



**Submission from the TAFE Community Alliance to IPART**

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***Part 2***

**Pricing VET under Smart and Skilled**

*TAFE NSW is owned and valued by the people of NSW and supports the development of skills to sustainably increase productivity, prosperity and well being (TAFE NSW website)*

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## Introduction

The TAFE Community Alliance welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal of NSW (IPART) *Pricing VET under Smart and Skilled* Draft Report. The Alliance wishes to restate that TAFE NSW VET provision plays a critical social and economic role in Australian society. It is the quality public Vocational and Education Training provider that caters for a diverse range of students, and delivers quality vocational education and training to the people of NSW. TAFE *anticipates, develops, codifies and institutionalises* knowledge and skills needed the workforce now, but also in the future (Wheelahan, 2013). The TAFE Community Alliance believes that it is essentially a government responsibility to fund vocational education and training, and that the costs should not be passed on to students through the commercialisation of courses nor large increases to TAFE and VET fees. The Alliance continues to oppose the competitive market based foundations implicit in this pricing methodology. The longer term costs to society will include the downgrading of quality education and training which will inevitably lead to risk to the health and safety of the community (Pink Batts).

This submission will begin with an executive summary of the main concerns of the TAFE Community Alliance. Your terms of reference state that the price and fee arrangements “should be market-tested, efficient, effective, socially optimal and take account of relevant externalities” and “should encourage quality training delivery at most efficient price”. The Alliance believes that the IPART process has failed to address:

- effective market testing,
- capacity of socially optimal outcomes including the short and long-term social, cultural and economic impact
- relevant externalities
- quality training delivery, including curricula and pedagogical issues

On reading the submissions to the original issues paper and transcripts from the roundtable it is apparent that the alliance shares the same concerns of many VET stakeholders about the maintaining the quality of VET and overlooking the social impact of this pricing methodology on the economy and society.

We believe the NSW Government has the policy responsibility to ensure the pricing of VET methodology is thoroughly researched from a qualitative as well as quantitative perspective. It needs to establish the short and long-term social, cultural and economic impact of this pricing methodology.

*The Alliance requests that the questions tabled at the Roundtable hearing by our representative, Jozefa Sobski be addressed in the final report to government. See appendix.*

## Executive Summary

The TAFE Community Alliance makes the following critical points:

1. We do not support the introduction of a competitive training market in NSW as envisaged under *Smart and Skilled NSW*. We have asked the NSW Government on a number of occasions to provide the evidence that these changes will ensure an improved VET system in NSW, and that students will be assured of quality education and training. The experience in other countries and in Victoria in particular has led us to draw the conclusion that the very fabric of public provision is imperiled by this market approach, whether this is an intended consequence of government policy; it is certainly not stated as an intention. The research by a range of highly respected academics, such as Phil Toner, Leesa Wheelahan, John Mitchell, Damon Anderson, Michael Long at CEET and Peter Kell, demonstrates the inappropriateness of a market in education, and the damage that will be done to the public TAFE system.
2. The Commonwealth's skills reform offer seeks agreement from the states and territories to deliver:
  - more skilled Australians through an entitlement to a high quality training place;
  - reduced upfront costs for students and increased private investment in training through income-contingent loans for diplomas and advanced diplomas;
  - better outcomes for greater public investment through improved quality;
  - greater social and economic participation through better support for disadvantaged students;
  - a more student and employer friendly system through increased transparency; and
  - better value for money through greater efficiency and funding reform.

The TAFE Community Alliance does not believe that the proposed Smart and Skilled changes meet most of these criteria. The IPART review of fees and charges is based on the premise that fees for students will increase, in many cases a significant increase. As the NSW Government has said that it has not made that decision yet, it appears that much of the work of IPART is based on a wrong assumption. The IPART recommendations will not give students "better value for money", nor is there "better support for disadvantaged students" ensured. In fact it is clear from the IPART Roundtable questions and comments that the issue of concessions, prices and how students will be able to access 'full-service' delivery and additional support, is confused and unsupportable. The comparisons with decisions made in South Australia and Western Australia, show that the IPART recommendations in NSW will further disadvantage those who need most support, and cost far more than in these two other states.

3. The Federal Government's main skills policy 'Skills for All Australians' requires that as part of their proposed changes in line with the National Partnership Agreement, that states and territories need to demonstrate "strategies to ensure the TAFE system – a major provider of high quality training – remains strong and resilient through the implementation of the reforms". The IPART review of fees and charges needed to also ensure that this was demonstrated, and

that TAFE would not be further damaged by changes to thin markets, their loss of current range and scope of delivery, the base prices proposed particularly for expensive trades courses, the use of a community service obligation to support only some of the students who require additional support, significantly increased student fees, and suggestions that OBF funding to TAFE should be reduced.

4. The funding being provided by governments is not sufficient to provide the required levels of training: required by the Commonwealth as part of the National Partnership Agreement, and needed by NSW to ensure a productive and sustainable economy. If this is the case, then there is a significant case for governments to increase that funding or to reduce the expectations of the amount of education and training that can take place. The latter, of course, flies in the face of government policies and an entitlement system. What however is not sustainable is to recommend action that will require the VET system in NSW to provide more training places for less money. There is only one outcome that can result, as demonstrated in Victoria: quality, diversity and choice must suffer, which will ultimately have a negative impact on the Australian economy, its productivity and competitiveness, and it will reduce community capacity.

5. The TAFE Community Alliance does not believe that IPART has made a valid case for separating public and private returns from vocational education and training. These, for the most part, cannot be evaluated in the same way as for higher education, and it is inappropriate for the same ratios to be used. If as part of the rationale for its proposals IPART wishes to use public/private returns, then it is incumbent on IPART to undertake the proper study required to underpin the recommendations. This has not been done in the draft report, and consequently the ratio of 40:60 to establish the proportion paid by students to government contributions has little evidence to support it except that it will deliver a certain number of training places. The Alliance maintains that for students in VET, the rate of private return is lower than for higher education and the government subsidy should be higher than the 60% currently proposed. The testimonies at the hearing overwhelmingly suggest also that the base prices recommended will be inadequate. **Therefore it is incumbent on IPART to advise government that its proposed forward estimates for VET funding is totally inadequate to meet the community and industry's needs. Dumbing down course provision cannot be an option. The community and industry would not support this if asked and IPART has some ethical responsibility to draw the impact to the attention of government.**

6. The TAFE Community Alliance does not support an increase in TAFE fees as proposed in the recommendations. Other public services and utilities implement small, sustainable fee increases, as was previously the case with TAFE fees increasing annually by CPI. The same process should be applied to VET. Overall our consideration of the IPART recommendations has demonstrated that proposed student fees are too high, especially for disadvantaged students with or without concessions, and that base prices are too low to ensure quality education and quality outcomes.

