
**Independent review of the
Australia–Pacific Technical College**

Full report

Final

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Acronyms and definitions

ABS	Australian Bureau of Statistics
ACER	Australia Council for Educational Research
AEI	Approved education institution
AG	Advisory Group (of APTC)
AGG	Academic Governance Group
AHC	Annual hour of curriculum, also known as student contact hour (SCH) and student training hour (STH)
ANZSCO	Australian and New Zealand Standard Classification of Occupations
APTC	Australia–Pacific Technical College, referred to in this document as the APTC or ‘the College’
AQF	Australian Qualifications Framework
AQTF	Australian Quality Training Framework
ARF	Adviser Remuneration Framework
ARP	Annual report and plan
ASQA	Australian Skills Quality Authority
AUD	Australian dollars (\$)
AusAID	Australian Agency for International Development
BDS	Business development strategy
BHIT	Box Hill Institute of TAFE
Blue	Global graphics process management software (www.bluesoftware.com/)
BOP	Basis of payment
CBA	Cost-benefit analysis
CEO	Chief executive officer
CI	Continuous improvement
Consortium	TAFE Queensland (formerly Sunshine Coast Institute of TAFE), Box Hill Institute (BHIT) and GRM International
Course	Program of study
CPD	Centre for Professional Development
CRM	Customer relationship management software, component of MS Dynamics package (http://www.microsoft.com/en-us/dynamics/crm.aspx)
CSS	Corporate and Student Services (of APTC)
CSOL	Consolidated Sponsored Occupations List
DFAT	Department of Foreign Affairs and Trade (Australia)
DBTI	Don Bosco Technical Institute (Solomon Islands)
DoS	Director of School
DVD	Digital video disc
EFT	Equivalent full-time student, also known as full-time equivalent student (FTE)
ELLN	English language, literacy and numeracy
EMIS	Education management information system
EoCL	End-of-course learner survey
ERF	Education Resource Facility, Australian firm based in Canberra that provides advisory support to DFAT
ERR	Economic rate of return
eScan	APTC Environmental Scan
EW	Existing worker (APTC applicant)
Ex ante	Before the event (a term used in financial analysis)
Ex post	After the event (a term used in financial analysis)

FCS	Fraud Control Strategy
FFS	Fee-for-service
FIT	Fiji Institute of Technology
FJD	Fiji dollar (approximately = 0.580 AUD)
Flow	Project management software (www.getflow.com/)
FMIS	Financial management information system
FNU	Fiji National University
FSM	Federated States of Micronesia
FTE	Full-time equivalent student, also known as equivalent full-time student (EFT)
FY	Fiscal year
GDP	Gross domestic product
GoA	Government of Australia
GRM	GRM International, global development management firm based in Brisbane
HR	Human resource
ICT	Information communication technology
IELTS	International English Language Testing System
ISIS	Financial management software (http://www.isissoftware.com/)
KIT	Kiribati Institute of Technology
Level	Hierarchical rank of a qualification, e.g., Certificate level III
LLN	Language, literacy and numeracy assessment
LMA	Labour market analysis
LMI	Labour market intelligence
LMS	Learning management system
LT	Leadership team
LT WP	Leadership team work plan
LT WPSBA	Leadership team work plan strategic business areas
M&E	Monitoring and evaluation
MOA	Memorandum of agreement
MOU	Memorandum of understanding
MTR	Mid-term review
NATTB	National Apprenticeship Trade Testing Board (Papua New Guinea)
NAV	Financial system software, component of MS Dynamics package (http://www.microsoft.com/en-us/dynamics/erp-nav-overview.aspx)
NCC	Non-campus country (a country where APTC does not have training venues)
NCD	Non-communicable disease
NCVER	National Centre for Vocational Education Research (Adelaide, Australia)
NGO	Non-government organisation
NIE	New industry entrant (student with Certificate II level qualification, who meets the basic requirements for entry into a course, but who has limited or no practical work experience)
NSSC	National Skills Standard Council
NTI	National training institution
NTP	National Tutor Program
NTPC	National Training and Productivity Centre
NUS	National University of Samoa

NVR	National vocational regulator
NZAID	New Zealand Agency for International Development
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
OHS	Occupational health and safety
PAF	Performance assessment framework
PCG	Project control group
PD	Position description
PEDF	Pacific Education Development Framework
PESDA	Pacific Education and Skills Development Agenda
PIC	Pacific Island country
PIF	Pacific Island Forum (member countries include Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu)
PQF	Pacific Qualifications Framework
PKG	PNG kina (approximately = 0.426 AUD)
PNG	Papua New Guinea
POMTech	Port Moresby Technical College
PSET	Post-secondary education provider (Samoa)
QMS	Quality management system
QPR	Quality performance and research unit (of APTC)
Qualification	Credential awarded on successful achievement of standards
ROGS	Report of Government Services, Australia
RPL	Recognition of prior learning
RTO	Registered training organisation (Australia)
SACEM	Schools of Automotive, Construction/Electrical & Manufacturing (APTC Stage I)
SBD	Solomon Islands dollar (approximately = 0.146 AUD)
SCH	Student contact hour, also known as annual hour of curriculum (AHC) and student training hour (STH)
School	Refers to the grouping of relevant training courses
SCIT	Sunshine Coast Institute of TAFE
SHCS	School of Hospitality and Community Services (incorporating Stage I School of Health and Community Services)
SICHE	Solomon Islands College of Higher Education
SINU	Solomon Islands National University
SIS	Small island state (included are Cook Islands, Federated States of Micronesia, Kiribati, Republic of the Marshall Islands, Nauru, Niue, Palau, Tonga and Tuvalu)
SMART	Forecasting, planning, and inventory optimisation software (http://www.smartcorp.com/)
SNR	Standard for NVR (National VET Regulator) for RTO. This replaces the AQTF standards.
SOL	Skilled Occupations List
SoS	Scope of Services
SPBEA	South Pacific Board for Educational Assessment
SQA	Samoa Qualifications Authority
STA	Short-term advisor

STH	Student training hour, also known as annual hour of curriculum (AHC) and student contact hour (SCH)
STT	School of Trades and Technology (ACEM in Stage I)
TAE	TAE10 – Training and Education training package. Of particular relevance are the qualifications Certificate IV in Training and Assessment (TAE40110) and the Diploma of Vocational Education and Training (TAE50111)
TAFE	Technical and Further Education
TCFC	Textile Clothing and Footwear Council (Fiji)
TF	Tuition fee
TOR	Terms of reference
TPAF	(former) Training and Productivity Authority of Fiji
Training package	A set of nationally endorsed standards and qualifications for recognising and assessing people's skills in a specific industry, industry sector or enterprise.
TVET	Technical and vocational education and training
USP	University of the South Pacific
USP MI	University of South Pacific, Marshall Islands
VET	Vocational education and training
VETASSESS	Australian agency providing VET assessments
VfM	Value for money
VIT	Vanuatu Institute of Technology
VKS	Vocational knowledge and skills assessment
VTC	Vivekananda Technical Centre (Fiji)
VQF	VET Quality Framework (formerly AQTF)
VUV	Vanuatu vatu (approximately = 0.011 AUD)
WES	Workforce employment strategy
WST	Samoa tala (approximately = 0.451 AUD)
YTD	Year-to-date

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Executive summary

Introduction

The Australia–Pacific Technical College (APTC) was established in 2007 to deliver full Australian qualifications to upgrade the skills of established workers in the Pacific region. It enrolls students from 14 countries at campuses across five countries. Australia has funded APTC over two stages – Stage I from mid-2007 to mid-2011, at a cost of \$134 million and Stage II from mid-2011 to mid-2015, at a projected cost of \$143 million. Current Australian funding for APTC is scheduled to end in mid-2015.

The Department of Foreign Affairs and Trade (DFAT) has commissioned this independent review to evaluate the performance of APTC against its three stated objectives of training, employment and productivity. The review also seeks to: assess the contribution and impact of the APTC to skills development in the Pacific; identify ways in which APTC’s value for money could be enhanced; and provide an evidence base that will inform future DFAT programming beyond 2015.

Main findings

APTC’s achievements and shortcomings are summarised in the following table.

Main achievements	Main shortcomings
<p>Economic relevance</p> <ul style="list-style-type: none"> • APTC has increased the supply of people with relevant skills and Australian qualifications • Employment rates are high among graduates and most graduates are in the same occupations as training received • APTC has close involvement with employers in program delivery • Employers are generally satisfied with APTC graduates • Students gain a regional perspective on education and employment opportunities 	<p>Economic relevance</p> <ul style="list-style-type: none"> • Inadequate labour market analysis to find out what skills Pacific countries need/want • Graduates in some fields have lower rates of paid employment, e.g. community services • Employers do not necessarily require full qualifications • Inadequate information and support for labour migration • Insufficient monitoring and evaluation systems focused on economic results and impact, including productivity and earnings
<p>Equity</p> <ul style="list-style-type: none"> • Gives target group a second chance at acquiring a qualification • Relatively high female participation • Individuals from small island states (SIS) are well represented and have access to training they would not otherwise obtain • Programs include training in disability • Pacific Islanders have the opportunity to work alongside and gain firsthand experience of the cultures of other Pacific Islanders 	<p>Equity</p> <ul style="list-style-type: none"> • Individuals from Papua New Guinea and the Solomon Islands are under-represented in relation to the size of their populations
<p>Quality</p> <ul style="list-style-type: none"> • Widely recognised quality in Australian certificates despite formidable challenges • Some influence on raising of quality in technical and vocational education and training (TVET) systems in the region, especially by raising TVET trainer qualifications 	<p>Quality</p> <p>No notable weaknesses in training delivery</p> <ul style="list-style-type: none"> • Potential quality risks from nationalisation of trainers (needs to be mitigated)
<p>Organisational effectiveness</p> <ul style="list-style-type: none"> • Good program management in a complex environment both at the centre and in most campus countries 	<p>Organisational effectiveness</p> <ul style="list-style-type: none"> • APTC operates in a strategic vacuum • Inefficiencies and duplications in implementing the program through having two registered training organisations (RTOs)

Main achievements	Main shortcomings
Internal efficiency <ul style="list-style-type: none"> High completion rates, averaging 91 per cent Progress on nationalisation of teaching staff 	Internal efficiency <ul style="list-style-type: none"> Relatively few graduates in relation to costs High unit costs compared to national training institutions and Australian TAFEs
External efficiency <ul style="list-style-type: none"> Economic rate of return on investment beyond 2015 could be above market discount rate, depending on reductions in unit costs and increased output of graduates 	External efficiency <ul style="list-style-type: none"> Economic rate of return on investment in Stages I and II below market discount rate
Sustainability <ul style="list-style-type: none"> Likely long-term impact on quality of training in the Pacific 	Sustainability <ul style="list-style-type: none"> Lack of country ownership Dependence on expatriate staff Limited revenue streams from employers and students

APTC has largely performed well on its first goal – increasing the supply of skills to the Pacific. Stakeholders in all countries visited by the review team were highly positive about the quality of APTC training and skill development. Achievement of APTC’s second goal – to improve employment opportunities nationally, regionally and internationally – is uneven. Few graduates have migrated to work overseas. Employment rates for graduates in domestic labour markets are generally high but vary according to qualification. APTC’s third goal – to lift the productivity of graduates and enterprises – has been achieved based on the feedback from surveys. Meeting APTC’s objectives has involved considerable cost, far above that of alternative sources of skills training.

Evaluation questions

The review set out to answer five primary evaluation questions in the evaluation plan.

1. TVET capacity: To what extent has APTC succeeded in building national and regional capacity for market-responsive skills development in the Pacific?

Overall, APTC has achieved success in increasing the supply of skills in the Pacific. It has graduated a high proportion of entrants with skills at Australian standards. These achievements are all the more remarkable given the complex and challenging environment in which APTC operates. However, there is scope to realise a range of cost efficiencies, generate more fee-for-service revenue and improve responsiveness to Pacific labour markets. Greater employer responsiveness means shifting the orientation of APTC to targeted training programs, such as skill sets and short courses, at the expense of full qualifications.

2. Labour mobility: To what extent has APTC training enhanced access to regional and international labour markets, and why?

APTC has had little success improving access to regional and international labour markets despite the strong interest from APTC graduates in doing so. Reasons for this include the lack of eligibility of many APTC qualifications for skilled migrant entry to Australia or New Zealand, and the lack of information or support from APTC on the skilled migrant entry requirements. As the APTC is a fully-funded Australian aid program set up to deliver Australian qualifications partly as a means of promoting labour mobility, evidence of its limited success in doing this may undermine APTC's reputation among students, graduates and the wider community in the Pacific.

3. Impact: What tangible differences has APTC made to its primary beneficiaries – graduates and industry?

APTC has been successful in improving the employment prospects of its graduates, with many also obtaining higher wages and other benefits, such as promotion.

However, some graduates in community services and hospitality are unemployed, indicating that APTC could do more to help those graduates not in work to find jobs matched to their qualifications. Employers also say they have benefited, with one-third of employers surveyed indicating they have gained significant benefits. More systematic evidence is needed to show the nature and extent of the impact of APTC graduates on enterprise productivity.

4. Value for money: To what extent have APTC activities been cost-efficient and implemented in the most efficient way compared to possible alternatives?

