

# How good is choice in the VET market?

## 'Not very' says big data

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This article recaps the results obtained by using large data sets to identify the consequences of the singular focus on choice of provider that has been built into governments' creation of contestable markets for VET delivery. Links to fully-referenced papers containing more information on the method and detailed results are provided below.

Proponents of marketisation and privatisation attribute competition with a generalised ability to increase quality, responsiveness, efficiency, access and produce more equitable outcomes. Large data sets generated through provider registration, Australian Business Numbers and the various VET collections held by the NCVET can be used to determine if these benefits have materialised by examining trends from before and after the widespread introduction of contestable VET markets in the two most populous states. Geographic location, socio-economic status, training package enrolment, Indigenous status and type of provider are tracked. If the benefits attributed to provider choice in contestable markets have transpired, it is expected there will be more students studying in a wider range of occupations due to more equitable access to training organisations.

Nationally between 1998 and 2017 there were significant shifts in training provision with TAFE losing 54% of their 1.16 million students, community education providers experiencing a 71% decline to 68,200 students and other providers increasing by 314% to 475,000. In the same period the total number of government-funded students fell by 21.6% to just under 1.2 million while the total Australian population increasing by 132% or nearly 6 million persons.

### **Training package enrolments**

In 2004 84% of government-funded students were enrolled in the top 20 training packages nationally and this has progressively increased to 92.7% in 2017. Total VET Activity similarly reports the top 20 enrolments at 92.1%. VET FEE-HELP loans were even more concentrated with over half of all loans made for just six courses. The intended expansion of the range of occupations and qualifications as part of providing increased choice for students has not materialised nor is the VET market reflecting new the occupations being created in the modern labour market. It is likely the explosion of private provision has been driven more by the qualifications that are profitable to deliver rather than those that meet local needs and preferences.

### **Geographic enrolment patterns in Victoria**

In a 2009 national lead, the Victorian Training Guarantee explicitly promised residents of regional communities access to increased choice of training provision in their local communities. While student enrolments decreased in all areas of the state between 2009 and 2017, due to cost blowouts, with reductions of 25.9% in major cities and 40.1% less in inner regional, the major impact was felt in outer regional areas (-61.1%) and remote areas (-80%). The further students were located from the major city region the greater was the reduction of access to training rather than the promised benefits of the market.

The Victorian metropolitan concentration of VET provision was similar to the national figures that show a reduction of -20.6% in major cities progressively increasing to -52.3% in very remote areas.

## **Access and equity**

At the national level the near doubling of the number of Indigenous students to 84,500 between 1998 and 2017 has been cited as a market success story in terms of equity. And the Victorian experience is similar with Indigenous student numbers increasing from 3,900 to 6,400 in the same period. However, a more plausible explanation of the change in the face of a huge decrease in the total numbers of government-funded students in the system is the long-term census data trend of increasing self-identification of Indigenous persons. This increase is most noticeable in the eastern states and is heavily concentrated in major cities and inner regional localities. It seems unlikely that the contestable market, on its own, has increased Indigenous participation in VET while reflecting the increased access in the metropolitan areas.

More broadly the Socio-Economic Indexes for Areas (SEIFA) produces an index of relative disadvantage that describes five groups ranging from quintile one (most disadvantaged) to quintile five (least disadvantaged). In the relatively mature VET market between 2013 and 2017, the national reduction of 136,100 students from quintiles one and two was significantly greater than the 91,100 less persons being trained in quintiles four and five. Quite simply, students in the most disadvantaged areas suffered a much greater loss of choice and access to training when compared to the most advantaged groups. Victoria mirrored this result with the most disadvantaged two quintiles losing 80,100 students against a reduction of 60,600 for the least disadvantaged quintiles.

