Taking Care of Business
Social Justice and the Training Market

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Justice is the first virtue of social institutions, as truth is of systems
of thought. A theory, however elegant and economical must be
reJECTED or revised if it is untrue; likewise laws and institutions no
matter how efficient and well-arranged must be reformed or
abolished if they are unjust.
(J. Rawls, 1973)
Introduction

Some might view the sub-title of this paper - social justice and the training market - as a contradiction in terms. Others might view it as an interesting if rather peripheral debate. However, I view it as one of the essential unresolved problems of the vocational education and training system. Until the vocational education and training community reaches consensus on how social justice can inform and support the development of the training market and on how the training market can protect and extend social justice, our vocational education and training system will be unable to fulfil its potential. This is the unfinished business we must now attend to.

Through the VET Kaleidoscope

The vocational education and training (VET) system can be viewed from many different perspectives, each shedding new light on its workings, each helping it to serve better its many clients and constituencies.

An economic perspective helps us see the vital role that VET can and must play to support the internationalisation of the Australian economy and enhance the productivity of our industries and enterprises. Specifically, a micro-economic reform perspective helps us to rethink and reorient the way in which government services are delivered and the respective roles and responsibilities of the public and private sectors.

A technological perspective, if applied more vigorously to VET, would help us overcome our own technological illiteracy and transcend the rhetoric about flexible delivery to make it a universal feature of all VET provision. It would help us develop a VET system which can withstand the inevitable onslaught of international suppliers following the introduction of broadband services.

An educational perspective helps us understand that no matter how good the standards, no matter how comprehensive the curriculum, no matter how theoretically sound the assessment, learners have a will of their own and can only learn if all the learning inputs are acceptable to them and the outcomes have some value to them.

A political perspective helps us appreciate the complexities of building a national VET system inside a federation, why States and Territories articulate different needs and requirements within the national system and why national consensus is so hard to achieve.

A social justice perspective assists us to identify ways in which VET policies and practice should reflect the community commitment to a fair go and ensure that the rights of individual members of the community are not denied.
Over the past twenty years, the balance between these five perspectives in VET has shifted significantly. However, one recurring theme which has characterised the debate throughout the years is the preferred balance between the economic perspective and the social justice perspective. This relentless search for the right balance continues.

**Economic Efficiency and Social Justice - Adversaries Forever?**

In the VET industry we seem inordinately fond of a good dichotomy. Even the name for our industry is based on an ill-defined and probably unjustifiable distinction between vocational education on the one hand and training on the other. The dichotomy is based on the wish to preserve the distinction between public and private effort and the wish to preserve the power or influence of the respective stakeholders.

I first became conscious that efficiency and equity were supposed to be incompatible opposites when I served on the Kirby Inquiry into Labour Market Programs in 1984. Those of us who saw that there were both efficiency and equity gains to be made from the introduction of traineeships were regarded as fence-sitters, unable to make up our minds whether we were for labour market equity or for labour market efficiency.

When the demand for national training reform emerged in 1988, one of the more frequently heard arguments was that Australia's training effort was too strongly focused on access and equity and had lost sight of the need for our VET system to help enterprises and industry become more productive and competitive.

This debate has continued right up to the present.

*A needs or demand-based system must be given pride of place or the social justice agenda will drive out that training that is productivity oriented.*

(Chamber of Commerce and Industry, Western Australia, 1995).

Those who espouse social justice in terms such as equity, access, participation or equal rights are readily type-cast as the enemies of efficiency or productivity.

Those who espouse economic efficiency in terms such as competition, contracting out, competitive tendering or public sector reform are readily stereotyped as enemies of social justice.

So here we are in VET today. In the blue corner are the social justice advocates and over there, in the red corner, are the market economists. And the main event is the debate about the competitive training market and the public sector reforms that its development requires.
**Producing the Rationale for Social Justice**

The onus of proof seems to lie with the social justice advocates. It is they who are constantly propelled to investigate, analyse and demonstrate why social justice should be an integral part of VET policy and practice generally and the competitive training market specifically.