While effective in terms of the quality of training provided, APTC has been costly in terms of outputs produced. The number of graduates since the College was established in 2007 is low in relation to expenditure. A retrospective cost-benefit analysis (CBA) shows an economic rate of return (ERR) of 6.4 per cent for Stages I and II combined, and an ERR of 8.8 per cent for Stage II alone, treating all Stage I costs as 'sunk costs'. Neither calculation reaches the break-even level of 10 or 11 per cent. Looking ahead, beyond 2015, if the cost-saving measures recommended in this review are achieved and if all Stage I and Stage II expenditures are treated as sunk costs, the net present value of the investment could be positive, particularly if measures are also taken to facilitate labour migration to overseas destinations, and if more foreign workers in middle-skill occupations in the region are replaced by APTC graduates.

5. Future of APTC: What do the findings, evidence and lessons suggest for the future of APTC?

The current APTC model is not sustainable educationally, organisationally or financially. Educationally, more national trainers are needed; organisationally, arrangements need to be streamlined, adapted more to suit APTC needs and duplications eliminated; and financially, increased revenues need to be raised from employers and students. DFAT needs to define what success will look like for APTC in the long term. Even with reduced costs and increased revenue, major Australian assistance will be needed at least through the medium term under all identified options. Greater country ownerships need to be sought around options for long-term planning.

Recommendations

The review has identified seven long-term options for APTC, ranging from a variation on the status quo to a College owned by Pacific governments or the integration of APTC campuses with national training institutions when they are ready. The alternatives should be analysed further to create a long-term vision and plan for APTC.

The review has provided 23 recommendations for consideration. With the current contract due to finish in mid-2015, the review recommends a two-year interim extension during which DFAT and APTC can make organisational improvements and prepare strategies for achieving the long-term vision of APTC.

As noted in this review, APTC has achieved substantial outcomes while operating in a highly complex, regional environment. The APTC program has been highly successful in producing Australian qualifications, it has been largely successful in meeting its equity objectives, and it has contributed to the development of national training institutions. The challenge for DFAT is to update its TVET strategy for the region, articulate its long-term vision for APTC and build an M&E system focused on outcomes.

Chapter overview of this report

Introduction: Chapter 1

Chapter 1 explains why APTC was established and its goals and purpose, as well as the objectives and methodology of this independent evaluation.

TVET capacity: Chapter 2

Chapter 2 shows that APTC has achieved success in building national and regional capacity for skills development in the Pacific. However, there is scope for improvement. APTC delivers 38 specific qualifications, mainly at Certificate level III. Almost 6800 students have graduated, an impressive 91 per cent of entrants. APTC has also been largely successful in satisfying equity goals. Females account for an increasing share of enrolments, reaching 42 per cent of the total in Stage II. However, nationals of PNG and Solomon Islands are seriously under-represented in relation to their populations.

Students, graduates, partner institutions, government agencies and employers were virtually unanimous in their high regard for APTC's training. The review found evidence that APTC is influencing the wider TVET systems in campus countries through its quality standards, upgrading of local teaching staff, support to partner institutions and assistance in quality assurance. Many policy-makers and TVET authorities view APTC as setting the benchmark for quality training in the Pacific. This is achieved at high unit costs, in part due to the high number of expatriate staff. Efforts are underway to reduce dependence on expatriate staff through a nationalisation strategy. The risks associated with nationalisation need to be managed. Another factor responsible for high unit costs is that three-quarters of students receive scholarships.

APTC is forging new ground in the Pacific by setting up closer links with enterprises in program delivery. However, few formal industry partnerships have been established. APTC's adjustment to labour market demands could be improved. APTC's graduate tracer studies lack information about employment outcomes for specific qualifications.

The evaluation found strong program management in a complex environment both at the centre and in most campus countries. The evaluation also identified several issues associated with APTC's governance and management. APTC responds to its contractual obligations within a four-year cycle. It effectively operates in a strategic vacuum¹ without a clear vision and guidelines from DFAT for its long-term success. This impedes planning and stifles local ownership. Management achievements are impressive, given the complex operating environment, but the consortium arrangements result in costly duplication.

The recommendations in Chapter 2 can be summarised around themes: (1) better long range planning by DFAT, both in a regional TVET strategy and the articulation of a long-term vision for APTC; (2) greater country focus, starting with strategic plans for each campus country and setting up country-based Consultative Forums; (3) the need to unify APTC under a single registered training organisation (RTO) and a single set of policies and procedures; (4) better labour market analysis to support adjustments in the APTC training plan; and (5) the need both to build capacity in the Pacific and to reduce operating costs, in part by setting and meeting higher nationalisation targets.

¹ PESDA 2011 provides a general strategy for Australian assistance to education and training in the Pacific, but needs to be updated and expanded to provide strategic guidance and a long-term vision for APTC.

Labour mobility: Chapter 3

Chapter 3 notes that while labour mobility is a core objective, it has received little attention, partly due to APTC's relationship with Pacific employers. APTC's sole focus on delivering Australia qualifications to existing employees through scholarships has sent mixed signals to Pacific employers and their governments who feared a brain drain would result.

Most students and graduates view the Australian qualifications as a passport to work overseas, especially in Australia. The majority of APTC students and graduates surveyed by this review have taken steps or indicated a wish to migrate. However, few graduates have actually migrated to work in Australia or New Zealand and fewer still elsewhere in the Pacific. A comparison of APTC qualifications and Australia's approved occupations and required qualification levels for skill migration shows that most APTC graduates are not eligible. This report recommends that DFAT clarify the importance of the labour mobility objective. To promote the labour mobility goal, APTC should provide more information about the process, including identification of qualifications that are eligible for migration, job counselling, access to IELTS testing, and links with employers abroad.

Impact on graduates and employers: Chapter 4

Chapter 4 presents evidence on APTC's mandate to provide improved employment opportunities for its graduates in domestic labour markets and to increase the productivity of individuals and enterprises. Overall, about 95 per cent of APTC graduates are in employment and 81 per cent of Stage II graduates are in full-time work. Most graduates are employed in the same field in which they were trained, and three-in-five graduates from APTC's Stage I and II have received a pay increase. Graduates in children's services, hospitality operations, youth work and home and community care/aged care tend to have higher rates of unemployment.

Employers, for their part, expressed overall satisfaction with their APTC graduates and the APTC training program. An average of one-in-three employers surveyed stated that the APTC training had produced a positive impact in their organisation and also agreed strongly with eight statements about the benefits of improved work performance of their APTC graduates. This suggests that only a minority of employers gained a significant economic benefit from having employees with Australian qualifications. APTC needs to focus more on understanding the skill needs of employers in the Pacific. This review recommends strengthening APTC's employer databases, more systematic assessment by DFAT of the economic demand for skills for a regional TVET strategy and ways to fortify APTC's own collection and use of information, such as tracer surveys and advertised job vacancies on labour demand.

Value for money: Chapter 5

Chapter 5 addresses questions of value for money (VfM): Do the high quality and other benefits generated by APTC justify its high cost? Could the \$278 million spent on APTC between 2007 and 2015 have been spent differently so as to deliver greater 'value' to the Australian taxpayer? Even though APTC is shown to be a high-cost TVET program, can an economic case still be made for extending Australia's support beyond mid-2015 with a third tranche of funding?

Unit costs (the cost per student, cost per full-time equivalent student (FTE), and cost per graduate) over APTC's first eight years are found to be well above those of national training institutions in the Pacific and more than double the average for RTOs in Australia. As noted above in the evaluation questions, a retrospective cost-benefit analysis (CBA) shows the ERRs do not reach the break-even level of 10 or 11 per cent. However, an ex-ante CBA from the perspective of 2015 (the end of Stage II) that treats

all costs over APTC's first eight years as sunk costs results in an ERR that approaches or exceeds the break-even level. This result is based on specific assumptions about projected enrolments and graduates and about the level of cost-savings resulting from the efficiency measures recommended throughout this review. Looking ahead, therefore, the CBA might lead to a positive decision by DFAT on the question of renewed funding for APTC.

The ERR is highly sensitive to assumptions about the migration of APTC graduates to higher income countries. This means that economic returns could be increased by efforts to facilitate the migration of graduates to Australia and other high-income economies. Another way to increase APTC's ERR is to target the replacement of non-Pacific foreigners working in the region.

Future of the APTC: Chapter 6

Chapter 6 discusses options for APTC's future. While APTC's provision of high-quality training will likely continue to be valued in the region, local ownership needs to be created. APTC is regarded as a foreign institution. Moreover, to remain relevant to Pacific skills needs, APTC needs to identify new sources of economic demand for training.

The current model is not sustainable in the long term. APTC as presently structured is likely to depend indefinitely on substantial Australian financial assistance. In any extension of DFAT funding, it will be important to implement substantial measures to reduce unit costs and to significantly diversify sources of funding.

APTC fits well with the new Australian policy on aid² from both geographic and sectoral perspectives. The education and health sector is one of the six priorities for investment. TVET is explicitly included among the five education priorities. Useful lessons from past experience would enable APTC performance to continue improving.

The review identified seven long-term options for APTC, ranging from a variation on the status quo to a College owned by Pacific governments or the integration of APTC campuses with national training institutions when they are ready. The alternatives should be analysed further to create a long-term vision and plan for APTC.

Recommendations: Chapter 7

Chapter 7 provides a list of the review's 23 recommendations by area. The following table shows the recommendations linked to each major issue facing APTC.

Issue	Recommendations (number in bold)
Inadequate identification of labour market requirements and economic impact	<ul style="list-style-type: none"> • APTC gives priority to identifying economic impact of its activities and outputs R18 • DFAT provides sufficient resources to APTC for appropriate labour market analysis to enable APTC to inform prospective students, employers and governments of the economic demand for specific qualifications R17 • APTC prioritises graduate tracer studies on outcomes by qualification R17 • APTC strengthens employer databases and provides more support for unemployed graduates R17

² Australian Government Department of Foreign Affairs and Trade. (2014). Australian Aid, Promoting Prosperity, Reducing Poverty, Enhancing Stability. Retrieved from <http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx>

Lack of labour mobility among APTC graduates	<ul style="list-style-type: none"> • DFAT clarifies its expectations of APTC on labour mobility and engages with Australian immigration authorities to reach a coordinated approach to promoting labour mobility in the Pacific R11 • APTC provides information to students and graduates about migration processes, requirements and costs, including eligible qualifications R12 • APTC provides support to students/graduates wishing to migrate, in part through language testing R13 • APTC provides links with employers in Australia and New Zealand R14
Geographical inequities	<ul style="list-style-type: none"> • APTC creates more training places for PNG and Solomon Islands nationals R10
Weak strategic planning regionally and by campus country	<ul style="list-style-type: none"> • DFAT consults with stakeholders on a regional TVET strategy and defines its long-range vision and strategy for APTC R1 • DFAT assesses the economic demand for skills as part of the regional strategy R21 • APTC prepares country-specific strategic plans R2 • DFAT establishes Country Consultative Forums R8 • DFAT draws regional forum members from the Country Forums R8
Organisational inefficiencies	<ul style="list-style-type: none"> • DFAT contracts with a single RTO to implement a single set of educational policies, procedures and processes and separates the administrative/ employment function from the education function R3 • APTC strengthens the authority of the CEO and country managers R4 • APTC rationalises the organisational structure and locations to eliminate duplications R5
High unit costs	APTC intensifies efforts, in addition to R5 , to reduce costs by: accelerating nationalisation of APTC staff; double-blocking where possible; and increasing course specialisation by campus R18
Low sustainability	<ul style="list-style-type: none"> • In addition to R6, APTC reduces the percentage of students on scholarships R18 • APTC considers introducing student loans R18

The review suggests an interim renewal of funding for two years before DFAT commits to any longer-term funding. A two-year extension would allow DFAT to complete strategic planning and for APTC to demonstrate increased cost effectiveness.

By the end of the two-year extension (mid-2017):

- (i) DFAT should prepare a regional TVET strategy and long-term vision/plan for APTC, establish country Consultative Forums and clarify its expectations for APTC on labour mobility, and strengthen the evaluation of economic impact
- (ii) APTC should prepare country strategies, strengthen its business development plan and intensify efforts at cost-cutting.

The review recommends that DFAT base its decision on Stage III APTC funding (i.e. beyond mid 2017) on a forward-looking ERR that considers only future costs and benefits and treats the costs of Stages I and II as sunk costs. Attention to labour mobility and replacement of foreign workers would bolster the economic returns. In addition, DFAT may wish to factor in non-quantifiable benefits of externalities and the extensive goodwill that APTC has created among stakeholders.

1 Introduction

1.1 Origins and objectives of the APTC

The Australian Prime Minister announced the setting up of an Australian Technical College for the Pacific at the Pacific Islands Forum in October 2005, an initiative endorsed by PIC leaders.³ The two main objectives were skills upgrading and enhanced labour mobility. The Prime Minister's press release noted that the new College would 'significantly upgrade the supply of trade skills in the Pacific. It [would] also enable much greater labour mobility of skilled and semi-skilled workers between the Pacific and Australia (and other developed economies)'.

The original concept paper for Stage I of the APTC stated that 'graduates will benefit from portable qualifications and improved employment opportunities domestically as well as in an increasingly international market for skilled labour'. The College's objective was to facilitate, but not guarantee, for those who chose to, migration to Australia or other overseas labour markets on a permanent or temporary basis through the provision of in-demand portable qualifications. A footnote to the above text noted that other Australian migration criteria included age, English language, and work experience. The footnote added: 'For employer driven schemes there was no certainty migration opportunities for graduates would materialise'.⁴

The purpose and objectives of the APTC have changed somewhat over time. The design reports for its establishment in February 2007⁵ stated that:

'The **Goal** of the Australia–Pacific Technical College is: Increased supply of skilled workers and increased productivity in targeted sectors in the Pacific region; and Pacific Islander women and men realise improved employment opportunities nationally, regionally and internationally.