## **Provider location**

The Halsey review into regional, rural and remote education confirmed that state governments had withdrawn TAFE delivery in the non-metropolitan regions of the nation. Despite the expectation of increased choice of providers would materialise in regional areas, the reality is that providers have retreated to the cities. In late 2018, Victoria had 1014 RTOs headquartered in the state of which 889 (88%) were in the major city zone of Melbourne and Geelong. Only 15 (1.5%) were in the outer regions and none were located in remote Victoria. Of the 777 private, for-profit RTOs only 65 (8.3%) are located outside the major city area. Unless one lives in the metropolitan area or possibly one of the larger regional cities, the VET market is not offering the choice of provider that has been the foundation stone for marketised VET since the early 1990s.

## **New South Wales**

It is commonly reported that New South Wales purposely waited to introduce more privatisation into the VET market in order to learn from the Victorian experience and produce a better set of outcomes. The total number of government-funded students in NSW remained constant at around 450,000 after the introduction of contestability in the Smart and Skilled program. This is despite rapid population growth and the likely impact of funding skill sets rather than full qualifications. In terms of market share 1998 to 2017, TAFE NSW moved from 84% to 62.4%, Adult and Community Education providers fell from 22.9% to 4.4% and other providers increased from 3.8% to 33.2%.

From 2004-2017, NSW VET delivery has been progressively shifted from remote and regional areas to the major cities and their nearby surrounds in line with the national trend. Smart and Skilled continued this trend with major cities and inner regions gaining 10,000 students (+8.7%) and the outer regions, remote and very remote losing 6,700 students (-8.7%) between 2013 and 2017. A 2015 NSW Legislative Council inquiry into VET reported that the committee received 'compelling evidence' that the contestable training market under Smart and Skilled was 'not working for regional, rural and remote communities'; it somehow concluded that the 'contestable training market will benefit all sectors in VET'.

Government-funded students in NSW are heavily concentrated (94.5%) in the top 20 training packages, mirroring total VET activity (93.6%). Indigenous student numbers have increased in a linear fashion from 1998 (13,300) to 2017 (36,900) reflecting the increase in self-identification in census reporting. While not as extreme as the national change, the pattern of shifting training from the most disadvantaged (-2,300) to the most advantaged quintiles (+2,700) is also evident between 2013-2017.

In February 2019, NSW had 1142 registered training organisations headquartered in the state. 98% were based in major cities and inner regional areas while none were located in remote or very remote areas. Out of 972 private, for-profit training providers, 91% were in major cities and inner regions and only 10 are in outer regional areas with none located in remote or very remote localities. Despite NSW using different timeframes and having evidence provided by Victoria's marketisation, the introduction of user choice of provider in contestable VET markets produced a similar set of outcomes.

## Conclusion

In terms of public policy several initial goals were achieved by the creation of contestable VET markets driven by the offer of Australian Government funding through national partnership agreements. There was a massive increase in the number of providers operating in the market, ostensibly increasing choice for students. There was an increase in efficiency as the cost per hour of delivery fell as did total public expenditure in the sector. However, these gains came at a substantial cost.

The results from big data sources show that the national pattern of reducing the notion of choice to the singular choice of provider in order to facilitate contestable markets for VET delivery has not met the range of expectations promised by advocates of user choice. Instead, not only have access and equity goals been seriously diminished, but an equally valid range of other choices have also been reduced or ignored. These include choice of career, occupation, quality, location of training, method of study, price, post-school study options and course of study. Local communities and employers have similarly had their choices reduced, or in several cases, removed altogether because public provision has been withdrawn and private RTOs did not set up in areas of socio-economic disadvantage or outside of major population centres. Unlike the expectations promised by the proponents of contestable markets, the VET system is producing a smaller number of qualified persons in an increasingly narrow range of occupations by reducing access and equity.

The full conference papers can be accessed from:

VOCEDplus:

*Student choice and lifelong learning: who you gonna call?*

<http://hdl.voced.edu.au/10707/512116>

*Student choice and lifelong learning in NSW: minding gap between rhetoric and reality*

<http://hdl.voced.edu.au/10707/511323>