7. The community understands that education and training generates the skills and knowledge required for a productive economy but there is also a strong community appreciation of the value of VET in building social inclusion and civic participation. The fundamental issue in the assessment of the public or private benefit using the human capital framework is putting a price on social inclusion and civic participation. The social inclusion

variables are complex and not readily measured effectively in a human capital framework. The social, cultural and economic dimensions of a community are complex. These dimensions do not operate in a static 'capital' continuum. This doesn't mean that because they can't be measured effectively using the human capital approach that they can't be integrated into the methodology. Research investigating the non-pecuniary benefits of schooling warns of that overreliance on quantitative and qualification measures of education have neglected the qualitative and theoretical perspectives -in particular the effect of curricula and pedagogy (Oreopoulos & Salvanes, 2011). TAFE has a large library of social research case studies on the social and economic value of VET for communities across NSW. How can these be factored into the methodology?

Our website at [www.tafecommunityalliance.org](http://www.tafecommunityalliance.org) provides extensive information about the work we have been involved in supporting TAFE since the launch of the Alliance late 2012.

## TCA Responses to Draft Recommendations in the IPART report

1. Base prices should reflect the ‘efficient’ costs an RTO will incur in providing training that meets the ‘required quality standard’ to a ‘standard’ student including: 45
  - teacher costs 45
  - course-specific costs (such as facilities, equipment and teaching supplies) 45
  - recurrent costs (such as administrative staff, utilities) 45
  - capital costs (captured through a margin on operating costs). 45
2. The base price for each course and qualification on the skills list should be established by applying a variable cost (\$/nominal hour) that reflects costs driven by the combination of UoCs the qualification involves, and a fixed cost component (\$/enrolment) that reflects costs driven by the level of the qualification. The base prices should be established by: 45
  - applying the relevant variable cost (\$/nominal hour) for each UoC it involves to the nationally agreed nominal hours for delivering that UoC 45

We should support use of nominal hours as the basis for sustaining quality provision

- summing these amounts to derive the total variable cost, and 45
  - adding the relevant fixed cost (\$/enrolment). 45
3. For the purpose of establishing the total variable cost to be included in the base price: 46
    - UoCs should be categorised into 25 different industry groups based on their cost drivers 46
    - the variable cost of ‘standard’ UoCs in each of these industry groups should be estimated 46
    - the variable cost of ‘high cost’ UoCs in 10 of these industry groups should also be estimated. This cost should include a premium of between 10% and around 35% on top of the cost for a ‘standard’ UoC in the same industry group 46
    - the estimated variable costs shown in Table 4.1 should apply from 2014/15 46

We are very concerned with the huge gap between the IPARTs variable cost by industry area and current \$ per nominal hour in an already tight TAFE budgetary environment. From our information, costs per nominal hour for the areas below far exceed IPART’s base price. The table below compares IPARTs variable cost by industry area and current \$ per nominal hour.

Industry Group	Standard UoC IPART	High Cost UoC IPART	TCA TAFE cost
Primary Industries	\$5.73	\$6.87	\$10.40
Electrotechnology	\$8.33		\$12.90
Community Services	\$4.81	\$6.39	\$6.71
Travel, Tourism & Event management	\$5.05		\$8.08
Manufacturing	\$9.12		\$13.30
Building Services	\$7.71		\$10.46

- the combination of UoCs involved in the course or qualification should be assumed to be a typical combination of UoCs for that course or qualification, at least in the first few years of Smart and Skilled. 46
- 4. For the purpose of establishing the fixed cost to be included in the base price: 46
  - courses and qualifications should be categorised into 5 groups based on the typical amount of time taken to complete them 46
  - the fixed cost of this amount of training time should be estimated 46
  - the estimated fixed costs shown in Table 4.2 should apply from 2014/15 46
  - 5 different fixed costs (\$/enrolment) that apply to different qualifications levels. These should range from \$500 per enrolment (for Foundation skills courses other than Certificate 1) to \$4,400 per enrolment (for Diplomas and Advanced Diplomas). 46

The TAFE Community Alliance recommends that all preparatory courses including Special Access Courses, Foundation Skills and Certificates I & II be fee free. It is recognised that a Certificate III qualification is the first post school credential that has a positive return on employment and income. Therefore it is only at this point in a student's lifelong education that they will have the disposable income to pay for education.

- 5. Base prices should not vary with the mode of delivery. 46
- 6. DEC should collect information on the combinations of UoCs RTOs offer for each course and qualification, to assess how these differ from the typical combination of UoCs and whether the differences warrant making changes to the approach for establishing the variable cost component of base prices. 46
- 7. DEC should collect information on the UoCs and actual hours of training RTOs deliver per course and qualification, to ensure the base prices remain cost-reflective and identify where RTOs may be compromising the quality of training they deliver and further investigation may be warranted. 46
- 8. The following loadings should be added to the base price to reflect the additional costs associated with higher cost learners: 53
  - location loading – 10% for students located in regional areas; 20% for students located in remote areas 53
  - needs loading – 10% for students who are Aboriginal or Torres Strait Islander, have a disability, or are long-term unemployed. 53

The TAFE Community Alliance does not consider that the needs loading for students with special needs is adequate either in terms of the definition of those covered by the needs loading, nor in terms of the level of funding available. It is considered that a needs loading should incorporate the true cost of formally identified needs as noted below. A 10% loading will be extremely inadequate. Any needs loading should be paid at the commencement of study or once the need is identified in order to maximize the effectiveness of the support.

TAFE Community Alliance has significant concerns about the draft recommendations regarding loadings to account for higher cost learners: (i) the definition of higher cost learners who require a needs loading is too narrow; (ii) the allocation of a single needs loading does not address the nature and impact of multiple or complex need; (iii) the definition of what constitutes a disability is absent; (iv) the costing of the loading reflects an economic model but ignores educational and pedagogic factors which require assessment of student needs and implementation of an individual learning plan addressing students needs to meet ASQA standards.



## 1. Definition of high cost learners

The definition of high cost learners requiring a ‘needs loading’ is inappropriately restricted to three groups of students who are Aboriginal or Torres Strait Islander, have a disability or are long term unemployed (for 52 weeks or more).

The draft document acknowledges that it is “appropriate to use a loading to cover costs when students in the category increase training costs in a fairly consistent manner, and students in the category can be easily identified, so eligibility can be easily determined by the RTO and verified by the Government”.

It is widely recognised, as the draft document states, that other groups of students also require additional costs for successful training outcomes. The document does not explain why it implies that other groups are not easy to identify. Other programs or providers identify the following groups as meeting criteria for special needs, with the implication that this is fairly consistent:

- The Strategic Skills Program identifies older workers (45 yrs+) and young people, presumably young people ‘at risk’. TAFE Community Alliance has been unable to obtain the specific eligibility criteria for its target group of “people with special needs” but these criteria presumably do exist<sup>1</sup>.
- Groups easily identified by Australian Universities in their educational disadvantage or access schemes commonly include up to 7 recognised categories of severe disadvantage which can be assessed for impact on a student’s learning. In addition to ATSI students and those with a personal illness or disability as included in the draft document, these groups include those who have experienced:
  - **disrupted schooling** - missing long periods of schooling (which may contribute to students having inadequate skills and preparedness for specific courses or subject areas)
  - **disruptive home environment or severe family disruption** –
    - experience of abuse to the student or family members (including domestic violence or bullying experienced at school or in the home environment)
    - dealing with alcoholism or drug addiction in the home
    - homelessness (having no fixed address, do not live with family, living in emergency or unstable accommodation)
    - recent involvement in criminal/legal matters or the justice system
    - excessive responsibility for care of children and/or other family members
    - excessive work requirements
    - death of immediate family member or close friend, severe or life-threatening illness/disability of an immediate family member or close friend
    - divorce, separation or family breakdown during the course of study
  - **English language difficulty and cultural barriers**
  - **refugee status**
  - **natural disaster** (specifically mentioned in Victoria )