The **Purpose** of the College is: Pacific Island women and men with Australian qualifications able to find employment in targeted sectors'.

The mid-term review of Stage I presented different wording, separating the training goal from the productivity goal, and added a new purpose – to support Pacific skills development.

'The APTC has three **Goals**.

- (a) Training: Increased supply of skilled workers in targeted sectors in the Pacific region.
- (b) Employment: Pacific Islander women and men with Australian qualifications realise improved employment opportunities nationally, regionally and internationally in targeted sectors.
- (c) Productivity: Increased productivity of individuals and organisations in targeted industries and sectors.

The **Purpose** of the APTC is to:

- (a) provide Pacific Islander women and men with Australian qualifications that present opportunities to be able to find employment in targeted sectors nationally and internationally

³ Pacific Islands Forum, *Forum Communiqué 25–27 October 2005*, 36th Pacific Islands Forum, PIFS(05)12, paragraph 4

⁴ *APTC Concept Paper*, 2006, pp. 2–3

⁵ Australia–Pacific Technical College, Coordination Office and Country Program Design, Final Report, 14 February 2007, p. 3. Other specific design reports provided the same statement.

- (b) support skills development in the Pacific in response to labour market requirements.⁶

This formulation remained, both in the design document for Stage II and in Schedule 1 of the APTC Scope of Services for Stage II.

Stage I covered four years from mid-2007 to mid-2011 and cost \$134 million. A mid-term review was conducted in 2009 to provide guidance on the extension of Australian funding for the program. The \$152 million budget for the four-year Stage II covers mid-2011 to mid-2015 and was preceded by a design stage.

1.2 Objectives of the independent evaluation

This independent evaluation constitutes a belated mid-term review of Stage II. Annex 1 presents the Terms of Reference (TORs) for the evaluation. The objectives are stated as follows.

'DFAT is conducting an independent evaluation of Australian aid to the APTC in order to:

- assess the performance of the APTC against its three stated objectives [points a to c directly above] with regard to its relevance, effectiveness, efficiency and sustainability
- assess the contribution and impact of the APTC to skills development in the Pacific
- identify ways in which APTC's value for money (i.e. economy, efficiency and effectiveness) could be enhanced during the remaining years of the program cycle
- provide an evidence base that will inform future programming decisions beyond 2015.' (TORs, 1.3)

1.3 Target audiences

The primary users of the evaluation are: staff of the Department of Foreign Affairs and Trade, including its Australian Aid Program (senior executives and program staff in Canberra and in the field); Pacific regional stakeholders including partner government and TVET providers; industry and employers; RTO management in Australia; and APTC management and staff. (TORs, 1.4)

1.4 Primary evaluation questions

The evaluation has focused its work on answering five primary evaluation questions.

1. TVET capacity: To what extent has APTC succeeded in building national and regional capacity for market-responsive skills development in the Pacific?
2. Labour mobility: To what extent has APTC training enhanced access to regional and international labour markets?
3. Impact: What tangible differences has APTC made to its primary beneficiaries – graduates and industry?
4. Value for money: To what extent have APTC activities been cost-effective and implemented in the most efficient way compared to possible alternatives?

⁶ APTC Mid-Term Review, 22 June 2009, p. 2

5. Future of the APTC: What do the findings, evidence and lessons suggest for the future of the APTC?

Annex 3 shows the secondary questions that guided the evaluation.

1.5 Methodology

To address the research questions posed in the evaluation plan for this review, the methodology involved: (1) the design, collection and analysis of primary data from students, graduates, employers and APTC staff; (2) face-to-face group consultations and interviews with a range of key stakeholders; and (3) the analysis of data collected and processed by APTC or the use of published research, reports, and documents related to APTC. The data sources included the following five elements.

1. A literature review of available documentation on APTC, including the original and subsequent design documents.
2. New analysis of prior APTC annual and Stage I tracer surveys and APTC survey of employers of graduates; and a new analysis of a database of APTC graduates who had migrated overseas compiled by APTC from social media and other sources.
3. Individual meetings – in-country meetings with donors, government officials, TVET providers and APTC management. In addition, members of the evaluation team met management/staff of the two RTOs, qualifications assessment agency and immigration authorities in Australia.
4. Focus group meetings with employers, and with APTC trainers, tutors, administrative staff, students and graduates.
5. Questionnaires that were administered separately to all of the groups mentioned in (4) above. In addition, APTC country managers completed a questionnaire asking about APTC links with industry. Data from the questionnaires were coded and entered by the Australian Council for Educational Research (ACER).

1.6 Activities

Members of the review team undertook two field visits that together covered all five campus countries. In total, 48 focus group meetings were held, distributed by campus country and group as shown in Table 1.

Table 1: Number of focus group meetings by country and by stakeholder group

Focus group	Fiji	PNG	Solomon Islands	Samoa	Vanuatu
Employers	3	1	1	3	2
Trainers	3	1	1	1	1
Tutors	2	1		1	1
Students	4	2	1	2	1
Graduates	4	2	1	1	1
APTC administrative staff	1	1	1	1	1
Total	17	8	5	9	8

In addition, TVET officials in Vanuatu met as a focus group. No tutors are employed yet in the Solomon Islands.

Annex 2 lists the people and organisations consulted.

1.7 Limitations

Limitations of the review include the following areas.

- The lack of access to a current, official position on DFAT's strategy in the Pacific and long-term vision for APTC (see section 1.8).
- Given the complexity of APTC's operating environment, the relatively short time spent by the team in-country⁷, which presented challenges in understanding and evaluating APTC's performance and progress by campus countries.
- The lack of data on graduate outcomes: in particular, the low response rates for APTC graduate surveys meant that little information was available about employment outcomes for specific qualifications. These low tracer response rates precluded any more detailed analysis of employment outcomes by qualification for each of the campus countries. In addition, the annual tracer surveys did not collect data on the gender of the graduate, post-graduation wage or whether the graduate had migrated overseas. Still, despite their limitations, the availability of different data sets on graduate and employers outcomes provides a better basis for drawing conclusions than reliance on any one source of data.
- In advance of the review, a lack of information on the pre- and post-training earnings of APTC graduates.
- Possible selection bias: the results from the questionnaires administered by the review team to the employers, students and graduates were based on a self-selected sample who responded to an invitation to meet the review team. These results are not a representative sample of all employers, students or graduates.
- No identified control group (those with a similar background and attributes who did not receive APTC training).
- The relatively small number of questionnaires administered in relation to the total numbers in each stakeholder group (although this was mitigated partly by consistency between questionnaire responses, the views expressed by stakeholder groups, as well as team observations during field visits).
- Limits on identifying the effects of APTC training on company productivity: training effects on productivity are difficult to measure given the many other variables involved.⁸
- An external training audit and an audit of APTC organisational effectiveness (as was recommended in the Stage I mid-term review in 2009) were beyond the scope of this evaluation.⁹

The limitations are elaborated in each chapter and/or corresponding annex.

⁷ Airline schedules limited the time in Solomon Islands to two working days for two team members. Coverage by the team in other countries was as follows: PNG – three team members for an average of four working days each; Vanuatu – two members spent four working days; Samoa – four members for an average of four days each; Fiji – four members for an average of five working days.

⁸ As noted in the Design of Stage II (p. 32)

⁹ In addition, access to DFAT program initiatives under preparation was limited, as noted in section 1.8.

1.8 Context

1.8.1 APTC's unique characteristics

APTC is a unique¹⁰ institution in Pacific development with the following distinguishing characteristics. APTC is:

- an Australian development program, not a mutually owned regional training institution with shared governance
- owned and governed by Australia
- its services are implemented through direct delivery by Australian contractors
- Australian Aid is accountable for APTC's result.

By strategic choice, the APTC:

- aims at formal sector jobs, not informal sector
- aims at upgrading skills acquired through formal or informal (on-the-job) training, rather than providing initial training
- aims mostly at those in employment, not school leavers and not youth unemployment – an explicit choice to avoid duplication with activities of national training institutions
- provides full qualifications (at Certificate III, IV and Diploma) not available locally, rather than partial qualifications, e.g. skill sets and short courses
- concentrates on regional training delivery, rather than focusing primarily on developing capacities of national training institutions.

As a regional program, APTC operates side-by-side and interacts with other regional programs in relation to both skills development and labour mobility. Under its Scope of Services, APTC is directed to play a role in supporting Australian bilateral TVET programs and partner TVET institutions.

1.8.2 Country settings

APTC operates in a challenging context. It serves five campus countries (PNG, Fiji, Vanuatu, Samoa, and recently the Solomon Islands) and an additional nine countries – ranging from Palau in the north Pacific, to Kiribati in the centre and the Cook Islands in the south. It thus delivers services to nationals thousands of miles apart. This entails communications and cost challenges and risks related to distance, as well as management in a multicultural and multi-political setting.

The APTC client countries are extremely diverse in resources and stages of development, but can be divided into three groups: (1) land-rich, low income countries with natural resources and agricultural potential (PNG, Solomon Islands and Vanuatu); (2) small, vulnerable island states with challenging economic prospects (Kiribati, RMI, FSM, Nauru and Tuvalu); and (3) more advanced island states (Fiji, Cook Islands, Palau, Samoa and Tonga) with comparatively better economic prospects.¹¹ The informal sector of the economy predominates in most countries. Government is the major wage employer in most of the countries; the private sector is often small and immature. Many governments are highly aid dependent.

¹⁰ As the 2009 MTR stated, 'APTC has few of the characteristics of a traditional aid activity'. (p. 9)

¹¹ *Skilling the Pacific*, Chapter 1

TVET systems in the Pacific tend to be under-resourced. APTC trainees, particularly from small island states (SISs), tend to have highly varied levels of preparation in language, literacy and numeracy, in vocational skills, and in quality of work experience. Most received their formal education years ago. This presents major challenges to APTC trainers. On the other hand, trainees are reported to be highly motivated and eager to learn (in comparison with TAFE students in Australia).

APTC has also had to deal with challenging political issues. Foremost among these was the fallout of strained diplomatic relations between Australia and Fiji following the coup in December 2006. Diplomatic relations were severed between the two countries from November 2009 to July 2012, but have improved further with the restoration of a constitution and elections in 2014. Some Fijian officials felt that rather than financing Australian training in the region, it would have been more effective to invest the money in local training institutions.¹² Because of these factors, APTC has faced difficulties in establishing a working relationship with the main national training institution, Fiji National University (FNU). Top management in FNU was critical of APTC and reportedly adverse to collaboration. Initially, APTC was able to work cooperatively with the Training and Productivity Authority of Fiji (TPAF), but this cooperation ceased after TPAF was taken over by FNU. More recently, strains led to the departure of APTC from a cooking training facility owned by FNU in Nadi. In addition, attempts by APTC to establish cooperation with Solomon Islands National University (SINU) in Honiara hit a stumbling block, although more recently there has been some progress on cooperation.

These factors add up to highly diverse country conditions and relations for APTC. In contrast with Fiji, many things appear to have gone well for the APTC in Samoa. It enjoys strong political support from top national leadership; has a good working partnership with the National University of Samoa (NUS) (following a bumpy start); has a readiness to adjust offerings as circumstances change; and seemingly has made a significant impact on the local economy. In PNG, APTC enjoys strong employer interest in skills among the large employers in a context of weak government investment in TVET. Similarly, in Vanuatu strong support and interest has been registered by the hotel, catering and tourist industry.

1.8.3 Strategic/policy context

APTC was developed around the same time as the principles of aid effectiveness articulated in the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action*. These principles include country ownership, alignment with national priorities, harmonisation of donor assistance, managing for results and mutual accountability. As pointed out in the 2009 Mid-Term Review, some observers feel that APTC 'does not sit well in this context'.¹³ APTC tends not to be well integrated with national initiatives and is not managed through clear partnership arrangements. However, as also pointed out by the previous MTR, the APTC goals and objectives are aligned with the Pacific Plan and are consistent with the emerging regional strategies for education and training.¹⁴

Two regionally prepared and endorsed documents set out strategic directions for TVET. Neither refers to APTC directly, but the objectives and strategies are consistent with APTC's work. First, the Pacific Education Development Framework (PEDF) 2009–2015 sets out guidelines for the development of education and training in the region. The Framework covers all sub-sectors except higher education. The challenges and

¹² Amanda Alampi et. al. 2013, *Beyond Skill Visibility: A New Framework for Migration and Immigration Policy*, p. 32

¹³ 2009 MTR, p.9

¹⁴ *Ibid*

priorities for TVET draw heavily on the 2008 ADB/PIFS study, *Skilling the Pacific*. The Framework stresses the importance of quality standards and equity in provision of skills, as well as organisational development of apex training authorities and national qualification frameworks.¹⁵ Second, the PEDF was followed by a Regional Framework for TVET in 2012.¹⁶ Among other objectives, the Framework seeks to: 'position regional institutions to showcase best practice in TVET'; 'strengthen regional coordination of TVET through development, cooperation and partnerships'; and 'facilitate labour mobility' (p. 4). Priority areas include 'enhancing...quality assurance systems to international standards' and 'identification and sharing of regional models and programs of excellence in TVET'. The Regional TVET Framework also advocates increasing TVET scholarship funding so that more Pacific Islanders can travel and study in the region (pp. 4–5).