On the other hand, so widespread is the acceptance of the slogans surrounding the market economists' perspective (slogans such as "provider capture", "provider/purchaser divide", "steer, don't row", "reinventing government", "contestable markets", "cost-reflective pricing" etc.) that the social justice implications of the arguments themselves are rarely challenged.

Social justice advocates have spent a good deal of time and effort developing and advancing arguments in support of a strong focus on equity, access, participation or equal rights in the VET industry. Here is not the place to deal with these in detail. However they include rationales based on:

- Anti-Discrimination Laws and associated Equal Employment Opportunity (EEO) policies and programs.

- the economic and organisational benefits of recognising and developing the skills and capabilities of women, people of non-English speaking background, people with disabilities and indigenous peoples. In this way the contribution that all workers can make to productivity and efficiency in the enterprise can be maximised. Australia is not alone in this focus. Management of diversity is becoming an established element of business activity in the United States which is of course another multi-cultural society.

- the very real consequences for rural and isolated communities of locational disadvantage.

- widespread community concern to alleviate the short and long term effects on individuals and communities of poverty and unemployment through the development of marketable vocational skills.

While England could hardly be regarded by Australians as a haven of social justice, the English Commission on Social Justice has produced a very useful way of looking at the linkages between economic and social policy which short-circuit many of the more convoluted social justice arguments being produced in the VET system today. The Commission suggests there are four linkages:

- because it is a cost to government and business, social inequality restricts economic growth;

- social justice contributes directly to economic growth where it is pursued primarily through investment in opportunities;

- business flourishes in supportive social environments; and
• markets are the products of the values, institutions, regulations and political decisions that govern them.4

I do not intend spending any more time on making a case for the integration of social justice perceptive into every nook and cranny of the national VET system. In my view, reluctance to accept one or more of these rationales is based not so much on the inadequacy of the argument but rather, on the world view of the beholder.

Of greater interest to me is how we can build some form of consensus about how to develop and implement policies which can achieve progress in both economic efficiency and social justice.

◆ Values, Ideologies and Policy Priorities

Accepting then that the training market is the product of the values, institutions, regulations and political decisions that govern it, it is worth briefly considering what is broadly agreed on and what divides us in the VET industry.

Here I have found very useful the concept of a Hierarchy of Accord developed by the Allen Consulting Group for an EPAC Conference, Perspectives on Shaping our Future. 5 The hierarchy suggests that there are some values which are widely held in Australian society but that as we move from these broad values to ideologies our views of the world diverge. As we then move to policy priorities there is increasing diversification of opinion. I have attempted below to adapt this hierarchy to the VET system.

This hierarchy suggest that there are some values which most in the VET business would share. The differences come later at the level of ideologies when ways of achieving the values are being considered. The differences widen when the policy priorities are being formulated.
Hierarchy of Accord
(After Allen Consulting Group 1994a)

Shared Values

- prosperous and productive workplaces
- skilled workforce
- equitable access
- efficient providers
- quality training delivery

Different Ideologies

- values best achieved through individual effort
- competition and markets create prosperity
- government intrudes and distorts
- values best achieved through co-operative effort
- competition can create inequities and markets are exploitative
- government includes and protects

Different Policy Priorities

- increased competition required to increase economic growth
- faster training reform required
- cost-reflective pricing to ensure correct market signals
- maintenance of a minimal social safety net
- reduce public expenditure
- internationalise training
- quality assurance of providers and courses through market incentives
- managed, gradual competition required
- staged training reform required
- ensure equal opportunity
- labour market intervention required
- current social safety net requires extension
- employment "guarantees" required
- pace of training reform should be slowed
- broad job creation programs required
- social equity requires active government intervention
- quality assurance of providers and courses requires active government intervention
- increase taxation and regulation to support extended safety net and control market
Perhaps the time has come, after eight years of training reform, to look at where we are up to and find some new ways of moving forward. To do this, the differing ideologies and policy priorities surrounding the training market need to be better understood.