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<sup>1</sup> See SSP Information Sheet [http://www.training.nsw.gov.au/programs\\_services/funded\\_apl/ssp/index.html](http://www.training.nsw.gov.au/programs_services/funded_apl/ssp/index.html)

**Comment:** These categories clearly cover social or personal disadvantage which do not necessarily meet criteria for a disability but which may lead to educational problems such as difficulty to engage with study or to succeed with study without additional support. Such disadvantage resulting in educational problems can be identified by qualified, professional expertise which exists within the TAFE system

### **Multiple and complex disadvantage**

The draft document fails to recognise the impact of multiple and complex disadvantage and/or multiple disabilities which result in students presenting with complex needs, requiring individual case management and access to one or more specialised support services: counselling, disability, Aboriginal education support, outreach, multicultural, language, literacy and numeracy foundation skills.

As noted in the previous submission, reviews into the support needs for individuals with complex disadvantage within the JSA market (Streams 3 & 4) have noted that fragmented services do not meet the client's sustained and complex support needs. VET students who are on Disability Support Pension or who have complex needs (Stream 3 & 4) struggle with a broad range of personal, family, lifestyle, health or equity issues. They have unstable housing, or live in isolated areas, have been involved in the justice system, have learning, mental health or substance abuse issues and often have poor foundations learning skills.

The interplay of these factors can have intergenerational effects on disengaged families and their communities. Low-skill and disengaged learners are disproportionately drawn from key groups of disadvantaged Australians including the indigenous community, people with disabilities, early school leavers, culturally and linguistically diverse communities, low skilled older people without qualifications, individuals from socio-economically disadvantaged families and those experiencing significant life disruption (Davies, Lamb & Doecke (2011). Ex-offenders, people with chronic drug and alcohol issues, youth at risk, women at risk of domestic violence and isolated social housing residents also experience complex and entrenched disadvantage which is costly in terms of community safety, welfare payments, drug and alcohol misuse, health and mental health costs. P.16 Their need is qualitatively different from the needs of someone with a 'single' disability.

These learners can have a range of backgrounds and experiences that exclude them from education, training and work including a lack of knowledge of education and training options, low confidence or interest in learning, lack of transport and money, low foundation skills and educational attainment and learning anxiety. Other barriers include family commitments, low income, disabilities, health issues, refugee status, age and childcare. Their community and vocational networks are generally limited compounding low aspiration and an inability to negotiate career pathways. Insecure housing, homelessness and the prospect of low skilled insecure employment are the lived realities of these communities.

Good practice in the VET pathway from welfare to work for disadvantaged has been identified as including:

- a systems-based structure for collaboration built into the system, rather than being ad hoc and relying on the goodwill of individual
- case management and coordination of support services (internal and external)

- an individualised approach, including individual training plans
- collaboration and linkage across and within sectors
- links between VET staff and local employers
- targeted induction and pre-enrolment assessment processes
- assistance with child care for disadvantaged students
- assistance with transport for disadvantaged students
- a range of learning and support services, integrated with studies
- creative combinations of work, study and support—‘one-stop shop’
- provision of work–study–life balance (Barnett and Spoehr, 2008, p.10).

The proposed loading makes no differentiation between mild, moderate and severe levels of disability/impairment and will effectively lock students requiring high levels of support out of the broader VET market. A student with a severe anxiety disorder or social phobia living in a household with intergenerationally unemployed family members who have mental health problems will most likely take longer to complete his or her course, and will require intensive assistance compared with a student with a moderate anxiety disorder.

## 2. Definition of Disability

The draft document provides no definition of what constitutes a disability, yet this underscores the loading percentage. Will the definition of ‘disability’ be consistent with the Commonwealth Disability Discrimination Act or will a learner be required to receive a Disability Support Pension to be eligible for this loading?

TAFE NSW currently has a strong policy framework to support the identification of, and support for students with disability; in addition to Anti-Discrimination Legislation and Disability Standards in Education, there are other policies and procedures that not only identify students with disability but establish a framework for monitoring reasonable adjustment and ensuring compliance to legislative requirements:

- Students with Disabilities Policy - TAFE NSW
- TAFE NSW Student Selection Policy
- Assessment Policy - TAFE NSW
- Services for students with disabilities

How will legislative compliance across all training providers be achieved for students with disability in an open VET market?

## 3. Costing and level of loading

The draft document provides costing of the needs loading at 10% yet does not identify the type of assistance which may be required for students eligible for a needs loading, nor does it provide any analysis of evidence which led to the recommendation of a 10% loading. Identifying the *type of assistance* which may be appropriate for students requiring a needs loading seems crucial in costing the value of the loading.

4.1 Depending on assessed individual need, a student may require one or more of the following supports:

- pre-enrolment counselling or advice to select courses appropriate to their level of ability and preparedness for learning
- learner support for language, literacy, numeracy or basic IT skills development
- learner (tutorial) support in technical content (for example, for those with an intellectual, learning or psychiatric disability)
- learner support with higher order skills development, for example, in organising, analysing, research, report writing and presentation skills (for Cert III and above). (Note: the potential loss of pathways under Smart and Skilled will most likely increase the need for this level of support)
- Auslan interpreting for deaf students
- special access courses, for example, to learn to use voice recognition software, and vocationally based access courses for students with intellectual disability (with work placement which potentially leads to employment)
- resources produced in alternative formats for students with a vision impairment
- notetaker for students with a physical disability
- reader / writer for exams
- training in use of adaptive technology for students with a disability
- adapted learning resources based on the universal design for Learning Principles
- social communication skills development, for example, for students with autism spectrum disorder or behavioural problems
- mentoring (peer or community based)
- counselling support (for example, assessing learning needs, assessing learning disabilities, anxiety management, managing crises, mental health problems, disruptive home environment, managing classroom difficulties and interpersonal relationships; supporting ‘at risk’ students)
- advocacy and support for teachers working with students with special needs
- liaison with external support agencies to provide collaboration and long term planning to support particularly those with multiple and complex needs
- case management

For registration as a quality provider, RTOs are required to provide training, assessment and support services that meet individual learner needs. This current loading structure (one needs loading per person) does not enable providers to meet individual learner needs if they have multiple disadvantage.

- **How can a Year 12 school leaver with an autism spectrum disorder be funded at exactly the same level as a person who has a history of incarceration, mental health issues and little social support?**
- **How can a student who needs an Auslan interpreter, training in the use of adaptive technology and learner support in Commercial Law for accounting require the same level of support as a student who simply needs the learner support?**

4.2 The level of the loadings is set at a percentage (10%) of the of the course fee. This means that students doing higher level courses will be able to access more learner support than those doing lower level/access certificates. In addition to being inequitable, this principle fails to recognise the role of pathways in VET and the additional costs of developing ‘learning to learn’ skills in disadvantaged and marginalised people who need higher levels of support at the beginning of their training journey

rather than at the end of it. The loading should be based on the cost of the identified support needed – as determined by professional support staff.