AusAID's 2011 Pacific Education and Skills Development Agenda (PESDA) provides guidance on Australian aid for education and skills development programs across the Pacific. One of the four objectives pertains to technical–vocational skills development, namely 'ensuring that increased numbers of young people gain valued professional, technical or vocational qualifications through post-secondary education and training'.¹⁷ Inter alia, it cites the benefits of gaining internationally recognised qualifications and that the APTC has demonstrated that such qualifications enable citizens to move between training providers, employers and countries, including Australia.¹⁸ One of the three performance targets is 'increased employability of young people'.¹⁹ One of four performance indicators is 'increased numbers of young people with qualifications that are accepted regionally and/or internationally'.²⁰ APTC is singled out among regional institutions for support: 'To support formal skill development in the Pacific, Australia is committed to expanding and strengthening the services of the Australia–Pacific Technical College'.²¹ In addition to delivery of Australian qualifications at Certificate III level and above to a broader range of people, the College will also build capacities of local training providers through teacher development and establishment of a Centre for Professional Development. As stated later in this report, while the PESDA cites the importance of APTC, it provides insufficient strategic guidance for APTC's long-term development.

From both a geographic and thematic/investment perspective, APTC fits well with the new policy on aid introduced by the Australian Government in June 2014.²² The combined sector of education and health is one of the six investment priorities. TVET is specifically included among the five priorities for education:

*Prioritise skills for growth to enable people to be job-ready and adaptable, by improving access to quality-assured technical education and training, which matches the needs of the local private sector.*²³ (See Annex 10.3)

¹⁵ PIFS, 2009. Pacific Education Development Framework 2009–2015, p. 9

¹⁶ PIFS, 2012. *A Regional Framework for Technical and Vocational Education and Training (TVET) Development in Pacific Island Countries: 2012–2015*. PIEF (12) FEdMM.08

¹⁷ Australian Government, *Pacific Education and Skills Development Agenda*, June 2011, p.1

¹⁸ Ibid., p. 3

¹⁹ Ibid., p. 6

²⁰ Ibid., p. 7

²¹ Ibid., p. 9

²² Australian Government Department of Foreign Affairs and Trade. (2014). Australian Aid, Promoting Prosperity, Reducing Poverty, Enhancing Stability. Retrieved from <http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx>

²³ Ibid., p. 19

Other strategic initiatives²⁴ reportedly are under preparation by DFAT, but could not be considered as part of this review as they have not been finalised and officially adopted.

1.9 Organisation of the report

The report is organised according to the primary evaluation questions, as follows:

- Chapter 2: TVET capacity
- Chapter 3: Labour mobility
- Chapter 4: Impact on graduates and employers
- Chapter 5: Value for money
- Chapter 6: Future of the APTC
- Chapter 7: Recommendations

2 TVET capacity²⁵

2.1 Overview

The focus of this chapter is on how well APTC has provided skills training to its target groups. Overall, APTC has succeeded in building national and regional capacity for skills development in the Pacific with discernible benefits, and in gaining a strong reputation for quality among stakeholders. However, there is scope for making three sets of improvements to APTC:

1. efforts should be made to **reduce unit operating costs** through organisation/management changes; these include training many more national staff to become qualified trainers and removing the duplication caused by having two Australian registered training organisations (RTOs) managing the educational and administrative procedures
2. APTC needs to place greater emphasis on **generating more revenue** from fee-for-service activities²⁶ to encourage a mindset shift away from dependence on scholarships to investment in training
3. APTC needs to use **better labour market analysis** to ensure greater responsiveness to the needs of Pacific.

2.2 Context

APTC offers training in five campus countries and to students from a further nine countries under a contract which requires that it offers full qualifications to mostly existing workers (with five years of relevant industrial experience) and a smaller number of new industry entrants (who meet the basic requirements for entry into the course but have limited or no practical work experience).²⁷ Three-quarters of all students are on APTC scholarships. These design features have dictated what type of training APTC could deliver to whom and how it was paid for.

²⁴ Skilling Youth in the Pacific, Labour Mobility Initiative

²⁵ This section should be read in conjunction with Annex 4: APTC Statistical profile and Annex 6: TVET capacity.

²⁶ 'Fee-for-service' covers full payment for, or negotiated co-contribution to, the tuition fees for a complete qualification as well as full payment for, or negotiated co-contribution to, the cost of any other training program or service, either offered by APTC or requested by an enterprise/stakeholder.

²⁷ New industry entrants are students with Certificate II level qualifications, who meet the theory requirements for entry into a course but have limited to no practical work experience. (See Schedule 1: Scope of Services Australia–Pacific Technical College Stage II, p 1. See also APTC Stage II Design: 25 November 2010, p. 14.)

The resulting student cohort consists mostly of mature-aged persons (93 per cent are 25 years and over), many with clear employment goals. This group was specifically targeted to avoid competition with local institutions that cater for school leavers. Expatriate trainers based in the campus countries have been the core of the teaching workforce, but this is beginning to change.

2.3 APTC's capacity for skills development

APTC has established strong capacity for middle-level skills development within the confines of its defined target group and its mandate to deliver only full qualifications.

2.3.1 Quantitative capacity

APTC has delivered 35 specific qualifications since its inception, mainly at Certificate level III. Almost three-quarters of the qualifications are in four training packages: metal/engineering and construction trades in the School of Trades and Technology (STT); and tourism/hospitality and community services in the School of Hospitality and Community Services (SHCS). Enrolment capacity has fluctuated greatly from a low of 730 students in the first semester of 2012 to a high of 2100 in the first semester of 2013. As of August 2014, 6780 students have graduated with qualifications. This represents an impressive completion rate of 91 per cent of entrants. High completion rates can be attributed to the dedication and skill of trainers, the rigorous application of entry criteria and to the conscientiousness of the more mature students. Still, the number of graduates is low for the costs involved, given the total projected investment in APTC over the two stages of about \$275 million.

2.3.2 Quality

APTC has established a strong, well-deserved, reputation for quality in its training. Students, graduates, partner institutions, government agencies and employers were virtually unanimous in their high regard for APTC training quality. Trainers meet the required Australian standards. Considerable investment has been made to ensure that facilities and equipment meet training package requirements for the qualifications offered. Class sizes are consistent with Australian training package and occupational health and safety requirements. The two lead RTOs are responsible for ongoing compliance with the Australian standards. Quality compliance audits are conducted regularly with trainers and tutors involved. So far, 39 full or partial quality audits have been conducted in Stage II, with another five planned before the end of 2014.

2.3.3 Nationalisation of the teaching workforce

In early 2014, only two Pacific Islanders were trainers compared with 51 expatriates. By 31 July 2014 there were 10 national trainers – 20 per cent of the total. This achievement reflects a nationalisation process that is underway to train and appoint an increasing share of national trainers. A four-stage process has been put in place that enables nationals employed as tutors to meet the requirements of the Australian standards and become fully qualified trainers. Increasing the share of nationals takes time as it requires completion of both the relevant vocational qualification and the Certificate IV in Training and Assessment.

The acceleration of this nationalisation process, based on higher targets within a short but realistic time frame, will have major benefits for APTC. It will reduce costs and increase sustainability of the APTC over time. However, the risks to quality associated with the transition from a predominantly expatriate teaching force to a predominantly national one need to be managed. A risk management strategy is needed to ensure national trainers have adequate periodic support and ongoing opportunities to maintain their vocational and professional currency. A plan to progressively replace resident

expatriate staff with short-term specialists able to support national staff would be part of this strategy.

2.3.4 Challenges faced by staff and students²⁸

The achievements of APTC in delivering high quality training are notable given the challenges faced by staff and students. Trainers have to deal with a wide range of cultures among students, varied educational backgrounds, and the sometimes limited language and literacy levels of students. Both staff and students are concerned about the concentrated time allowed for completion of courses under these circumstances, as well as space limitations and making content relevant to conditions in the Pacific. Students identified the following areas as major challenges: difficulties with English; access to and use of computers; and financial hardship.

These challenges, which APTC has made concerted efforts to address, are likely to continue. They illustrate the reality of the target group and the complexity of the environment in which APTC operates.

2.3.5 Delivery strategies

APTC has introduced blended learning in several qualifications, notably the Diploma in VET and Certificate IV in Business. In addition, APTC developed flexible outreach and delivery on a fee-for-service basis, including training to build cyclone resistant shelters in Samoa and training for community development workers in Fiji.

2.3.6 Partnerships and articulation pathways

APTC has built several successful articulation pathways for students through partner institutions. These include both pathways within the Australian Qualifications Framework and pathways to and from local qualification frameworks and Australian qualifications. The following partnerships are in place in the campus countries.

Fiji:	University of South Pacific (Fiji – Regional) Vivekananda Technical College (Fiji) (Certificate II)
PNG:	Port Moresby Technical College
Samoa:	National University of Samoa
Solomon Is:	Don Bosco Technical College (Certificate II)
Vanuatu:	Vanuatu Institute of Technology

Three additional agreements are in place in non-campus countries: Kiribati Institute of Technology, Palau Community College and Ahopanilolo Training Institute in Tonga. However, APTC has met resistance in establishing partnerships with the main TVET providers in Fiji (Fiji National University) and Solomon Islands (Solomon Islands National University).

2.3.7 Catering for country characteristics

As became evident during the field visits, each campus country is distinctive, so it is not surprising that the level of development varies across APTC campuses. As the APTC matures, the distinctive nature of each campus country is becoming more marked, based on the size of the formal sector of the economy, TVET sector development, infrastructure created by APTC investment, and the extent and nature of the partnerships formed. These circumstances call for country-specific strategic plans, containing clear performance targets reflecting the status and potential of each country.

²⁸ See Annex 5, Questionnaire results, for details about student, teacher and graduate responses.

Further, empowering each country campus to reach this potential, through appropriate levels of delegation to country managers, is an important next step in the evolution of APTC.

2.4 APTC's engagement with industry and employers

Little scope exists for industry to be involved in the governance of APTC, but (mirroring the industry engagement practices of TVET institutions in Australia) extensive involvement with enterprises exists at the level of program delivery. Since APTC focuses on practical skills in the workplace, employer involvement is integral to program delivery because work placement is often built into program design. The employers that met with the evaluation team gave glowing reports of APTC's training. APTC has established hundreds of informal links with enterprises across at least 10 countries. In all countries, employers provide work placements and live work projects for students.

However, only a few formal industry partnerships have been established so far. Belatedly, APTC adopted a commercialisation strategy in February 2013 that provides the framework for these partnerships. Actual revenues realised are well below targets, although there have been recent improvements.²⁹ Of the eight formal partnerships listed by APTC, only four pertain to enterprises. Three of these are of interest – the partnerships with Coral Sea Hotels (PNG), the Textiles Clothing and Footwear Council (TCFC) of Fiji and Carnival Australia in the cruise tourism industry in Vanuatu. Each of these partnerships has negotiated levels of co-contribution to cost and demonstrate APTC's responsiveness.

To some extent APTC is forging new ground. In the Pacific, engagement by training institutions with enterprises has not been routinely practised, and employer interest has not developed in purchasing training on a fee-for-service basis. In-house or outsourced training for employees is likely to be beyond the financial capacity of many smaller companies. APTC's reputation as a scholarship institution undoubtedly also contributes to industry reluctance to co-finance training. The expectation of the availability of scholarships is difficult to reverse once they are in place. Additional start-up resources may be necessary both to generate and deliver more fee-for-service activity until it can fully recover costs.

APTC's adjustment to labour market demands could be improved. The Stage II Design Document required APTC's Annual Training Profile to provide a rationale for the proposed courses and explanation of the expected outputs and development benefits. The Annual Training Profile was to include, among other things, a description of the 'evidence of sufficient industry demand'.³⁰ APTC's tracer studies of graduates do not provide information about employment outcomes for specific qualifications. Little analysis is done on skills shortages in the Pacific, such as identifying the occupations of foreign workers and systematically recording advertised job vacancies. The 'APTC-to-Work' program varies in effectiveness across countries.

There are significant complexities and costs associated with APTC's second objective to provide improved employment opportunities for graduates, especially where delivery is conducted in another country to citizenship. More emphasis could be placed on finding suitable work placements which are linked to future job opportunities for students not in paid work. Assistance is also needed to place unemployed graduates in

²⁹ With income from agreements already signed, APTC management projects that revenue will meet 97 per cent of targets by the end of Stage II (Annex 6, section 2.3)

³⁰ Australia–Pacific Technical College Stage II: 2011–2015, Design Document, 25 November 2010, p. 11

jobs matched to their skills. In this regard, the work being done in PNG stands out as exceptional.

Additional costs may be incurred, although this was not evident in the case of PNG. Special challenges exist for unemployed graduates not from campus countries. Still, improving employment opportunities for graduates is one of APTC's objectives and thus needs to be resourced accordingly.

Another shortcoming is the lack of systematic information on the impact of APTC's training on the productivity of enterprises. Building APTC capacity in appropriate labour market analysis suited to its requirements may require additional resources and expertise.

2.5 Equitable provision of APTC services

APTC has been largely successful in satisfying equity goals, with some exceptions. It uniquely provides second chance opportunities for workers to acquire occupational qualifications based, not on educational attainment, but on recognition of prior learning and experience. APTC collects no data on income level of those admitted, but location can be used as a proxy. Two campus countries (PNG and Samoa) do particularly well in enrolling students from remote and rural areas. Applicants from small island states tend to be well covered in proportion to their populations and constitute about a tenth of cumulative enrolment to mid-2014. They obtain qualifications through APTC at Certificate III and above that they could not in country. However, PNG is well below the norm for enrolment in relation to population, in part because programs had to be deferred at the start of Stage II owing to staff attrition from changes in terms of employment. The Solomon Islands scores low on the same indicator because of a comparatively weak supply of trainees and lack of in-country training until recently. (Annex 6, section 3) These facts point to the importance of the expansion of service delivery for nationals of those two countries.

