates is likely to be significantly lower given the 30,000 drop in enrolments over the past year. Should VET qualifications only be available for the relatively well off, especially given they benefit both the individual and the state economy?

The view that outsourcing to private providers reduces costs is questionable, to say the least, especially in the case of complex services requiring pre-and post-commencement quality control, as mentioned above. **The administration and management of contracted services are not included in the tenders.**

When 'contracting out' was actively pursued by the then NSW Government in 1991-1995, expenditure on VET increased by 7.1% in real terms for a 6.2% enrolment increase '*consistent with ...growth in overheads, through structural change or administrative inefficiencies*' (NSW Council on the Cost of Government, 1996). NCVER (October 2010) reported that expenditure by state and territories on 'administration and general services' in their training agencies increased from

\$1092.9million in 2005 to \$1522.8million in 2009 (39.3%) during a period when the Commonwealth government was actively promoting competitive tendering.

I turn to point (e) in the terms of reference, as I wish to treat (d) and (f) together.

Industry has long had a major role in VET. When I worked in Curriculum Services in the 1970s, there were formal advisory boards/committees from industry for each vocational area. While some were more active than others, their input was always invited and welcomed; during regular course reviews, their participation probably peaked. Since then, this formal involvement has continued in various guises (ITABS etc etc).

Additionally, there has always been consultation and co-operation with industry at the 'grass roots' level. TAFE teachers come to the job with mandated experience in the relevant industry. They maintain formal and informal contact with their original industry, through enterprises local to their colleges and industry associations at various levels, including peak bodies such as the Master Plumbers Association, the MTIA etc. Return-to-industry programs have existed to enable teachers to 'refresh' their vocational skill and re-establish contact.

TAFE is also an educational institution, and its teachers have education as their industry, in addition to previous vocational background(s). Consequently, they have a perspective additional to the practitioners in the industry for which they are preparing students; they also have a responsibility to their students. At times there can be some alternative points of view arising from this.

First, employers may know what they want their employees to be able to do. They do not necessarily know how best to achieve the necessary skills and knowledge; if they did all VET could be done 'on the job'. Sometimes, the nature and length of courses is better judged by educators than entrepreneurs understandably impatient to maximise the immediate availability and productivity of their skilled staff.

Secondly, individual employers have specific needs and are less concerned about the breadth of background knowledge and the transferability of skills. For students seeking a career rather than the next job, the situation is different. For the industry as a whole, and the economy, wider knowledge and transferable skills are also important. TAFE teachers are responsible for more than preparing someone for a specific job with a specific employer.

'Competency Based Training' is seen by many TAFE teachers and a large part of the education community as having significant limitations. To discuss this in detail would require a lengthy education treatise beyond the scope of this submission, but the central issue is to do with fragmentation of skills and knowledge, at the expense of an in-depth understanding of one's trade/profession enabling, adaptation to new technologies, requirements and environments. Ironically, the work of noted unionist Laurie Carmichael, embraced by many in the Australian Council of Trade Unions (ACTU) in promoting the 'competency based' approach did few favours to the workers the ACTU purported to represent, in that it encouraged partial, enterprise- or job-specific skills, rather than fully-fledged tradespeople, less dependent on individual employers and more capable of receiving better pay.

Some of the national training packages have also received significant criticism from many TAFE teachers, but as I have no personal experience with these and limited other knowledge of them, I shall leave that issue to others.

TAFE and industry have to be partners in providing a skilled workforce. While it is TAFE's responsibility to do so, its expertise in education and its responsibility to students and to industry and the economy in general require it to be more than a servant to the whims of special interests within industry.

(d) and (f) taken together. A competitive training market (as envisaged in *Smart and Skilled*) with a variety of providers may be a superficially attractive expansion of VET provision with increased choice and competition driving efficiency. This bears further analysis, especially in light of the Victorian experience.