4.3 The 10% level of loading is inadequate and one loading does not acknowledge the complexity of some students' needs. For example: (i) A student doing a Diploma of Business would be entitled to a loading of \$694. This would provide approximately 9 hours of tutorial assistance over a 2 year Diploma if requiring 1:1 learner support - insufficient to assist a student to successfully complete. (ii) A student doing a Certificate III in Bricklaying who has a learning disability but is talented in his/her practical trade skills would be entitled to \$928 loading, providing 13 hours over a 3 year period - extremely inadequate for quality learning and successful completion. (iii) A student doing a Cert II in Warehousing would be entitled to a \$335 loading, providing around 4 hours of assistance. This is at an entry level of training when most support would be anticipated, yet, if the student progressed to a Cert IV and Diploma s/he would be entitled to a higher loading (\$614 and \$899 respectively). The assumption is that the level of support accompanies the cost of the program, whereas the level of support may be greater at entry levels of training. It would seem preferable to identify: the type of support required for students with needs, the level of support for successful completion and provision of funds accordingly.

The costs associated with learner support, for example, for students with a disability, relate directly to supporting the 'functional needs' of the individual. The purpose of learner support for a student with a disability is to accommodate the impact of the disability so as to create a 'level playing field' in terms of successfully completing a training qualification. To provide a fixed level of support, not based on a functional assessment, does **not enable** each individual and is potentially a breach of legislation, a waste of funding and of inadequate support to the individual to achieve a successful outcome.

TAFE NSW has an existing network of specialist staff who are able to assess and readily identify student needs. This includes specialist disability teacher consultants, TAFE counsellors, foundation studies teachers who include specialists in literacy and numeracy, as well as language specialists, and prevocational teachers who assist students with higher level foundation skills.

Students eligible for a loading should be identified by teachers in conjunction with specialist support service professionals based on available evidence.

9. A provider should be able to claim a maximum of 1 location loading and needs loading per student. 53

A single needs loading is educationally inadequate and will be potentially in breach of anti discrimination legislation in the case of a student who may have more than one disability and require more than one type of support to successfully complete the course. This recommendation over simplifies the reality of complex needs. What does co-enrolment in Foundation studies courses mean? Who pays? The draft report implies that if you are one of the students not covered by CSOs, but high needs and requiring Foundation skills, for example, those requiring Language, Literacy and Numeracy support, then they have to pay more. This co-enrolment should be **fee free**, that is, subsidized by an adequately funded TAFE system.

10. For the purposes of directing CSOs: 58

- a market should be defined in terms of the location of the training, industry category of the training and any specific student needs to be serviced 58

We have concerns that CSOs are too narrowly defined. The Industry Commission (1997) states, “...to be regarded as a CSO, the specified service or function must provide an identified social benefit.” (Industry Commission, 1997). To be proposed and approved as a CSO, the activity must have a specified social objective; which is defined as: Social Objectives - Identifiable objectives pursued for the well-being of the community as a whole. (NSW Government, 1994)

The draft report identifies that CSOs “include support for students with a disability, including disability co-ordinators, support for Aboriginal and Torres Strait Islander (ATSI) students, including ATSI co-ordinators and counsellors, outreach coordinators and counseling costs” (p.3). TAFE Community alliance welcomes this acknowledgement of the need to provide essential and specialised support for disadvantaged and marginalised people. This provision requires extensive investment in staff and educational infrastructure. As indicated in our previous submission (TCA submission to IPART, Part 1, 2013, p. 11) TAFENSW has developed this expertise but it requires adequate and appropriate funding to maintain it. Whilst there may be funds available under Community Service Obligation (CSOs) and operation base funding (OBF) there is no commitment to this provision, in fact there is a suggestion that the OBF be reduced to release funds for additional student places.

The recommendation implies that CSOs based on student needs are only available for the three identified groups of special needs students which TAFE Community Alliance considers too restrictive (see comment on draft recommendation 8).

The TAFE Community Alliance recommends that the delivery and funding of Special Access Courses be part of CSOs. This draft report does not address the place of Special Access Courses which are an essential vehicle for CSOs within TAFE.

The impact of Smart and Skilled on the pricing and provision of Special Access Courses (SAC) is not clear from the IPART draft report.

The report makes some references to Special Access Courses. That they are currently fee exempt (Page 74), the NSW Government’s indicated that under Smart and Skilled eligibility requirements are to be maintained for concessions and exemptions (Footnote 6) and recommends that Outreach Coordinators, who run SAC, be funded under CSO’s (Page 42). The question is how will CSO’s be determined or mandated under Smart and Skilled to ensure that TAFE Special Access Courses are retained?

Special Access Courses need to be differentiated from Foundation Skills Courses. SAC are developed to meet the educational needs of people with complex disadvantage. Inadequate levels of LL&N may be part of this complexity. Courses are developed using the AEET framework, may be campus or community based with a focus on engagement and pathway to VET development. Foundation Skills courses address LL&N needs of students at the pre-vocational and vocational stages of study.

The definition of disadvantage chosen in the IPART draft report is limited to disability, Aboriginality and long term unemployment. Although there is some acknowledgment that disadvantaged students include a broad range of people, that disadvantaged individuals are not easy to identify and verify, but that generally they would be socio-economically disadvantaged (Page 51). Complex disadvantage

includes factors such as: economic (low income and welfare recipients), low levels of English language, CALD and refugee backgrounds, cultural barriers, low levels of education, lacking an adequate standard of language, literacy and numeracy, many women and carers returning to the workforce, youth at risk, people recovering from addiction and health issues, people suffering family breakdown and housing insecurity, people lacking transport, people who have been retrenched due industry restructuring or downturns. These people suffer from poor self-esteem, low expectations and sense of hopelessness. These characteristics were movingly articulated at the recent IPART roundtable by a student from Blue Mountains College of TAFE.

Special Access courses contribute to a more prosperous economy with reduced public expenditure as an outcome with reduced rates of incarceration, recidivism, improved mental and general health , lower welfare expenditure, public housing costs, policing and crime. They contribute also to a healthy economy with lower unemployment and more productive consumers and taxpayers. The value of this public and social benefit is uncoded by the draft report. How is IPART defining socially optimal? How is the fees regime socially optimal?

11. The Government should specifically identify the thin markets for which it wants to provide CSOs. The supply of these markets should be negotiated with TAFE and ACE during the first several years of Smart and Skilled, and then put to competitive tender. 58

TAFE Community Alliance agrees that the Government should identify those markets for which it wants to provide CSOs including those which are too costly to provide for the base price because of lower than usual student numbers, higher than usual costs of delivery or where students with special needs have costs which are not adequately covered by the loading. (We have identified these students with complex disadvantage/special needs Recommendation 8.1)

TAFE CA requests clarification about whether these CSOs for students with special needs (multiple or complex disadvantage or disability) are for **students in mainstream courses** whose support cannot be adequately delivered within the available loading or for **specialist access courses** for such students or **both**?