APTC has a strong commitment to gender equality and has important achievements to show for it. The training of women tends to be constrained by family responsibilities, but they have still accounted for 38 per cent of enrolments (42 per cent in Stage II) and 42 per cent of graduates to date. Females are also more likely to complete their qualifications than males, and have reached a 93 per cent completion rate, compared with 87 per cent for males. Females tend to be concentrated in non-trade qualifications, but APTC has achieved success in enrolling women in three non-traditional occupations. Females constituted 34 per cent of total enrolments to mid-2014 in commercial cookery, 43 per cent in painting/decorating and 40 per cent in wall and floor tiling (Annex 6 section 3, also Annex 4, section 4.3).

Disaggregated data are lacking on the labour market outcomes of female graduates from the annual tracer surveys. However, the findings that are available for Stage I graduates from the NCVER survey suggest mixed results. On the one hand, female graduates were more likely to say they had benefited in some way from their APTC qualification compared with male graduates. Some 96 per cent of female APTC graduates said they received a benefit, compared with 87 per cent of male graduates. These benefits ranged from getting a job, setting up their own business, getting a promotion or an increase in earnings.

On the other hand, women are concentrated in the community services sector that has higher rates of unemployment. However, several graduates in the focus groups stated that, while they were strictly speaking unemployed, they had commenced or resumed volunteer work in their communities which was contributing to the strengthening of those communities. Much of this involved working with churches or NGOs and was considered by the graduates to be a successful outcome. (See Annex 6, section 3 for details.)

APTC is also making a contribution to improved support for people with disabilities in two ways. First, it offers two qualifications in disability that have enrolled more than 150 students. Second, it has enrolled 56 students with disabilities, or 0.6 per cent of cumulative APTC enrolments. On the surface, this level of enrolment of students with disabilities seems low,³¹ but it is difficult to assess the adequacy of this performance in the absence of measures of disability by country.

The evaluation team was also asked to review the effectiveness of bridging programs and English language, literacy and numeracy (ELLN) in promoting greater equity. The APTC program has shifted from seeking to improve the skills of potential applicants prior to application to an integrated model. The integrated model is based on the finding that adults learn ELLN best in a context, i.e. as part of the vocational training and development. So the emphasis, rather than on bridging, is now on upgrading the LLN skills of trainees after admission and during training. The initial ELLN assessment scores are aligned to the Australian Core Skills Framework – a comprehensive diagnostic tool designed to assist ELLN practitioners describe an individual's performance in the five core skills of learning, reading, writing, oral communication and numeracy. This ensures that ELLN support is tailored to individual student needs and available at the commencement of each class. High overall completion rates to strict standards, particularly for females, attest to the success of the LLN program. (Annex 6, section 3)

In sum, except for cases mentioned, APTC has done well in promoting equitable access geographically and by gender. APTC cannot do much more to increase the demand for women in many of the trades given prevailing gender stereotypes in the Pacific (and elsewhere), but it has succeeded in building female participation in several non-traditional fields. APTC could perhaps do more to address income or disability barriers to enrolment, but it is difficult to analyse the current situation in the absence of information. As stated throughout this report, more effort should be placed on tracking the labour market outcomes of graduates by qualification and nationality. This applies particularly for females.

2.6 Governance and management

In general, the evaluation found strong program management in a complex environment both at the centre and in most campus countries. For example, APTC has developed sound management information systems which can readily provide the data for analysing value for money. It has met or exceeded its targets on graduates.

Still, governance and management arrangements have impeded APTC's operations. The consortium arrangement, consisting of two registered training organisations (RTOs) plus GRM, involves costly duplication of functions and personnel, affecting both administrative and educational functions. The organisational structure reflects the consortium arrangements and exhibits the associated inefficiencies. Reporting lines to two institutes require a higher number of corporate and administrative staff than would be required with one RTO. As a result, the structure has elements of duplication and is top-heavy, increasing overhead costs. As both RTOs have all the APTC's programs on their scope of registration and the program is well established, there is no longer a need for two RTOs to be involved at consortium level. Employment arrangements are also derived from TAFE industrial awards, which have made it difficult for APTC to respond flexibly to its operating environment.

³¹It has to be kept in mind that APTC upgrades those already in the labour force, either existing workers or new industry entrants. The apparently low proportion of enrolments may reflect the low proportion of persons with disabilities in APTC-type occupations in the labour force.

Importantly, APTC could achieve significant cost and other efficiencies by separating the education function (under the responsibility of an RTO) from the administrative and employment function (under the responsibility of a different agent). For example, separating these has the advantage of being able to develop employment terms and conditions to specifically meet APTC's requirements without their being linked to Australian TAFE terms and conditions. Such a separation could also be achieved through sub-contracting and would see the two parties focusing on their core businesses.

The structure and nature of the APTC Advisory Group limits its impact, compared with alternatives. A shift to a country-based approach to advisory mechanisms that involve the private sector and local DFAT offices would better position APTC for the future, than the current Advisory Group arrangements. Membership of consultative forums at country level could in turn provide a base from which members of a Pacific-wide advisory body could be drawn. APTC Scholarships has always been run separately from all the other Australian Aid Program Scholarships. The terms of reference for the evaluation asked for consideration of opportunities for collaboration going forward (TORs, p. 4). In theory, common administration of all Australian scholarships, including those of APTC, could yield efficiency. However, APTC scholarships are different from other programs in terms of duration, the target group, eligibility, individualisation and funding support. In practice, any administrative integration would, therefore, be likely to harm the effectiveness of APTC's scholarship program. Arguably APTC should maintain full control of its scholarship program, so that it has the flexibility to amend its scholarship policy as circumstances change. However, there may be some other opportunities for collaboration. The Australia Awards Scholarship programs could be considered as a pathway for successful APTC graduates. (Annex 6, Attachment 2, section 3).

2.7 Constraints and opportunities for further development of APTC's capacity

The following list summarises the critical constraints and opportunities for further development of APTC capacity for skills development.

Constraints	Opportunities
<ul style="list-style-type: none"> Lack of a long-term vision for APTC in the Pacific and the ability to plan for the future³² 	<ul style="list-style-type: none"> Clarity for APTC, DFAT and other stakeholders about what constitutes success for APTC
<ul style="list-style-type: none"> The contractual requirement to deliver full qualifications 	<ul style="list-style-type: none"> More flexible programs such as skill sets and accredited short courses
<ul style="list-style-type: none"> The need to generate more of its own revenue by encouraging greater co-contribution to the cost of training by individuals, employers, donors and Pacific governments 	<ul style="list-style-type: none"> Overcoming the reputation of being a scholarship college
<ul style="list-style-type: none"> Elimination of cost inefficiencies in organisation and management 	<ul style="list-style-type: none"> More streamlined operations and availability of more resources for delivery
<ul style="list-style-type: none"> Overcoming pockets of entrenched opposition 	<ul style="list-style-type: none"> Development of partnerships with local institutions of best fit
<ul style="list-style-type: none"> Pursuing the nationalisation of trainers and other staff while at the same time addressing 	<ul style="list-style-type: none"> Educational and financial benefits from capability-building of national staff and reduced reliance on national trainers

³² PESDA 2011 is a general strategy for Australian assistance to education and training in the Pacific. It does not attempt to provide long-term strategic guidance for APTC. Questions of vision and strategy for APTC seem only to arise during mid-term reviews. The review team considers this an important 'strategic gap' at present that hinders APTC planning and development. DFAT needs to update and expand its regional plan to provide a strategic framework and a long-term vision for APTC.

the associated risks of quality deterioration if national trainers are not properly supported	
<ul style="list-style-type: none"> Attracting staff to work in less secure countries 	<ul style="list-style-type: none"> Greater staffing and program stability and improved outcomes

2.8 APTC's influence on building capacity of other Pacific TVET institutions

APTC's objectives and design involved a risk from the beginning that it would operate as an enclave without much impact on national TVET systems. However, the review team found substantial evidence of APTC's influence on the wider TVET systems in campus countries. First, APTC has set transparent standards for quality in TVET delivery in Pacific countries. Many respondents remarked on how APTC has become the benchmark against which other training programs can measure their quality. Second, APTC has provided substantial upgrading of training staff from national training institutions through provision of the Certificate IV in Training and Assessment. Third, it has provided advice and on-the-job training, as well as curriculum and material support, to its partner institutions. Fourth, it has provided assistance for the development of qualifications frameworks, as in Fiji, and the implementation of quality assurance systems for training institutions, as in the Vanuatu Institute of Technology. In short, APTC's influence in building the capacity of other Pacific TVET institutions has been substantial.

Having demonstrated what good quality training involves in a Pacific context, APTC has considerable potential to do more to assist in lifting the quality standards of Pacific TVET systems and providers. The Centre for Professional Development (CPD) has been established to deliver the Training and Education (TAE) training package to partner institutions, to APTC staff and on a fee-for service basis to the wider TVET sector, as well as to support professional development more generally and the nationalisation of staff. Even with limited resources, its performance to date has been solid. The demand for its services is likely to grow to meet APTC's internal training needs related to accelerated staff nationalisation, to continue and extend its role with partner institutions, and to capitalise on opportunities for fee-for-service activity.

2.9 Findings and conclusions

The key findings of the evaluation team were:

- APTC is highly valued by employers, graduates and students
- APTC has established itself as a high quality TVET provider that meets Australian standards
- many policy-makers and TVET authorities view APTC as setting the benchmark for the delivery of high quality training in the Pacific
- however, APTC operates in a 'strategic vacuum' without a long-term vision provided by DFAT, and this impedes its ability to plan for the future and build ownership
- APTC is mostly a scholarship institution with relatively little funding from employers and students
- the level of development and prospects of each country campus varies greatly
- relatively little medium to long-term planning takes place at the country level
- APTC consortium and management arrangements entail duplication and inefficiencies
- the nationalisation of teaching staff is essential for the sustainability of APTC, but it also poses challenges to maintain vocational and professional currency.

3 Labour mobility³³

3.1 APTC training and access to regional and international labour markets

A core objective of APTC from its inception has been to achieve greater regional and international labour mobility for its graduates, as well as helping Pacific Islanders to realise improved employment opportunities nationally. The labour mobility objective is key to understanding APTC's predominant focus on delivering full qualifications, rather than skills sets or modules, as is common in Australia. However, the sole focus in APTC's design on delivering Australia qualifications largely to upgrade the skills of existing employees sent mixed signals to Pacific employers and their governments who feared a brain drain would result.

Most students and graduates consulted by the review team see the Australian qualifications that APTC offers as a passport to work overseas. Most of the current APTC students and graduates surveyed plan, or have taken steps, to migrate overseas, and view their qualification as the key to doing this. However, evidence from different sources confirms that few graduates have actually migrated to work in Australia or New Zealand and still fewer elsewhere in the Pacific. This chapter discusses the reasons for the low rate of labour mobility, the obstacles faced by graduates who want to migrate, and recommendations about how to address these barriers.

3.1.1 Background

One of the three development goals of APTC in the Stage II Scope of Services (SoS) is: 'Employment: Pacific Islander women and men with Australian qualifications realise improved employment opportunities nationally, regionally and internationally in targeted sectors' (Schedule 1, section 4.1). The emphasis on training for Australian occupations in-demand was not mentioned specifically in Stage II, as in Stage I. Nevertheless, providing training that met Australian requirements was still seen as important. The Stage II SoS required the contractor to undertake labour market analysis not only of the formal economic sectors in each Pacific country, but also of 'the metropolitan countries outside the region that APTC graduates are likely to find employment in, notably Australia and New Zealand' (Schedule 1: SoS APTC Stage II, Para 5.25).³⁴

Furthermore, the Stage II design document stated that many APTC graduates are keen to access offshore employment. It noted that the more who do so, the higher the economic rate of return (ERR) because for graduates who obtain work only in their home countries, the ERR in most cases does not exceed eight per cent. The design document went on to conclude that this highlights the importance of the rationale of facilitating regional labour mobility as a means of enhancing employment and income opportunities.³⁵

Despite this emphasis in the APTC design on promoting regional and international labour mobility, APTC has not pursued this objective. The reasons for this are complex but include several overlapping factors. An important factor is the design of APTC. The design documents for Stages I and II failed to note as a major risk the potential conflict

³³ For details see Annex 7: Labour mobility

³⁴ Other evidence of the importance of meeting Australian requirements is clear from Paragraph 5.24, Stage II SoS: The Contractor will also investigate partnerships with Australian industry bodies, such as the Master Plumbers Association and Electrical Contractors Association, and industry interlocutors, such as the Australian Chamber of Commerce and Industry, to review viability, and if appropriate, obtain sponsorship for any necessary in-Australia workplace training for Australian registration requirements. This is in an effort to facilitate access to Australian employment for those trades which are restricted by national and state registration requirements.

³⁵ Australia–Pacific Technical College Stage II: 2011–2015, Design Document, 2010, p. 3

from trying to meet both Pacific and international skill needs by offering Australian qualifications to upgrade the skills of a target group of existing workers. The initial sole focus on the delivery of full Australian qualifications to existing workers via scholarships sent a strong signal to key stakeholders, such as employers in Pacific countries, that APTC was promoting a brain drain of their skilled workers. Stage II allowed a broader target group of applicants for the trade-based qualifications from new industry entrants, but these were in a minority.