♦ From the Social Justice Perspective

To provide a full analysis of the social justice concerns about the training market is beyond the scope of this paper. Instead, it is worth identifying just a few of the many concerns about the introduction of a competitive training market.

• Inarticulate Policy Assumptions

In most other protected or monopolistic industries where market oriented policies have been introduced, their introduction has been accompanied by a clearly stated set of policy assumptions which form the basis of debate and consensus-building. The introduction of case-mix into health is one example. The introduction of a competitive market in telecommunications was accompanied by a legislative and policy framework. The Council of Australian Governments (COAG), when adopting National Competition Principles, made explicit the policy assumptions underpinning reform of Government Trading Enterprises. Yet as the Review of the Implementation of National Training Reforms for ANTA in 1994 suggested,

> the current conceptualisation of the training market is too limited to achieve a dynamic and self-sustaining market. Many of the ingredients necessary to make a market work well are not available.  

Even Professor Fred Hilmer expressed some concerns about the way application of competition in education and training was evolving. Speaking on the ABC Radio program, Education Report, late in 1995 he commented that

> Our main emphasis in doing the report (on National Competition Policy) was on three sectors - public utilities (electricity, gas and rail), the professions and agricultural marketing. We did work out a set of principles that we thought could be more broadly applied. However, applying those to areas such as health, education and welfare is in my view going to be quite a tough job that's going to require a fair bit of study and thought. It's not a simplistic application of the report......

> ...I'm a little concerned that....they see in the report, or in their misunderstanding of the report, too many quick fixes out of a competition policy......

> ........I would like to see a careful analysis of where competition could be helpful....I'd like to see it in education........

While some progress has been made in trying to describe more fully aspects of
the training market in discussions about making VET more demand driven and in
the debates around "User Choice" or "User Buys", there is still no comprehensive
and persuasive articulation of the rules under which the training market is to
operate or the policy principles on which it rests.

It is hard to share a commitment to market-based reform when the policy
assumptions underpinning that reform are so obscure.

The failure to recognise the need to make explicit policy assumptions is one of
the more disappointing aspects of the draft Discussion Paper prepared by ANTA
on Competition in the Training Market which is currently circulating for comment.

- The dangers of economic fundamentalism

Orthodox economic theory would not claim that markets, even if perfectly
competitive, produce equity or social justice objectives.

At the same time as the training market, without government intervention, is
unlikely to produce socially just outcomes, it is only under certain market
conditions that competition will produce economically efficient outcomes.

In the real world, markets regularly "fail". This "market failure" is a result of a
range of factors such as inadequate consumer information, monopoly power of a
service provider or a limited number of buyers and sellers. It is misleading to
present "market failure" as the occasional aberration. Indeed, such failures are
the norm since a perfectly competitive market exists only in theory and not in the
real world which is much more messy and unpredictable.

A competitive training market holds out much promise for a more client-driven
and efficient VET system producing lower prices for consumers and/or reduced
taxpayer outlays on VET. However, it is not THE answer to training reform and
there are many traps for the unwary.

There is a good deal of anxiety that a more strongly competitive training market
will cause a shift away from the high cost/low margin areas of training associated
with social justice objectives such as literacy, language and numeracy programs
towards low cost/high margin areas of training. There are also concerns that a
singular cost-oriented focus to the training market will lead to a decline in service
quality. These concerns are legitimate although the evidence as to whether they
are justified is still ambiguous.

While a competitive training market may be an instrument for greater client
choice, the capacity for real competition in VET is quite limited and the risks of
"market failure" are high. This is not an argument against a more competitive
training market. Rather, it is an argument for a more careful approach to its
development and a recognition of the limits of market-based solutions.
• No public benefit tests

The Competition Principles Agreement signed by COAG in early 1995 called for

(a) the benefits of a particular policy or course of action to be balanced against the costs of the policy or course of action; or
(b) the merits or appropriateness of a particular policy or course of action to be determined; or

(c) an assessment of the most effective means of achieving a policy objective.