TAFE Community Alliance **does not support the methodology for testing** whether an RTO is willing to supply a market for the relevant base price and loadings (based on the RTO submitting the list of markets for which they are willing to provide services under the available base prices and loadings). This methodology could result in:

- (i) a delay in delivery which would leave some students being unable to continue / complete their course; or,
- (ii) a new intake of students being delayed due to the ‘testing’ process, resulting in the loss of teachers, infrastructure and facilities which could not be easily or possibly ever reinstated. CSOs need to be planned based on available evidence.
- (iii) This methodology also ignores (the reality that higher cost learners with multiple or complex needs who meet a CSO definition will enrol in a mainstream course which itself does not attract the CSO. RTOs cannot always identify in advance who will enrol in their courses and what needs they will have. Such funds need to be readily available for TAFE to support students with needs. For this reason TAFE should remain the provider to VET in think markets

12. In thin markets where the Government does not provide CSOs and RTOs offer courses and qualifications on the skills list for the full commercial price, students should be entitled to the government subsidy and any loadings they would receive if they undertook the same training as in a robust market. 58

We are concerned about the definition of thin markets within this report. If a thin market is where no private RTO is willing to provide services, there will be at least one provider usually TAFE. Why should it operate in such a market if the base price is inadequate? A rational management approach would require it to withdraw from the thin market if it cannot cover its costs. How and when will these markets be identified? It is unclear to the TCA how these thin markets will be managed statewide. There needs to be stronger criteria as to what a thin market is and what is expected of an RTO delivering in a thin market. Some proof must be offered about what it could provide with additional funding compared to what it would have done without it. The Alliance believes that thin markets warrant serious research and attention. TAFE provision has been possible in these markets in the past because it is an integrated public education system and offers economies of scale. This capacity is being destroyed by the fragmentation of VET into small uneconomical providers which cannot effectively and efficiently deliver in thin markets.

13. Students undertaking their first post-school VET qualification should pay, at most, 40% of base prices in fees, with the remainder (60%) paid through Government subsidies. 70

The draft paper has not provided an effective and fair analysis of the public and private benefits including public externalities as a result of VET provision. VET pricing should not be based on Higher Education University pricing. Overall the returns are not as high, nor in most instances is a VET qualification valued as highly by some employers as a University degree. We are not equipped to do the modeling of the budgetary impact of this ratio, but we suggest that IPART does provide this information as advice to government on the options available within its budgetary framework or constraints. The current report must present all options for government consideration.

14. Students undertaking a subsequent VET qualification should pay, at most, 45% of base prices in fees, with the remainder (55%) paid through government subsidies. 72

Some students initially enrolled in Special Access Courses, Foundation Skills and lower certificate levels may have multiple enrolments as they pathway to a VET qualification at Certificate III. If courses are not fee free, how will this be managed through entitlements, loadings, additional loadings or CSO's? Assessing individual students to determine their eligibility for support runs the risk of becoming an administrative quagmire, may threaten the financial viability of providers and lead to a downturn in enrolments.

As stated in our previous submission, the TAFE Community Alliance does not support an additional contribution for undertaking subsequent qualifications for several reasons (TCA Submission to IPART part 1, p. 18). This practice would **undermine the notion of lifelong learning** “the key to remaining competitive and maintaining and enhancing community prosperity” (Allen consulting 2006) and the reality that the **world of work is in continuous and unrelenting change**. The fact that Australia has one of the most casualised work forces and that individuals are more likely to experience unemployment and underemployment several times throughout their lifetime heightens the need for lifelong learning so they can respond to the changing needs of the workforce” (McMahon and Tatham, 2008). New businesses, industries and jobs are emerging involving tasks, services and products that may not have existed previously. In this world of work, individuals may experience a succession of jobs in a lifetime (McMahon and Tatham, 2008, p7). “Skills are ... characterized by



lifelong development and renewal. Most skill sets have a finite life” (Career Development and Upskilling, Kelly Global Workforce Index, p16). Individuals need capabilities that **allow them to move vertically and horizontally within vocational streams** (Wheelahen et al., 2012) and “people of all ages are needing more flexibility to move in and out of work, have families, retrain, work internationally, change fields and participate in work at any age.” (Golding 2012 p20-21). To increase the personal contribution with subsequent qualifications sends the message that lifelong learning is more for individual private benefit than for community or public benefit. This is not the case and so we recommend that subsidies be held constant.

This recommendation also ignores the reality that many people are required to retrain due to injury, illness, changing technology, downturn or closure of an industry, or changed family circumstances all of which may require a change of career. In these circumstances the individual should not be penalized for external factors which require additional training.

This recommendation would add further administrative costs which would effectively negate the economic advantage for the proposal.

15. The approach to sharing the costs of part qualifications between student fees and government subsidy should be the same as the approach to sharing base prices for full qualifications. 73

TAFE CA supports this recommendation as it encourages students to complete full qualifications by not advantaging a part qualification. TAFE Community Alliance questions what research or evidence is available to demonstrate the equity of this principle?

16. Students undertaking Foundation Skills courses should pay 10% of base prices in fees, with the remainder (90%) paid through government subsidies. 74

The TAFE Community Alliance recommends that all preparatory courses including Special Access Courses, Foundation Skills and Certificates I & II be fee free. It is recognised that a Certificate III qualification is the first post school credential that has a positive return on employment and income. Therefore it is only at this point in a student’s lifelong education that they will have the disposable income to pay for education.

The National VET Equity Advisory Council (NVEAC) Equity Blueprint, Creating Futures: Achieving Potential through VET (August 2010) expressed concern about the impact of fees on access for disadvantaged learners. Previous unsuccessful attempts to introduce fees on Special Access Courses validate these concerns:

- In 1988 enrolments dropped dramatically after the imposition of an \$80 fee
- In 2004 a proposal to reintroduce fees was dropped following a community backlash

These attempts to introduce fees demonstrate that demand for courses is very price elastic for disadvantaged people.

As mentioned in the draft report in 2013 the concession fee for courses in TAFE NSW was increased from \$53 to \$100 and the NSW TAFE Commission Board reports many students have switched to Special Access Courses due to financial constraints. In 2012 South Western Sydney Institute (SWSI) a low socio economic region with high levels of unemployment, enrolled over 72,000 students. Overall more than 65% of these students received a concession or an exemption. Some 6000 were enrolled in Outreach Special Access Courses. Neither the economy nor the community can afford for these people to be priced out of VET.

Women's participation in VET is especially impacted by fees. Around 80% of enrolments in Special Access Courses are women. It cannot be assumed that all students eligible for a fee exempt Special Access Course are eligible for a concession. In many low income families, not receiving benefits, there is no money or priority to pay for a woman's education and possibly resistance to her participation. Special Access Courses are an opportunity to engage in VET and develop pathways to education, training and work. However, course fees in higher level courses are a major impediment to achieving qualifications that will have a positive benefit in employment and income. If the age of social justice in VET initiated by Kangan is to continue, financial accessibility enabling students to pathway through Foundation Skills and lower certificate levels of VET is essential.