It is likely that APTC senior managers, in the face of these competing objectives, sought to gain acceptance of APTC's role within each Pacific country by giving more emphasis to meeting domestic skill needs at the expense of fostering international labour mobility. This was confirmed by one country manager. APTC could justify this focus in part because the SoS for Stages I and II did not specify a target for regional or international labour mobility.³⁶ Nor did the design provide resources for APTC to identify and achieve labour market outcomes beyond producing graduates with Australian standard qualifications.

Another important factor is that only a minority of APTC graduates have qualifications in occupations or at levels eligible for migration to Australia. APTC has failed to provide appropriate information to students and graduates about the requirements of skilled migrant entry to Australia and New Zealand. In particular, APTC has not provided information about the connection between the specific qualifications it offers and the requirements of skilled migration to Australia.

3.1.2 The extent to which graduates have taken up Pacific regional and international employment

Based on several data sources, the estimated number of recorded APTC graduates who have migrated overseas at some stage is 180 or 2.9 per cent of APTC graduates to June 2014. However, less than half of APTC graduates (46 per cent) are in an approved occupation or appropriate qualification level to be eligible to gain skilled migrant entry to Australia or New Zealand. Also, new industry entrants to APTC in eligible occupations may not have relevant or sufficient work experience to qualify for skill migrant entry.³⁷ The number of APTC migrants as a proportion of all APTC graduates eligible for skilled migration is a more accurate figure to gauge the extent to which the labour mobility objective has been achieved. The proportion of APTC graduates who have migrated overseas rises to 6.9 per cent of the total number of eligible APTC graduates who could have migrated.

Using APTC's database of graduates who have migrated, APTC migrants from Fiji, Papua New Guinea, Solomon Islands and Vanuatu are under-represented compared with their country's share of all APTC graduates. In contrast, APTC migrants from Samoa in particular are over-represented compared with their share of all APTC graduates. APTC migrants from Tonga, Marshall Islands, Kiribati and Tuvalu are also over-represented compared with their share of all APTC graduates.

Over half of the APTC migrants (54 per cent) are in the 25 to 39 year age group compared with 44 per cent of all graduates. The specific age group with the strongest likelihood of migrating is 25 to 29 years (29 per cent of all migrants compared with 22 per cent of all graduates). This age bias among APTC migrants and the large

³⁶ The Stage II Design Document did, however, highlight the significance for APTC's ERR if 25 per cent of graduates found work in Australia soon after graduation (APTC Stage II: 2011–2015, Design Document, 2010, p. 3).

³⁷ New industry entrants are students with Certificate II level qualifications, who meet the theory requirements for entry into a course but have limited to no practical work experience. See Schedule 1: Scope of Services Australia-Pacific Technical College Stage II, p. 1. See also APTC Stage II Design: 25 November 2010, p. 14.

proportion of APTC graduates above this age suggests that many APTC graduates may have fewer incentives to migrate.

Three-out-of-four APTC migrants (75 per cent) are from Stage I and one-in-four are from Stage II. This compares with 57 per cent of APTC students in Stage I and 43 per cent to December 2013 in Stage II. The larger share of APTC migrants from Stage I may indicate that the decision to migrate increases with the length of time after graduation. This is consistent with the requirement for 'post-qualification relevant employment' for skills-based migrant entry to Australia. It may also indicate that APTC gave more emphasis to the labour mobility objective in Stage I than in Stage II. This is suggested by the fact that the proportion of graduates from Stage I in eligible occupations and the required qualification level to migrate fell from 49 per cent to 42 per cent in Stage II.

3.1.3 Major factors influencing graduate choices

Three factors have a strong influence over the decision by APTC graduates to migrate. Two of these are the ease of access to, and the size of, the diaspora in a destination country. The third is the role of labour market intermediaries to facilitate the migration. The ease of entry for migrants from some Pacific countries to New Zealand, and via New Zealand, to Australia means APTC graduates from Samoa and Tonga are more likely to migrate. In contrast, the lower share of APTC migrants to Australia from the Solomon Islands in particular, and from Papua New Guinea and Vanuatu, reflect much lower historical migrant flows from these countries (Bedford & Hugo 2012, pp. 54–55).

The obstacles facing migrants from the Melanesian countries are the reverse of those noted above. The first is the absence of a large diaspora from the Solomon Islands and Vanuatu in Australia. The second obstacle is the lack of a special access visa and the difficulty of meeting the skilled migrant entry requirements. The case of PNG is different because it has a diaspora of some size in Australia and a recent significant number of migrants who have gained skilled migrant work in Australia (Filer et al. 2013). The role of labour market intermediaries serving the mining industry in both countries may be one factor in understanding how PNG skilled migrants overcame the obstacles to skilled migration faced by Solomon Islands and Vanuatu.

3.1.4 Obstacles to migration

The Stage II Scope of Services identifies the goals of the APTC-to-Work program as: 'to improve employment rates and productivity'. Specifically, the program is to show students how to identify employment opportunities and to help them apply for work 'domestically and overseas' (SoS para 5.21). APTC, in the specification for an internal review of the program, acknowledges this information gap by stating that the review is to look at including additional content such as migration information for APTC students (APTC 2014).

The review team sought feedback from the surveyed APTC graduates on those who wanted to migrate but encountered problems in applying. Some 68 APTC graduates gave details of the problems they had encountered. However, only a few graduates were aware of the importance of getting a job offer first, or the need to have the required qualification level or appropriate work experience as basic requirements for approval to enter Australia or New Zealand as a skilled migrant.

The greatest barrier was the lack of information or a suitable guide to turn to for help. The next two barriers were the cost and the difficulty of applying for a visa. The lack of a job offer was the next most important barrier, followed by lack of internet access. Other less prominent issues mentioned were: qualification not recognised for entry to Australia or New Zealand; lack of accommodation or contacts; and personal reasons.

Graduates were asked what steps they could take to overcome the problems. The most prominent step they identified was to seek information from the APTC. Some graduates suggested that APTC could help them find a job overseas. Some graduates suggested that the APTC alumni association could play a valuable role in providing information and guidance on how to apply to migrate based on the experiences of those graduates who have done it successfully.

3.1.5 Changes in Australia's skilled migrant system

Since the original analysis for the design of the APTC in 2006, the skilled migration systems of Australia and New Zealand have become more employer-led and with a greater focus on access for skilled migrants on short-term visas. Australia's skilled migration program, particularly since 2009, has moved from 'supply-driven' independent skilled migration towards 'demand-driven' outcomes, in the form of employer and government-sponsored skilled migration.³⁸ The aim of this approach is to ensure that migrants go directly to jobs offered by employers in an approved occupation (Phillips & Spinks 2012, Cully 2011).

The significance for potential migrants of this greater reliance on employer selection has been highlighted by a comparative study of the migration systems of Australia and New Zealand: 'Employers in both countries have come to exert extraordinary influence on permanent as well as temporary entry flows' (Hawthorne 2011, p. 157). The study notes in particular that Australian employers want to select migrants with high-level English language ability, from comparable high-quality education systems, and who can fit into the workplace at speed.

A related change in the migration system is the growth in Temporary Work (Skilled) (457) visas. This growth has been described as 'one of the greatest changes in immigration patterns to Australia in the last decade' (Phillips 2013).

Three aspects of the greater use of temporary work visas for migrant selection are worth noting. First, its high responsiveness to labour market need means that considerable benefits accrue not only to employers but also to the skilled migrant. Because employer-sponsored migrants go directly to jobs, they have a high employment rate in a job matched to their skill set and work experience (Department of Immigration and Border Protection, 2010, p. 5).

The second potential benefit to both the employer and skilled migrant is the chance for both parties to assess whether they want to make the job and move a permanent one. In the year to end-March 2014, one-in-three temporary visa holders applied for permanent residence (Department of Immigration and Border Protection, 2014, p. 2).

The third feature of the temporary skilled work visa pathway to work in Australia is that many 457 visa applications come from students and working holidaymakers already in the country. In the year to end-March 2014, three-in-five applicants (58 per cent) for the temporary work visa were already in Australia (Department of Immigration and Border Protection, 2014, pp. 1–2). As few Pacific Islanders have these opportunities to come to Australia as students or working holidaymakers, APTC graduates from outside Australia or New Zealand will find it much harder to make contact with an employer and obtain an job offer for a temporary skilled work visa.

The profile of approved occupations for skilled migrant entry has also changed since 2006. For example, the APTC Stage II Design noted the removal in May 2010 of

³⁸ The increased role of employers in the selection process is shown by the introduction by the Department of Immigration of the Skilled Migrant Selection Model called SkillSelect in July 2012 which requires prospective applicants for skill migrant entry to first submit an expression of interest before being invited to make a visa application. (See Phillips & Spinks 2012: pp. 5–6)

hospitality and related occupations from the Skilled Occupation List for migration to Australia.³⁹

3.2 Match between APTC qualifications and Australian labour market demand

On the evidence of the occupations of recent skilled migrants to Australia, there is little demand for migrants with qualifications related to community or personal service (see the attachment to Annex 7). This includes occupations related to child and aged care as well as in tourism and hospitality. This is due to the fact that most of these occupations are not approved for entry to Australia as skilled migrants. In the case of aged care, skilled entry requires migrants to have a relevant qualification at least at diploma level. The lack in many countries of suitable qualifications at this level may make it hard for potential migrants to meet this requirement. Also this type of work compared with other areas of similar work, such as general nursing, may not be as attractive in terms of pay and other benefits to potential migrants.

Data on the occupations of 457 visa holders between the first quarter of 2008 and first quarter of 2014 shows that one-in-five (20 per cent) are in trades-related occupations but only one per cent are in community and personal service worker occupations. A similar profile applies to primary migrants in the permanent skilled migration stream over three years to mid-2013.

3.3 APTC provision of valid international qualifications

APTC does provide valid international qualifications but many are not on the list of approved occupations or are not at a sufficient level to enter Australia or New Zealand as a skilled migrant. As noted above, APTC graduates see their qualification as giving them the chance to work in Australia and New Zealand. However, APTC has not provided eligible qualifications to enable most APTC graduates to migrate to work in Australia or New Zealand. The proportion of graduates from Stage I in eligible occupations and the required qualification level was 49 per cent. In Stage II it is even less – 42 per cent. New industry entrants also may be ineligible if they do not have relevant or sufficient employment experience.

3.4 Information, search skills and support for regional and international employment

Feedback from APTC students and graduates shows that APTC did not provide information on overseas job opportunities. As noted above, the APTC is required in its Scope of Services to show students how to identify employment opportunities and to help them apply for work ‘domestically and overseas’ (SoS, para 5.21). APTC, in the specification for an internal review of the program, acknowledges in part this information gap by noting that the review is to look at including additional content, such as migration information for APTC students (APTC 2014).

Responses to the review team’s questionnaire showed that APTC did provide just over a majority of graduates with information about options for further study. However, in open-ended responses from graduates on suggestions to improve APTC, over one-third of the responses (37 per cent) related to requests for help to find work and one-in-five comments (21 per cent) related specifically to a request for help to find work overseas, usually in Australia. Another set of open-ended responses by graduates on problems encountered in applying to migrate showed that their biggest problem was the lack of information or a suitable guide to turn to for help.

³⁹ Australia–Pacific Technical College Stage II: 2011–2015 Design Document, 25 November 2010, p. 11

3.5 Conclusions

Different data sources confirm that few APTC graduates have migrated overseas, even when considered as a proportion of the graduates in qualifications eligible for skilled migration to Australia or New Zealand. This is despite APTC's labour mobility objective of upgrading already skilled and experienced workers to Australian standards.

Nevertheless, most students and graduates see the value of Australian qualifications as giving them the option of migrating overseas for work. They believe, not unreasonably, that APTC, with the stated objective of fostering international mobility, is giving them the means to migrate to Australia or New Zealand. This erroneous view held by the students and graduates who are not eligible to migrate to Australia for work needs to be corrected as soon as possible. The APTC brand and reputation, and indeed that of the Australian aid program, are at risk of being accused of allowing a widespread impression to exist without correcting it.

4 Impact on graduates and employers⁴⁰

4.1 Overview

Most graduates are now in employment related to their training. However, tracer survey results show that for those graduates who are not with the same employer post-APTC, the employment outcomes are more mixed, with some qualifications related to community work and hospitality having high levels of unemployment. APTC graduates and employers of graduates in general are satisfied with APTC's training program and the benefits that have flowed from this. However, it is difficult to assess the extent of these benefits from graduate and employer feedback.

APTC, in addition to its training and labour mobility objectives, is mandated to provide improved employment opportunities for Pacific Island men and women in domestic labour markets. APTC is also required to increase the productivity of individuals and organisations in selected industries and sectors. This chapter presents evidence to assess the employment and related benefits for APTC graduates, and the nature and extent of productivity improvements that graduates and enterprises may have gained from employing APTC graduates.

Key factors to take into account in the assessment of APTC graduate employment outcomes include whether the graduate was in employment before APTC, whether the graduate is still with the same employer, and the labour market conditions affecting specific qualifications. Each of these factors makes a large difference in explaining the employment outcomes achieved by graduates.

In assessing the productivity benefits APTC delivers for individuals and organisations, the challenge is to find evidence of the size of the benefits. Also important is evidence on the nature and extent of the economic benefit that employers enjoy from employing APTC graduates.