The problem is that we have few reliable, authoritative tools to assess the economic costs and benefits of a competitive training market and even fewer to assess social costs and benefits of greater competition. While central agencies may be busy developing and applying such instruments behind closed doors, most in VET, including myself are flying blind. We should be requiring central agencies to inform us of the concepts, definitions and assessment methodologies they are using in relation to the application of the public benefit test to competition and involve us in their development.

◆ From the Training Market Perspective

For those in VET whose interest lies in fostering a more economically efficient system, the development of a competitive training market and the public sector reform which is essential to support it are fundamental instruments of change. As the Commonwealth submission to the review of the ANTA Agreement stated

_The Commonwealth regards the establishment of an open, competitive and responsive "training market" to be a critical means of enhancing Australia's competitiveness in international markets, as well as achieving training reform objectives concerned with increases in efficiency of delivery and responsiveness, greater choice for clients and improvements in quality. Competition is seen as a mechanism for not only reducing costs and improving quality but also for providing changes to the form of delivery of training, e.g. on-site or distance learning and customisation of training._

Social justice is often seen as a brake to such changes not because of opposition to social justice but because of the way social justice interests are expressed in the system.

• Vested Interests

There are now many people in the VET system who see their primary responsibility being to advocate and support social justice within the system rather than develop the system in ways which ensure both social justice and efficiency. This is not an easy thing for me to say for two reasons. First, because of my own background as an advocate for equity in VET I understand how hard it
is to make small gains in a system which is still somewhat primitive in its appreciation of social policy. Second, I understand that any actual or implied criticism of social justice advocacy can fuel the divisive debate about political correctness.

Nevertheless, I think it is inevitable that working for extended periods from a social justice perspective makes it very hard to appreciate that there are other views of the world, views which are not anathema to social justice, which are legitimate and should be heard. Intelligent and rational views about the development of the training market should be considered without resort to slogans about privatisation of TAFE and the death of access and equity.

This problem is probably best described as "occupational myopia"¹¹, although I should add that market economists also suffer from the effects of occupational myopia.

• **A project and program driven agenda**

Social justice initiatives in VET over many years have tended to focus heavily on acquiring additional resources to undertake individual, often small projects or to establish specific programs. Such projects do make an important difference to the individuals involved but they have not helped influence in any fundamental way the policy assumptions on which the competitive training market rests. Too many social justice initiatives in VET are marginal in shaping policy.

Social justice advocates may argue that this is because real change in the heart of the VET system can only be achieved by small incremental steps. I suggest, instead, that continuing fragmentation of social policy by target group and the continuing emphasis on change based on projects or programs offers few if any strategic opportunities to bring together in new ways social justice and market considerations.

• **Protecting the public sector monopoly**

The decision to develop an open training market in 1990 formed a part of a broad government agenda for microeconomic reform which has changed, at least for the foreseeable future, the way we view the provision of government services. This has been reflected in the gradual shift away from the "in-house" provision of training services to a greater reliance on contracting out and competitive tendering (CTC) to outside providers. In this way, pressures of the market place are brought to bear on the provision of government funded training services.

Obviously some States and Territories have embraced this approach more vigorously than others although few have driven deeply into their service base, preferring to apply CTC at the margins provided by Commonwealth growth funds through the ANTA processes.
There are of course economic arguments for and against CTC.

...CTC... must be approached with cautious intelligence. To rush helterskelter into universal or even majority contracting out at any level of government may lead to higher costs. The decision to introduce competitive tendering for a government service is not an obvious win-win situation but must be considered on a case-by-case basis. While significant savings may be reaped (at least by government) by sensible application of CTC, it does not offer a panacea to public sector fiscal constraints. In fact to view it as such may undermine the effectiveness of CTC in areas where it does offer real benefits. 12

While these economic arguments are powerful, they are frequently outweighed by social justice arguments against CTC. These rest on the false assumption that only the public sector can deliver socially just training services. Given the long and continuing struggle by advocacy groups to make the public sector more responsive to the training needs of disadvantaged groups, I find this sort of argument untenable. It confuses the question of what should governments pay for with the question of what they should actually deliver themselves. Obviously, there is a social policy imperative on governments to provide adequate funds to ensure equitable access to and participation in VET. It does not necessarily follow that governments must deliver those services themselves or that clients are unable to exercise a mature choice as to the services they wish to access.