## Case Study Foundations Skills

### *Costs of Foundation Skills courses*

The TAFE Community Alliance undertook an estimate of a current Certificate II in Skills for Work and Training Foundation Skills course, and the cost to a student. The case study was based on 400 hours of units:

FSKRDG10	Read and respond to routine workplace information	30
FSKWTG09	Write routine workplace texts	30
NSWTWTG102B	Apply basic spelling strategies	30
MSAPMSUP106A	Work in a team	20
FSKOCM05	Use oral communication for effective workplace presentations	20
FSKNUM14	Calculate with whole numbers and familiar fractions, decimals and percentages for work	30
FSKNUM15	Estimate, measure and calculate with routine metric measurements for work	30
FSKNUM20	Use basic functions of a calculator	20
FSKNUM18	Collect data and construct routine tables and graphs for work	20
FSKNUM19	Interpret routine tables, graphs and charts for work	20
FSKDIG03	Use digital technology for routine workplace tasks	30
BSBITU102A	Develop keyboard skills	15
BSBITU201A	Produce simple word processed documents	15
FSKOCM07	Interact effectively with others at work	30
FSKLRG09	Use strategies to respond to routine workplace problems	30
FSKLRG11	Use routine strategies for work-related learning	30
<b>Total</b>		<b>400</b>

The estimated cost for this course, including the \$500 fixed cost and the unit costs would be \$2416.60. If the student paid 10% of this cost, that would be \$242, a very high cost for a Foundation Skills course, and prohibitive for most students.

The TAFE Community Alliance restates that Foundation Skills courses should be fee free considering that students still have to pay transport costs, sometimes childcare costs, may have to overcome barriers from anxiety and previous negative educational experiences, so are already paying significant costs.

The Alliance note that the foundations skills are fee free in South Australia. Having them fee free would remove the problem posed of co-enrolments. Foundation skills courses should be fee free as in South Australia.

17. Student fees should be specified as the maximum fees RTOs can charge, so they are able to charge lower fees if they choose. 75

The TAFE Community Alliance does not support the setting of student fees as the maximum that RTOs can charge. The experience in Victoria demonstrates the damage that this deregulation can lead to in education. (Wheelahan 2013) A competitive training market where RTOs compete both for government subsidies and students, will result in some RTOs seeking to find ways in which they can supposedly offer the same ‘product’ for a cheaper price, therefore being able to extract greater benefits from both the government subsidy and the student fee. What is not acknowledged in the IPART review of fees and charges is that private training providers are in the market to make money. Unlike TAFE, their ultimate goal is not quality education and training or the public good, but increased profits. Consequently the adoption of behaviours by many RTOs to maximise profits must be expected. It is surely the responsibility of regulation by governments to ensure that this does not result in loss of quality, access, and standard skill outcomes from the same courses across the country.

To set a maximum fee as and suggest further de-regulation, is for governments to relinquish their responsibility for supporting quality outcomes. It invites private RTOs to undercut each other to gain a greater share of the market, and quality education for students has to suffer. As IPART has recognised in setting base prices for qualifications, there is actually very little that should vary in a qualification delivered by one RTO as compared with another. As part of their scope of registration they require qualified teachers, facilities and equipment for students, and ways to support students with additional needs. If nominal hours are used also as a base for setting prices, and it is recognised that all modes of delivery have similar costs, then how can an RTO charge a cheaper fee for students? This can only occur by cutting back on one or more of these requirements. The evidence from Victoria has clearly shown how RTOs will cut delivery hours and in some cases provide students with very little education and training for their money. By the time this is made known to ASQA or state regulators, it is far too late for many of these students. This is a resource wasted. The Alliance has provided a number of case studies where this undercutting of educational quality is already in operation.

The Alliance maintains that one of the critical reasons for ensuring that the public provider TAFE was funded by governments to be the major provider of vocational education and training, was to ensure that there were consistently high standards set and maintained by all providers. The IPART proposals are likely to result in the undermining of TAFE and its standards. This will have an impact nationally and internationally. The publicly supported and funded TAFE system enjoys an international reputation for quality and consistency. There are many export dollars to be made by the system. Destroy the system and you destroy also this reputation and a source of revenue to the system. The reputation of the organization

depends on highly qualified staff who collaborate on appropriate teaching methodologies across the system. Cheapen this quality and you damage the whole. The Alliance supports consistent high standards in vocational education and training, and consequently supports a flat fee to be used by all RTOs. The competition in education should be on the basis of quality not cost.

The Alliance is also concerned that on top of fees, students have many other costs to meet. These include some equipment and resources which are part of their course requirements. RTOs in general, including TAFE, currently charge students hundreds of dollars more for these additional resources, or expect them to provide such equipment themselves. These additional requirements have been ignored in the review. They cannot be neglected as a factor if the system is to be fair to students.

IPART heard from some students about the difficulties increased fees will impose, for example, Blue Mountains College of TAFE students at IPART Roundtable. We recommend that the proposals be market-tested with a stratified sample of students across the state. Few student groups have been consulted as part of this review. They will be the consumers in this market. Current concerns around existing costs of study need to be acknowledged. What is a standard student? The answer to this question is far more complex than the draft report acknowledged.

18. In principle, the fee arrangements for apprentices and new entrant trainees should be consistent with those for other students. 80

There are numerous social and economic disincentives for apprentices and trainees. There are issues for employers in being able to provide the right environment to reinforce learning while trying to run a business with an adequate profit margin. But, some of the arguments for an initial capping of fees for this group of students are applicable to many more.

19. In practice, apprentice and new entrant trainee fees should transition toward levels consistent with those for other students to reduce impacts on students and industry: 80

- during the first year of Smart and Skilled, fees for apprentices and new entrant trainees should be capped at \$3,000 per qualification. 80
- in the subsequent years this cap would be increased by \$1,000 per year until all apprentice and new entrant trainee fees reach the targeted percentage of the base price. 80

Enrolments in apprenticeships have dropped by 25% and non-completion rates are increasing. There are a variety of reasons for this and there would be studies over many years which highlight the problems. Many of the reasons for the drop-out at various stages of the training are financial. Sometimes they are due to employers' inability to continue to support a partially productive worker. But families and young people already struggle on extremely low wages to pay for:

- tools and equipment
- protective clothing
- uniforms
- textbooks
- travel

The \$800 payment apprentices receive in the first three months is likely to pay for text books. Other sources of funds must be found to cover additional costs. Increasing VET fees significantly will act as a barrier to take –up of apprenticeships.

Whilst some employers pay VET fees for apprenticeships, many do not. Where employers do pay VET fees, the student is usually required to pay up front and then is reimbursed by his or her employer. Recent removal of some employer incentives for completion means that employers will have an additional reason to stay out of the system at a cost to the skills base of the economy.

Many young trainees and apprentices make ‘false starts’ in training and career choices, and will enter a number of courses before finding their training pathway. If higher fees are set for subsequent qualifications young people will face additional disincentives in pursuing training. They should not be penalised for ‘wrong’ choices or false starts.

There are a wide variety of earning levels across different apprenticeship areas from CII to CIV in different fields. Further fee increases will increase hardship for unfairly on trainees in less technical occupations which do not attract high wages, for example, aged care or bush regeneration, among many others. There may be important gender-related differences in this area for which IPART should account.

There is a major need for LLN support in apprenticeships and traineeships. The proposed mechanism for co-enrolment in Foundation courses is unwieldy. The proposed fee increases for vocational courses are already excessive, and adding another \$100 or more for Foundation courses to support LLN needs will make study prohibitive. We recommend LLN support be fee free.