The low response rates for the APTC annual tracer surveys of the total population of graduates and the NCVET survey of all Stage I APTC graduates have produced biases in the results. In particular, as detailed in Annex 8, specific countries such as Papua New Guinea are grossly under-represented and other countries such as Samoa are over-represented in the results presented in this report. The response rates by qualification also vary greatly. In the NCVET survey, for example, the response rate for

⁴⁰ For elaboration, see Annex 8: Impact on graduates and employers

graduates in each qualification ranges from 33 per cent to seven per cent.⁴¹ These low response rates by qualification means that it is not possible to provide information on the employment outcomes by country for specific qualifications. There is also limited scope to provide information on qualifications by gender. Information on gender is available from the NCVER survey results of Stage I graduates, but not from the APTC annual tracer surveys as this survey instrument did not record information on the gender of the graduate. The low number for respondents for many qualifications meant that further breakdown by gender of the graduate, where available, was not possible.

However, the availability of three separate data sources on graduates and two on employers of graduates enables stronger conclusions to be drawn from the findings than reliance on only one data source would allow.

4.2 Employment rates of APTC graduates

4.2.1 Stage I graduates

According to the 2013 NCVER APTC Graduates Down the Track survey, 96 per cent of Stage I graduates are in employment (either in a wage job or own business). However, nearly half of the graduates surveyed (46 per cent) are still in the same job they were in before they started their training at APTC. Table 2 presents data on the employment rates of 54 per cent of graduates not in the same job as prior to APTC.

Table 2: Proportion of Stage I APTC graduates by qualification not in the same job prior to APTC who are employed, 2007–June 2011 (%)

APTC qualification	Not employed %	Response rate for all graduates in qualification %
Certificate III in Hospitality – Patisserie	33	9
Certificate III in Engineering – Mechanical Fitting	17	19
Certificate III in Children's Services	14	30
Certificate III in Wall and Floor Tiling	14	33
Certificate III in Plumbing	14	47
Certificate IV in Training and Assessment	14	26
Certificate III in Carpentry	11	19
Certificate IV in Hospitality (Supervision)	8	19
Certificate III in Painting/Decorating	7	16

Source: NCVER APTC Graduates Down the Track survey, December 2013, response rate for the tracer survey based on the total number of graduates in each listed qualification in Stage I.

Graduates in several qualifications have notably higher unemployment rates. One-third of graduates in the Certificate III in Hospitality (Patisserie) not with the same employer are unemployed, although the response rate for this qualification is low. Graduates in the trades-based qualifications are not exempt from being out of work. As many as 17 per cent of graduates with a Certificate III in Mechanical Fitting not with the same employer are unemployed. One-in-six graduates in Certificate III in Children's Services not with the same employer are also now unemployed. Graduates in Certificates III in

⁴¹ See Para 1: Evidence of APTC impact on graduates in Annex 8: Impact on graduates and employers and in Table 2.

Wall and Floor Tiling, Plumbing and Carpentry also have above average unemployment rates.

Being in employment does not indicate whether that job provides an adequate income. Most Stage I graduates in employment (84 per cent) agreed with the statement that 'I am able to support myself and my family well'. However, one-in-ten Stage I APTC graduates (10 per cent) could not identify a benefit, or stated a negative outcome, since completing APTC training. Some 14 per cent agreed with the statement that 'I find it difficult to earn enough to support myself and my family' and only one per cent agreed that 'I cannot earn anywhere near enough to support myself and my family'. For those still in the same job, as many as one-in-five APTC graduates (20 per cent) found it difficult or very difficult to 'earn enough to support myself and my family well'. This result compared with one-in-ten of APTC graduates (12 per cent) in a new job. This suggests that some graduates who stay with the same employer are trapped, with little reward or choice.

4.2.2 Stage II graduates

Overall, 95 per cent of APTC graduates from Stage II are in employment, and 81 per cent are in full-time, ongoing work. The 'APTC Past Student Tracer Surveys' July 2011–May 2014 did not ask whether graduates were employed before APTC and whether they were still in the same job or not. However, it is clear from data on a student's prior employment status, available separately from the EMIS, that this differed widely between qualifications.

Table 3: Proportion of Stage II APTC past students now not in employment and in other than full-time work one year after graduation, proportion of enrolled students by qualification employed prior to starting APTC and response rate per qualification, July 2011–May 2014 (%)

APTC qualification	Not employed %	Other than full-time work %	No work or less than FT work	Employed prior to APTC %	Response rate for all graduates in qualification %
Wall and Floor Tiling	38	25	63	42	5
Youth Work	27	13	40	60	13
Aged Care	25	25	50	61	11
Tourism	15	4	19	63	37
Fabrication Welding/ Boiler Making	14	18	32	61	11
Painting and Decorating	12	44	56	55	13
Diploma of Children's Services	11	11	22	84	14
Hospitality Supervision	9	2	11	66	33
Hospitality Operations	8	3	11	63	40
Diploma in Management	8	0	8	91	24
Community Services	0	25	25	88	100
Disability	0	9	9	79	30

Source: APTC Past Student Tracer Surveys July 2011–May 2014, response rate for tracer survey based on total number of graduates in each listed qualification in Stage II.

Table 3 above shows a range of employment outcomes for each qualification, although it should be noted that some response rates are very low. In particular, high levels of

not-in-paid work and in less than full-time work (see column 3) are evident for graduates with Certificates III in Wall and Floor Tiling, Painting and Decorating, Aged Care, Youth Work, Fabrication Welding/Boiler Making, Community Services and Tourism, and the Diploma of Children's Services.

However, even in difficult labour market conditions where jobs are hard to find, how have APTC graduates performed? Column 4 in the table above shows that for most of these qualifications, many students were not in paid work when they started their training. A comparison of the employment rates after (the reverse of column 1) and before graduation (column 4) shows that in all instances there has been an improvement in the employment rates post-APTC. Improvements in employment rates of between 42 and 30 percentage points are evident for past students in hairdressing, carpentry, automotive mechanical, painting and decorating, mechanical fitting and machining, and training and assessment.

Even in a qualification where students were mostly not in paid work before APTC – the Certificate III in Wall and Floor Tiling, there is an improvement of 20 percentage points in their employment rate after graduation. Similarly, with the graduates of the Certificate III in Tourism, despite a low employment rate before APTC (63 per cent), there is an improvement of 22 percentage points in their post-graduation employment rate. APTC training has improved the employment opportunities for graduates who were previously unemployed.

4.2.3 Current employment status of APTC graduates

Further information is available on the employment outcomes of graduates from the survey conducted by the review team. As noted at the beginning of this report, the respondents self-selected for this survey. Although the consultations with graduates were timed to allow those working to attend, graduates in paid work may be under-represented.

One-in-six of the graduates (15 per cent) who met with the review team and responded to the questionnaire are not now working. This high proportion of graduates not working reflects, in particular, labour market conditions in PNG for specific qualifications.

The employment status of graduates prior to their APTC enrolment has a big impact on whether they are working now. Of those employed before starting at APTC, 88 per cent are now employed. However, for those not working before APTC, only two-in-five (40 per cent) are now working. As many as 94 per cent of graduates were employed before APTC, but only half (48 per cent) are still with the same employer after graduation. Some graduates had to leave their jobs to start their APTC training. Of those employed before APTC, three-in-five (62 per cent) continued in work while studying. Overall just over one-in-four graduates not with the same employer are unemployed.

However, the proportion of unemployed graduates varied greatly by qualification. Graduates in qualifications related to community work and hospitality in particular were experiencing difficulties in finding work. Graduates from PNG and Fiji were also more likely to be unemployed than graduates in other countries.

4.3 Graduate employment in the same field as they were trained

Most APTC graduates are now in jobs closely related to their training at APTC. The NCVET 'APTC Graduate Down the Track' survey showed that 87 per cent of Stage I graduates said their current job was closely related to their APTC training, a further 10 per cent said it was partly related and only three per cent said it was not related at all. Among those graduates in a new job, 84 per cent said their current job was closely

related to their APTC training and 11 per cent said their current job was partly related to the training they had received. Only four per cent said their current job was not related at all to the training they had received.

In five specific fields of study, a half to one fifth of graduates said their current job was *not* closely related to their training. These fields were: community services work (current job for 50 per cent was not closely related), children's services (37 per cent), tourism (25 per cent), mechanical fitting (25 per cent) and hospitality supervision (21 per cent). The lack of match between qualification and job may indicate a lack of jobs in the sector for which the qualification is targeted.

4.4 Wage levels of graduates, before and after APTC training

Three-in-five of the Stage I APTC graduates (61 per cent) surveyed in 2013 said they had received an increase in earnings since completing their APTC training. This proportion differed little between whether the graduate was still in the same job or a new job. The qualifications least likely to be linked to an increase in earnings after graduation were: Certificate IV in Training and Assessment, Diplomas in Community Services Work and Children's Services, and a number of trades-related qualifications such as wall and floor tiling, plumbing, painting and decorating, mechanical fitting, and automotive mechanical technology. The Certificate IV in Training and Assessment is aimed at TVET instructors who are likely to be on wages fixed by government. Some of the trades may also be working for public works departments and state-owned enterprises where there is little scope to increase wage rates.

Only one-in-four Stage II graduates provided information about any increase or otherwise in their wages a year after graduating. Of these, three-in-five (60 per cent) said it had increased, one-in-three (35 per cent) said their wage was the same and one-in-twenty (5 per cent) said their wage was lower a year after graduating.

4.5 Evidence on job satisfaction, stability or promotions

For the Stage I graduates, of those already in a job, two-in-three (62 per cent) had gained a promotion and a similar proportion (63 per cent) had gained an increase in their earnings. However, one-in-ten (10 per cent) could not identify a benefit, or they stated a negative outcome, since completing APTC training.

The NCVET 'APTC Past Students Tracer Survey' of Stage II graduates showed that 86 per cent of respondents agreed that their job satisfaction had improved significantly, with one-in-four agreeing strongly with this statement. The levels of job satisfaction varied by qualification and reflected different working conditions. Half of the respondents said they had been promoted since completing their studies at APTC. The promotion rate varied widely by qualification, from one-in-four to seven-in-ten. Differences in promotion rates may be due in part to fewer opportunities for promotion for jobs in the public sector. Close to nine-out-of-10 graduates agreed that their employment prospects or ability to apply for a job had improved significantly, with 28 per cent strongly agreeing. Again, this varied by qualification, depending on labour market conditions.

4.6 Evidence of APTC impact from employers

APTC conducted surveys of employers in 2012 and in 2013. The total number of usable responses was 181, from 607 questionnaires sent out. This represents a response rate of 30 per cent. Another source of employer feedback is the responses of 38 employers who took part in meetings with the review team or were asked separately to complete a questionnaire.

4.6.1 Comparison of APTC graduates with other TVET graduates at the same level

Employers were asked to offer an overall assessment of their level of satisfaction with the APTC training program. Nine-out-of-10 employers (89 per cent) were satisfied or very satisfied with the APTC training program. Non-government organisations (NGOs) were more likely to be very satisfied (55 per cent), followed by the private sector (43 per cent) and the public sector (39 per cent).

4.6.1.1 In relation to technical competencies

Nine-out-of-ten or more employers surveyed in 2012 and 2013 agree that their APTC graduates perform well in the workplace. In particular, they agree that they are able to use relevant skills and technology, have a working knowledge of their industry, and understand relevant technical words. Employers also agree that APTC graduates work effectively with minimal supervision, are able to take on increased responsibility, solve common work-related problems and can communicate effectively with their supervisors, co-workers and clients/customers. Over a third of employers strongly agreed with each statement in relation to nearly all of the above aspects of work performance,

Four-out-of-five employers who completed the review team's questions in 2014 agree that the APTC graduates they employ perform well on the job in terms of technical competencies compared to other workers at the same level, with two-in-five employers agreeing strongly that this is the case.

4.6.1.2 In relation to good work habits

Employers were also asked to assess the degree of change in their employee's attitude and work ethic since completing APTC training compared with before the course. They were asked to do so in relation to two statements: 'Graduates are motivated and show initiative' and 'Graduates display an appropriate attitude and ability to work, are reliable and professional'. In relation to both statements, over nine-in-ten employers said their employees had improved after their APTC training, with three-in-ten saying their employees had significantly improved.

4.6.2 APTC graduate training of co-workers and introduction of new technologies

Nine-out-of-ten employers (89 per cent) surveyed said that their APTC graduates, since completing their training, had improved the work standards/productivity of other workers in their company. Only eight per cent said they had not and three per cent did not answer. This finding is confirmed by the employers who responded to the review's questions. Although this was only asked of some employers, their responses showed high agreement with the statement that APTC graduates have helped to train their co-workers to work better.

4.7 APTC graduate productivity compared with others with the same qualifications

Most employers have recognised in some way the greater productivity of their APTC graduates. Over three-in-four employers (77 per cent) said that they had promoted their APTC graduates or given them greater responsibilities since returning from study, one-in-five (19 per cent) said they did not and four per cent did not answer.

A key question for the evaluation is to assess the nature and extent of the impact that APTC training has had on enterprise productivity. Employers were asked: 'What impact has APTC training had on the productivity or overall performance of your business?'

Nine-out-of-10 responding employers said the impact was positive. Six per cent said there had been no impact and one per cent said the impact was negative.

It is possible to estimate how many employers have experienced a *major* positive impact from APTC training. One way is to compare the employers stating a positive impact with those that gave strongly agreed responses to a series of statements about the work performance of their APTC graduates. An average of a third of all employers surveyed both stated a positive impact from APTC training and strongly agreed with eight statements about the benefits of improved work performance of their APTC graduates.