I note too that arguments against CTC, based on social justice considerations, often confuse the goal of efficiency with the practice of profit-making. They are not the same thing. The object of the contract may be best practice and not profit generation.

Moving On

The Review of the ANTA Agreement recommended that ANTA develop a national policy on competition in vocational education and training for consideration by the Ministerial Council and implementation by State Training Agencies. 13 Given my comments earlier about inarticulate policy assumptions, I strongly support the need for some national framework on competition in VET.

The report is however somewhat dismissive of arguments that greater competition could impact negatively on the opportunities of target groups, assuming rather blandly that

State and Territory Training Agencies through their resource allocation and regulatory processes would ensure that this unintended consequence of competition does not occur. 14

ANTA has now begun a national debate on Competition in the Training Market with the development of a draft Discussion paper within the context of the National Strategy for VET. The objective is to develop a national framework within
which the goal of the training market can be pursued.

It would be unfair of me to be overly critical of what is simply a draft paper, but I must express deep disappointment that the paper fails to address the essential linkages between social policy and a competitive training market. It does put forward some principles to guide the future operation of the training market, drawing on those suggested in the 1996 Review of the ANTA Agreement. One of these is that

*there is a strong commitment to access and equity by all segments of the training market.* \(^{15}\)

However, more than commitment is needed. We need to develop clear methodologies for assessing public benefit. We need to establish agreed pricing principles. We need to work out exactly what is a CSO in VET and how it is to be costed and funded. We need to understand the intended and unintended consequences of competition for social policy. And we need to stop thinking about market failure as an occasional blip in the heart beat of the market and recognise it for what it is - an essential feature of the market which has to be managed.

In the wider sphere of competition, the Public Interest Advocacy Centre has argued the need for a national Social Justice in Competition strategy to

*address specific social justice principles and programs consequental to and complementary with the efficiency objective of the National Competition Policy.* \(^{16}\)

The Centre goes on to suggest some principles which could inform such a strategy:

- Australians with an inability to pay for goods and services should have access to some baseline levels;

- where there is incomplete knowledge about effects, action should be postponed or mitigation strategies and risk management plans put in place

- there must be equity over time

- decisions should represent an informed judgement that the contemplated action is in the best interests of society as a whole.

I do not argue for these principles necessarily, nor for a Social Justice in the Training Market strategy for I think such an approach presents social justice as an add-on, an afterthought. But I do think that these sorts of principles must be deeply embedded in any national framework for the competitive training market.
Finally

I remain convinced that there is more common ground between social justice and an efficient training market than current debate allows and that it is possible to find some form of consensus which allows for informed growth and development of each and both.

*It is not profitable to continue to insist on what is in effect an artificial delineation between economic and social policy which owes more to the disciplinary boundaries between economics and social policy than to a concern with the realities of practical issues. It is more fruitful to emphasise the need for a coherent framework for economic and social policies and to search for actions and policies which serve both economic and social goals.*

One of the biggest challenges we face in VET is forging this new consensus. We would have made a lot more progress with a lot less angst if this had been done in 1990 when the decision to develop a more open training market was first made. But then again, we would not have known as much as we now do about both social justice and the training market.

We are now presented with a second chance, with the opportunity to build a new consensus, based on our shared values. We must not let the opportunity pass us by.
ENDNOTES


2 Quoted from a submission by the Chamber to the Senate Inquiry into ANTA, in Report of the inquiry into the Australian National Training Authority (1995), p.19


8 This term is used by Pat Ranald in her article "National Competition Policy" in *Journal of Australian Political Economy* No 36, 1995, p.6


10 Commonwealth Government Submission to the Review of the ANTA Agreement, paragraph 54, quoted in Report of the review of the ANTA Agreement, AGPS, Canberra, p.121-122