Free-market proponents since Adam Smith have accepted that an effective, efficient market requires comprehensive and accurate knowledge of available alternatives to enable genuine choice. This operates reasonably well for groceries, whitegoods, cars, haircuts. Comparisons on both the price and quality are relatively quick and easy, as is transfer of one's custom to an alternative provider. For VET programs, a comprehensive evaluation of 'fitness for purpose' is usually 'possible only after course completion, well after the purchase has been completed. One cannot, then, throw the half-eaten tasteless apple into the compost at little cost, or trade the vehicle in for a more suitable model or allow the crappy haircut to grow out in a month or 2. One's employability in the chosen profession has been reduced, or one's competence has been compromised with poor quality, productivity or – worst case – unsafe practice resulting. Again, this affects both the the individual and the society/economy.

Profit-making RTOs will advertise and sell as best they can. Stories of introductory offers of laptops etc are common. Quality control is difficult, time-consuming and expensive. Anecdotal evidence of over-zealous marketing and shoddy or even outright fraudulent practices abound (most recently, a provider carrying out a visa racket – very belatedly caught by regulators). This is not to say all or even most private RTOs are crooks or incompetent, but commercial imperatives will encourage behaviour from 'gilding the lily' to worse.

'Fee-help' type loans, which may have been designed to assist access, can exacerbate the above problem. Prospective students will be more amenable to promises and 'introductory offers' if they are not required to pay immediately. Many may not check the 'fine print' adequately, incurring a Ferrari-standard debt for possession of an old Hyundai which won't pass rego.

The above choice-making problems are obviously worse for (prospective) students with limited prior education or other issues which make them less capable choice-making 'customers', yet arguably these are the ones most in need of and able to benefit from traditional TAFE programs, including access and equity provisions. Judging factors such as the level of various certificates, prerequisites, trade licensing requirements and access to pathways to particular jobs and/or further study can be daunting for anyone. Within TAFE, there are experienced specialist staff to assist with such issues.

Commercial RTOs have, by definition, profitability as their prime concern. They will tender at the lowest price they believe might be viable, to win contracts and market share, and deliver services in the cheapest possible manner to stay within cost and make a profit. If this involves compromises in learning environment, staff qualifications, experience and remuneration, class sizes etc, these will be (and are) made. The time-compressed courses by many private providers are legendary. On some occasions, the cutting of corners amounts to outright deception of both the government which pays and the students who enrol.

An agency primarily existing to serve the public will put student needs higher; clearly, costs cannot be open-ended, but if unexpected additional needs or difficulties are encountered, a process exists to adjust budgets provided this is within government priorities. This is especially the case given the well-developed internal accountability mechanisms of TAFE. If resources are unlikely to be adequate to deliver a program, it will not be delivered at that time; there is no motivation to 'give it a go and see if we can make a buck' or worry about market share.

Non-profit providers often lack experience and expertise in the field, and have difficulty delivering programs as intended; when migrant English courses were outsourced, Mission Australia was unable to fulfil its successful tender and had to sub-contract further, while Navitas made super-profits from the sector. That may be the reality of commercial competition, but it doesn't provide much security for vulnerable students.

**Regulating and managing private RTOS in receipt of significant public funds is complex, and if it is to be done sufficiently well to uncover and prevent at least the worst abuses and errors of judgement it will be expensive.**

There are also even more basic problems for TAFE and the students and economy it seeks to serve.

The effect of unbridled market competition on TAFE (as has been demonstrated with the demise of the public Adult Migrant English Service in NSW and the very near-demise of the Victorian TAFE system) is likely to be a reduction (or destruction) of the capacity to provide its normal range of services. Again, the temptation may be to say 'well, that's the marketplace – the more efficient survive'; if 200 used car yards set up on a stretch of Parramatta Rd and flood the market, the efficient ones will prosper and others will struggle or close.

The VET situation is a little more complex. Commercial retailers, to be competitive, must trade on the customers' ability and willingness to pay, not their need. If that principle is applied to VET, both (prospective) students and the NSW economy will suffer.