As with the disability loading eligibility, there are major issues around the definition to be used, the personnel who will do the assessing of need, and the timing of needs assessment. It is important to remember that LLN difficulties still cause major stigma and embarrassment. Many people will be unwilling to identify as needing LLN support upfront. Will they be required to pay hundreds of dollars more when the VET trainer finds they are unable to cope with the standards of teaching and delivery required for their courses.

It is vital to maintain the public provider for apprenticeship training for national organisations and for industries with very high infrastructure costs and in thin markets. Private RTOs cannot be relied upon to ensure quality long-term sustainable provision across all geographical areas to meet national needs.

We are very concerned with huge gap between the IPARTs variable cost by industry area and current \$per nominal hour in an already tight TAFE budgetary environment. We have examined IPART’s figures for some industry groups and compared them with TAFE’s.

Industry Group	Standard UoC	High Cost	TCA TAFE
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	<b>IPART</b>	<b>UoC IPART</b>	<b>cost</b>
Primary Industries	\$5.73	\$6.87	\$10.40
Electrotechnology	\$8.33		\$12.90
Manufacturing	\$9.12		\$13.30
Building Services	\$7.71		\$10.46

Reading the transcription of the 20/8 Roundtable hearing confirms that these concerns are shared by other stakeholders. It is critical to include and account for the public benefits of having quality trades people as pointed out at the Roundtable event.

Public safety and public health is at risk with inadequately skilled trades people. It is efficient to be risk averse and avoid substandard practices. It is not economically rationale to reduce costs where there are high risks. (With 3 electrocution deaths in home insulation scheme, the coroner found inadequate training a significant factor) What price our reputation for world class training?

Have costs for people doing a dual trade such as fitting machining and electrical or refrigeration and electrical being identified and their impact market-tested?

There are mature-age entrants to apprenticeships and traineeships, what impact will fee increases have on their motivation to retrain or upgrade their skills? Has this been market-tested?

- 20. Concession fees should vary by qualification level, in recognition of the higher average number of hours of training involved in higher level qualifications, and the higher private returns for higher qualifications. 86

At present, TAFE students often struggle to pay the \$105 concession fee. Given that Centrelink recipients are often living below the poverty line, paying \$400 for a Certificate III in Retail, for example, will be simply out of reach for the financially disadvantaged. A student on a Centrelink benefit has the same limited capacity to pay a fee regardless of whether they are studying at a Certificate I, II, III, IV or Diploma Level.

We support the basis of concessions in fees but consider any disincentive to enroll in foundation programs to be detrimental, we consider Certificate I & II to be foundation courses. These courses should be free.

- 21. From 2014/15, the following concession fees should apply: 86

In order to meet National Partnership Agreement on Skills Reform and provide pathways and remove barriers between transition and increase completions esp of higher qualifications optimum access to building strong foundations to higher level study is critical

- o Foundation courses – either \$100 per course or the standard fee, whichever is lower. 86

The TAFE Community Alliance strongly believes all foundation courses should be free

- Certificates I and II – \$200 per qualification. 86

The TAFE Community Alliance considers Certificate I and II courses are foundation courses and should be free.

- Certificates III and IV – \$400 per qualification. 86

We have seen students struggle with the rise in concession fees from \$53 to \$100. The story told by the student from the Blue Mountains at the Roundtable discussion was familiar to many of us. On that basis we recommend a concession fee of:

\$50 for a Certificate III

\$100 for a Certificate IV

- Diploma and Advanced Diploma – \$500 per qualification. 86

\$200 for a Diploma

22. DEC should publish information about individual RTO performance to help students and employers assess potential providers' quality before making training decisions. 97
23. RTOs should publish information on any personal costs a student will incur in studying a qualification. 97
24. The timing of government and student payments to RTOs should be staged so an RTO's receipt of revenues matches its incurrence of costs. 104
25. RTOs should have discretion over the timing of student fee payments, but should be required to publish information on this timing. 104
26. To ensure base prices and student fees continue to reflect efficient costs and an appropriate sharing of costs between students and the Government, the following arrangements should be put in place: 111
  - Base prices and student fees should be adjusted by the average change in CPI (All groups Sydney) in the previous year, on 1 January of each year. 111
  - The adjusted base prices and student fees for each year should apply to students who are new enrolments in that year. Existing enrolments should continue to be supplied for the prices and fees that applied when they first enrolled. 112
  - The first major review to reset base prices and student fees should be conducted prior to the price change on 1 January 2018. After that, a review to reset prices should be conducted every 3 years. 112

We support an annual review of fees and charges each year, to look at impact on students especially in first 3 years. Whilst IPART says it is not your role to consider additional costs to students including books, equipment, protective wear and tools you can see a scenario where an RTO will find ways to push a whole range of additional costs off to students in order to make money, and to offset subsidies. RTOs need to report on additional costs and justify them.



27. Regulation of the student fee component should be relaxed progressively, in line with the following arrangements: 112

We oppose any move towards deregulation of fees in the future and the relaxing of criteria.

- From the start of Smart and Skilled, student fees should be specified as maximum fees (as per Draft recommendation 17). 112
- During the first years of Smart and Skilled, DEC should provide information to students and employers (as per Draft recommendation 22) and to training providers to improve the contestability of the NSW VET market. Information for training providers should include the number of students enrolled in each qualification by region, the number of students receiving loadings and concessions by region. 112
- After the first major review to reset prices, a review should be conducted to determine if and how fee regulation should be further relaxed or removed, and any new arrangements resulting from this review should apply from 1 January 2019. 112

## Appendix 1

### Social returns, public benefit and externalities

As outlined in the draft document ‘Human capital theory posits that education is a worthwhile investment that generated benefits for the future’. In this framework the cost and benefits of education are assessed over time. The private returns are measured through the costs to the student (fees, loss of wages etc.) vs. the benefits (increase in after tax earnings) received through education. The social rate of return measures private and public costs i.e. the cost of the publicly funded education in relation to the increased taxes paid by the better-educated individual. This should include factors that are considered hard to measure ‘positive externalities’ or broader social/community benefits (IPART, Box F.1). The TAFE Community Alliance believes that it is these positive externalities that are pivotal to the role of TAFE in communities across NSW. A pricing methodology that fails to effectively incorporate these positive externalities fails the social and economic fabric of these communities.

In the IPART Pricing VET under Smart and Skilled (Part 1) the real public value of education is briefly outlined in the public non-financial benefits associated with VET. These are benefits to individuals, organisations or members of the broader community. The Productivity Commission describes the significance of spillover benefits to third parties and civic benefits relating to social cohesion. The draft report makes reference to these ‘positive externalities’ acknowledging the wider community benefit inferring that government subsidies to VET could generate beneficial social returns. Yet the Productivity Commission research identifies only small social returns on additional VET. International research suggests there are substantial external benefits to the expansion of community and technical education through government subsidies (Blomquist, et al 2009). For many researchers this argument is far from settled. As the data improves the idea of small social returns will be immediately challenged and disproved (Stenberg, 2011). The Alliance appreciates the acknowledgement by IPART for the need for more research in this area yet the lack of more sophisticated, nuanced social and economic data certainly undermines the integrity of the current pricing methodology process.