In addition, the competition is not on the much-vaunted 'level playing field'. Contracts are awarded basically on the cost of student attendance. For TAFE, there is a percentage included for 'overheads' such as libraries, student counsellors, educational consultants and other infrastructure, which most private RTOs either do not provide at all, or provide to a very limited extent. By the very nature of its better-supported provision, TAFE is at a commercial disadvantage.



The support services provided are not some unnecessary ‘Rolls Royce’ option when a Holden would suffice; they enable students with a range of individual needs to benefit and progress. Private providers cannot be realistically expected to cater for slower learners, those with mobility problems etc; they will tailor their programs to the average and above to contain costs and win tenders. Seeking to ensure the same level of provision in contracts would be prohibitively complex (and expensive) while TAFE already has the necessary infrastructure.

This also means that existing facilities may be wastefully under-utilised if a private RTO wins a tender for a program, and the majority of students in that program and region go with the contract, leaving an unviable number for TAFE to run the program; the expensive facilities remain, since given their nature they are generally not likely to be attractive sale or lease prospects. A 2007 NSW Treasury publication, *Service Costing in General Government Agencies* made the point that in comparing providers, the relevant costs in considering tenders for a service are not the **full costs** but the **avoidable costs**.

More broadly, the ‘thinning’ of the market by encouraging more RTOs to access public funds will put stresses on existing providers such as TAFE to maintain ‘critical mass’ in student numbers, in particular locations. Should the government allow parts of colleges to lie dormant until enrolment patterns change, make them available to other providers thus giving them another commercial advantage – like a Ford dealer with poor sales leasing part of its showrooms to the more successful Holden dealer across the road – or close entire colleges and sell them off for residential development? The economic irrationality of the pseudo-market approach is wonderfully illustrated by the provision of state government funds to private profit-making RTOs while the same government concurrently runs paid advertising for its own TAFE system, in competition.

Again, the difference between ‘public service’ and the profit motive disadvantages TAFE. Private RTOs will (as the interests of shareholders demand they should) ‘cherry-pick’ the easier-to-deliver, more profitable programs, leaving TAFE with the courses requiring extensive physical resources, students who require significant additional support and service to more remote regions – as already indicated. If the cost-efficiency of an organisation is to be fairly evaluated, it cannot be done by leaving it with most difficult sectors of its normal service. Commercial enterprises ‘cross-subsidise’ sectors, to maintain market share, customer loyalty and the possibility of future improvements in the loss-making areas (airlines are well-known for this); however, if the cost burden becomes serious, they will abandon the loss-making bits. If TAFE does this, some cost-intensive trade areas, students with special needs and remote regions will have no access to VET.

The Victorian experience should sound a loud warning. Gavin Moodie of RMIT recognised this some years ago; he is quoted in *The Australia*, 5/10/2011 on the move to private VET provision:

*If these proposals are implemented in anything like the [Victorian] form, one may expect similar development in those states, which would result in the erosion of much of TAFE’s financial viability and ultimate capacity.*

Even earlier, Damon Anderson of Monash University, in a report for NCVER (2005) stated:

*...some of the purported benefits of market reform remain unsubstantiated, even if not entirely disproved...on balance...the weight of available evidence suggests that ,at the time of this study, negative rather than positive outcomes predominate...[the research] raises questions about the impact of market reform on public interest objectives (including community service obligationsand public accountability), thin markets and the financial viability of providers, particularly TAFE institutes and small registered training organisations.*

Why should NSW repeat the mistakes of other states? To date, its TAFE system remains of a high standard, with the predominant market share of VET – in spite of the recent dramatic fall in enrolments due to higher fees (and the problems of the new computer system). If we solve the computer glitches, address the prohibitive fees and the complex system of exemptions, and eliminate or at least cap the provision of public funds to private providers, it can continue and improve the high standard of VET it has provided for many decades.