The draft document reports that various stakeholders recognised the potential for VET to generate positive externalities but provided no specific guidance on how such benefits could be taken into account within the methodology for determining price and fee arrangements. Unfortunately many stakeholders capacity for human capital or social policy research is limited by human resource and budget constraints. As stated in the report addressing this issue requires an estimate of the size of the external benefits and that the available evidence on education externalities is mixed and it is difficult to draw any conclusions on the potential size of **VET** externalities. The Alliance argues that human capital accumulation theory at the core of this methodology must be augmented by a broader empirical analysis of benefits of the social inclusion policy agenda. The pricing of VET cannot be developed in isolation to the broader social policy environment.

Further to the research quoted in the report (Box E.1) there is a growing body of evidence suggesting that there are (economic) efficiencies to be found in the social value of education.

Hout (2012) in his paper on the *Social and Economic Returns to College Education in the United States* argues that education is more than a signal to the labour market. College graduates live longer healthier lives, are happier and participate more in social and community life. His review of the evidence, most of which is drawn from human capital research, shows that education improves people in a more egalitarian and efficient way. Education counters the inequality that many students bring from their family backgrounds. There is evidence that those who benefit most from education are those who have 'modest skills and abilities'. Education yields both personal and social returns on investment. Are these social returns an individual or community liability?

Dickson and Harmon (2011) find that economics has been somewhat 'underpowered' in terms of research that can define life outcomes and suggest the need for a more nuanced understanding of the economic returns that include wider external benefits. They explore the presence of risk in education returns inherent in the market model. Their research suggests that if individuals are choosing 'sub optimal' levels of education due to high levels of risk aversion (i.e. incurring substantial debt) then the government is better off 'subsidising the individual cost of education and claiming it back through progressive labour market taxation' thereby increasing society's educational attainment levels and 'diversifying the individual risk of educational investment'.

The presence of risk is evident in the pricing of post-secondary education in the US. Deming, Goldin and Katz (2013) analyse the rise and rapid expansion of 'for profit' colleges in the US post-secondary education environment. The United States operates a large post-secondary education market based model where many for profit colleges now derive most of their revenue (90%) from tax-payer student financial aid. The 'for profit' sector is 'big business'. In this model, one that mirrors many elements of the NSW Smart and Skilled model, these for profit colleges market aggressively particularly to disadvantaged and minority students and those academically unprepared for college. As state funding of the public community colleges decreased the 'for profits' have grown on expanded Federal student aid. The tuition costs of many 'for profit' colleges are high and 90 % of students at for profits borrow money (govt loans) to attend college compared to 13% in community colleges. The high cost of the education and the modest earning opportunities offered by many of the jobs for which these for profit colleges prepare result in a financial and social risk. In terms of social and private returns relative to community colleges the for-profits need to generate returns that are 36% greater for society and 60% greater for individuals. This is an unlikely scenario.

Cattan and Crawford (2013) discuss a new form of economic modelling for education where they explore the social returns to education being the sum of the private and external benefits. They believe that the macroeconomic approach in theory offers the potential to estimate the total value of education both public and private benefits. By using the microeconomic strategies that estimate external benefits to education in terms of its impact on productivity at say a regional level and then aggregating the non-monetary private and external benefits i.e. health and crime the authors claim that a true causal effect of education on economic growth can be found.

The community understands that education and training generates the skills and knowledge required for a productive economy but there is also a strong community appreciation of the

value of VET in building social inclusion and civic participation. The fundamental issue in the assessment of the public or private benefit using the human capital theoretical framework is putting a price on social inclusion and civic participation. The social inclusion variables are complex and not readily measured effectively in a human capital framework. The social, cultural and economic dimensions of a community are complex. These dimensions do not operate in a static 'capital' conceptual continuum. This doesn't mean that because they can't be measured effectively using the human capital approach that they can't be integrated into the methodology. Research investigating the non-pecuniary benefits of schooling warns of that the overreliance on quantitative and qualification measures of education has neglected the qualitative and theoretical perspectives in particular the effect of curricula and pedagogical methods (Oreopoulos & Salvanes, 2011). TAFE has a large library of social research case studies on the social and economic value of VET for communities across NSW. How can these be factored into the methodology?

## Appendix 2

### IPART Roundtable on *Pricing VET under Smart and Skilled* - Issues for TAFE Community Alliance

1. Why is the public and community benefit of the publicly funded TAFE system not accounted for in the rationale for the setting of the fees for students?
2. Is it the ultimate goal of the IPART recommendations to fully integrate TAFE into the private training market?
3. How did IPART market test the price and fee arrangements? How did it determine they were socially optimal as is required by the terms of reference?
4. Why is a non-standard student defined so narrowly, that is, ATSI, having a disability and being long term unemployed? (more than 52 weeks)
5. What definition of disability will be applied?
6. Why is a standard student described in terms of what he or she is not rather than in terms of what such a student might be...falling into a range of categories of disadvantage or educational need? (There is recognition that students are not homogenous p36 and more complex student characteristics are fully recorded in Appendix C)
7. If IPART was looking for simplicity, why did it not opt for a standard fee per qualification as it has done with concession fees?
8. Has IPART modeled the impact of the various fee increases recommended on a range of students in different categories? (Chapter 11) What impact will the fees have on student choice of course? What longer term impact will it have on course diversity and course distribution across VET?
9. Will certain markets become so thin that they will simply disappear? What impact might this have on the NSW economy and its communities?
10. Has IPART considered whether the fee increases proposed are likely to have an impact on the level of charges for commercial or fee for service courses? Will the fee increases drive up the cost of undertaking training for all students and hence also employers, many of whom operate under narrow margins and are small businesses?
11. What was the rationale for two categories of loadings – needs and location? What were the assumptions underlying 10% /20% for location and 10% for needs? What variables were used to arrive at these percentages? (p51)
12. Why are students with needs so narrowly defined? How is this practical and how is it efficient to define them so narrowly and to exclude so many categories of disadvantage when it may lead to a diminished level of provider support and could result in student failure and therefore a resource wasted?
13. Will co-enrolment in a Foundation or Pre-Vocational course attract a fee for a student with challenging needs or significantly disadvantaged? (p50)
14. Will a concession fee student be able to enroll in a subsequent course at a concession rate?
15. What is the dollar value or price of a Community Service Obligation? How will it be calculated? What is its relationship to the base price? What is to be included as part of the CSO? Will counselling, special support and coordination be included in the calculation?

16. How was the 40% student to 60% taxpayer calculated? What assumptions underpin this calculation?
17. Are not most students also taxpayers? Should not private benefits from VET training be amortised? (Is not a wage or salary benefit due mainly to the labour supplied by the worker and not a private benefit, but a payment for a service rendered?)
18. Why are apprentices and trainees treated differently from other students facing huge fee increases under IPART's recommendations? Why are the arguments used for transition to the new fee structure for these students not equally applicable to most students? (pp 77-80)
19. Why is the student fee set as a maximum? What other options were considered? How will this impact on TAFE? Could this lead to undercutting and a diminution of the quality of provision?
20. Why is there no recommendation for a review of the impact of the pricing and fee policy on the TAFE system?

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