However, few employers said that having APTC-trained staff had helped them to expand their business. Only one-in-twenty (5 per cent) of private sector businesses surveyed said the impact of APTC training had enabled them to expand their business or to reduce costs by performing work in-house. Nearly all respondents (93 per cent) said they would employ another APTC graduate or work placement student. However, only one-in-five employers (19 per cent) gave as their reason the need for more skilled people to increase profits or to meet customer demand. These responses suggest that only a minority of employers surveyed are in a situation where they can use their APTC graduates to expand their business.

4.8 Value of APTC graduates to employers

The economies of the Pacific countries served by APTC vary from a very small size with an insignificant private sector and low growth prospects, to economies with significant sectors in tourism and other services, to larger, more diversified economies, driven by an expanding resources sector. One of APTC's objectives is to increase the productivity of individuals and organisations in targeted industries and sectors.

The survey responses of employers suggest that APTC's standardised output does not fit the needs of all enterprises. Indeed, the very supply-driven design of APTC with its focus on providing full qualifications and not skill sets has subordinated Pacific employers' needs. The widespread use of scholarships to recruit existing employees gave employers little say in who should be trained, when and in what skills they should be trained.

The evidence presented above suggests that only a minority of employers, ranging from a low of one-in-twenty to a third or more, have gained a significant economic benefit from having employees with Australian qualifications. This issue needs to be investigated more through a carefully designed evaluation strategy, an issue addressed in the proposed evaluation plan in Annex 3.

4.9 Conclusions

Most APTC graduates have benefited from their training in terms of better employment outcomes, wage increases, promotions at work and higher levels of job satisfaction. However, some graduates have not benefited to the same extent. The evidence presented in this chapter shows that it is possible to identify by qualification and country which graduates are in employment that matches their skills, or in other work, or unemployed. The range of different graduate employment rates by qualification and country point to the need for APTC to play closer attention to collecting better data to monitor graduate employment rates at these levels. There is also a need for APTC to provide support to improve the employment outcomes of graduates with specific qualifications and, in particular, country labour markets.

Most employers are satisfied with the performance of APTC and of their APTC graduates. However, it is difficult from the available evidence to gauge the nature of this benefit and its extent. Some indicative evidence suggests that a majority of

employers operate under conditions where they have limited scope to reap significant benefits.

Australian aid funding of TVET in the Pacific places a strong emphasis on responding to the demonstrated demand for skills. However, there is a need to enlist the support of Pacific governments and employers for a demand-led TVET and to provide basic information to support this approach. DFAT's demand-led regional TVET strategy, in which APTC should be playing a key role, needs to have as its foundation resources allocated to a simple, low-cost and reliable methodology for identifying the economic demand for skills in each applicable country.

Five important data sources need to be tapped about skills demands in the Pacific. These data sources include readily accessible official statistics with a focus on occupations and post-school qualifications of domestic and foreign job holders. These country data sources include the census or national surveys such as household income and expenditure surveys. Simple data collection on advertised job vacancies can also be carried out at little cost. More costly national and provider level tracer surveys, as well as surveys of employers are also needed to show what value employers place on specific qualifications in the labour market. Future skill needs can also be estimated from planned investments by government, donors and the private sector.

However, APTC and other TVET providers can provide only one of these data sources – qualification level tracer surveys. It is the role of government (and donors through governments) to fund the wider collection and analysis of labour market information. This information is needed not only for planning purposes. More importantly, this information is needed for students, parents, employers and governments to make informed decisions about the value of the service in which they are investing time and money.

Labour market information has the characteristics of what economists call a public good. This means that the information is shared without limiting its access to others and so there are few incentives for the market to provide this information (Wood and O'Leary 2006). As a public good, governments, including donors investing in TVET, need to provide labour market information in the same way that governments fund police and basic services in education and health. If left to the market alone, private sector firms or TVET providers do not have sufficient incentive or the resources to provide this service.

5 Value for money⁴²

5.1 Introduction

An assessment of value for money (VfM) needs to start with the question: Could the \$278 million of spending on APTC between 2007 and 2015 have been spent differently so as to deliver greater 'value' to the Australian taxpayer?

At a meeting of the APTC Consortium Board in early 2014, board members were shown that AusAID/DFAT had been spending \$42,860 on average to produce each graduate since 2007 (APTC 2014, July)⁴³ and were asked whether this has amounted to value for money.

Given that the APTC objective of facilitating the migration of Pacific Islanders to Australia and other high-income economies has *not* been broadly achieved

⁴² Annex 9: Value for money provides the details on which this chapter is based.

⁴³ Actually, the review team's unit cost estimate for the eight years of Stages I and II is a bit lower than this.

(Chapter 3), a positive VfM assessment of APTC depends largely on the benefits that graduates (and their families), their employers, and their co-workers receive at home in the Pacific. *If* APTC can be justified based on the value of these domestic benefits alone, then any opening up of migration pathways in the future would increase the value of the benefits.

5.2 Financial and education management information systems

During Stage II, APTC has implemented consolidated financial and education management information systems (FMIS and EMIS) to generate the data needed by the management team and Consortium Board for monitoring and evaluation (M&E) and planning. This software marks a significant improvement over the tools and procedures available in APTC's early years. Using this software, APTC was able to respond accurately and quickly to the numerous requests for data submitted by the review team. It should be noted that APTC's current M&E system focuses on operational matters (spending, staffing, enrolments, and qualifications awarded) and remains quite weak on the external efficiency indicators (employment outcomes, migration and, especially, graduate earnings) needed for a VfM analysis.

5.3 Economy of inputs

There is no reason to believe that APTC over-pays for the goods and services it procures. APTC procurement follows Commonwealth guidelines (Commonwealth of Australia 2008). Procedures for purchases in different price ranges are spelled out in an APTC procurement manual (APTC 2012c). Wherever possible, APTC uses local suppliers, provided that cost and delivery schedules match or compare favourably with Australian quotes. APTC pays no import tax and receives a refund on the goods and services tax. Salaries paid to national staff in each of APTC's five campus countries and elsewhere in the Pacific are benchmarked against salaries paid locally for comparable work (Maxumise 2013).

5.4 Cost structure analysis

It was difficult for the review team to obtain detailed information on Stage I costs due to the absence of a consolidated FMIS until recently. By comparison, detailed information on Stage II is readily available since the introduction of the financial database.

5.4.1 Total costs

The Australian Government will have invested a total of \$277.8 million in APTC over the two stages to the end of June 2015.

Counting \$7.0 million spent in FY2006/07, before the official launching of APTC in July of 2007, APTC spent a total of \$134.4 million in Stage I (90 per cent of the original \$149.5 million allocation) – an average of \$16.8 million per semester over the eight semesters, during which time 4436 students were enrolled and 3531 graduated.

For Stage II, by comparison, current projections show that \$143.4 million (of the \$152 million allocation) will be spent by the 2015 closing date (30 June) – an average of \$17.9 million per semester. Enrolments over the four years of Stage II are projected to reach 5401, and graduates 4898.

Capital costs amounted to \$21.9 million in Stage I (16.3 per cent of total costs), as compared with \$10.8 million (7.5 per cent) projected for Stage II. Management fees to TAFE Queensland, the Stage II contractor, will total \$20.7 million (14.0 per cent of total costs), as compared with management fees to the three contractors in Stage I, which came to \$12.0 million (8.9 per cent).

Recurrent costs, other than management fees, will total \$112.6 million in Stage II. Personnel costs will amount to \$54.3 million (48.3 per cent) of this total. Scholarships covering student travel and living expenses will amount to \$22.0 million (19.5 per cent). Course expenses, which include course consumables, student uniforms, and student excursions, will amount to \$9.4 million (8.1 per cent). The remaining \$26.9 million will have been spent on property and ICT costs, minor equipment (not counted as capital expenditure), contributions to partner VET institutions to build capacity, and miscellaneous cost items.

5.4.2 Analysis of unit costs

A fundamental indicator of internal efficiency – the extent to which a school, a college, or an entire education system succeeds in producing outputs (of specified quality) at the lowest possible cost – is the unit cost. The unit cost indicates how much is spent per enrolled student or per full-time equivalent student (FTE), or how much is spent to produce one graduate. APTC has been criticised both in Australia and in the Pacific for being a high-cost training college, which also raises questions about the College's long-term sustainability. Unit costs have come down over time, with the cost per student and cost per FTE now 12 to 13 per cent lower in Stage II than in Stage I and the cost per graduate 23 per cent lower. This reflects, *inter alia*, the higher capital costs in Stage I (16.3 per cent of total expenditure versus 7.5 per cent in Stage II). It also reflects increased enrolments in Stage II (6162 FTEs versus 4432 in Stage I), which have produced a more efficient student–teacher ratio.

APTC's high unit costs can be attributed to a range of factors, including: (1) the high quality of the training that APTC provides (widely acknowledged, even by most critics of the College); (2) the dispersed population of the region, making potential economies of scale difficult to achieve; (3) the region's poverty (as well as Australia's generosity), which has led to the current situation wherein scholarships amount to a significant fraction of APTC's total cost (9.5 per cent in Stage I and 15.2 per cent in Stage II); and (4) APTC's heavy reliance to date on Australian and other high-cost expatriates to fill key administrative and teaching positions, in particular the positions of managers and trainers. The first three factors are ones that APTC and its stakeholders either do not wish to change (the high quality of training) or are powerless to address (the region's dispersed population and current poverty). The fourth factor (the reliance on expatriate staff) is one that APTC has begun to address, especially during 2014, and has plans to address further in any third stage of funding (see below, section 5.4.5). Moreover, the heavy financial burden on APTC of providing scholarships to approximately three-quarters of students over the College's first seven years could be reduced in the future, especially if DFAT could replace scholarships with student loans (as proposed in section 5.6 below).

In 2012 and 2013, AusAID commissioned a series of case studies on the financing of TVET in the Pacific. Final versions of five of the eight case studies were submitted to AusAID (now DFAT) in time for consideration by this review. The case studies include estimates of various measures of unit costs for national training institutions (NTIs) in the five countries (Fiji, PNG, Samoa, the Solomon Islands and Tonga). Comparisons with APTC are striking, with APTC spending between eight and 26 times as much per student and six to 12 times as much per graduate as the NTIs.

However, comparing unit costs in APTC with the average NTI in a Pacific Island country is not valid without comparing like with like. This applies especially to qualifications. These NTIs offer courses at many levels and of widely different durations, whereas APTC offers mostly Certificate III qualifications lasting between

four and 18 months.⁴⁴ Nor is it possible to assume that qualifications at the same nominal level are equivalent. A more meaningful comparison of APTC's unit costs is with TAFE institutions in Australia, since APTC must satisfy the same AQF standards as the Australian institutions.

APTC's cost per FTE between 2007 and 2015 (\$28,100) is almost three times that of the Australian average (\$9700).⁴⁵ In assessing APTC's VfM, the counterfactual is what it would have cost to send approximately 10,000 Pacific Islanders to RTOs in Australia, rather than establishing and operating a new college for them in the Pacific. While travel and living expenses of students sent to Australia would have been higher, the difference almost certainly would not have equalled the \$18,000 to \$19,000 difference between APTC's unit cost and Australia's average unit cost. In other words, it may have been cheaper over the eight-year period (though, arguably, less beneficial for the 14 PICs) to send Pacific Islanders to Australia for training. This calculation may well change, however, in a further funding stage for APTC based on the measures taken to control costs as recommended in this review.

5.4.3 Unit costs by training location

APTC has campuses in five countries: PNG, Samoa, Vanuatu, Fiji and the Solomon Islands, which was opened during Stage II. APTC's software now enables it to monitor expenses in all locations on a continuous basis. Two-thirds of Stage II expenditure supported direct training in the several training locations, whereas one-third covered overhead costs. For purposes of comparing unit costs across the five campuses, overhead costs were allocated on a pro rata basis (percentage of overhead costs = percentage of direct training costs).

Costs per student are below the APTC-wide average for all of the training locations *except for PNG*, where it is 92 per cent higher (nearly double). PNG's cost per graduate is 75 per cent higher than the APTC-wide average. The reasons for the much higher costs of training at the PNG campus are complicated. The most important single factor contributing to higher costs is the lower ratio of enrolments to fixed training costs. Security is also a bigger issue, and special measures to protect facilities and personnel add significantly to costs. It is harder to recruit expatriate staff to work in PNG, leading to higher personnel costs. The costs of scholarships per student are also more, as they need to cover higher lodging and local transportation costs.

As PNG accounts for three-quarters of the region's population (though only 22 per cent, to date, of APTC students), APTC needs to maintain a campus there. Expansion of the number of participants from PNG can be justified on equity grounds. Moreover, the cost-reducing impact of transferring training now offered in PNG to lower-cost training locations would be offset to some extent by the additional travel and subsistence costs for more PNG students having to go to Fiji, Samoa, Vanuatu and the Solomon Islands.

⁴⁴ These figures refer to the duration of courses from start to finish (including work placement segments), not 'delivery time' (i.e. the time a student spends studying at an APTC campus).

⁴⁵ The sizeable differential can be attributed to a number of factors: higher transportation costs including, for many APTC students, international air travel; food and lodging costs for most APTC students, whereas many more students attending Australian TAFE institutions attend as day students; smaller class sizes, meaning a higher teacher-student ratio; expatriate staff allowances/benefits that are not paid in Australia; and longer courses, including LLN instruction, needed to compensate for the fact that English is not the first language of most APTC students.

5.4.4 Student–teacher ratios, double-blocking and economies of scale

A key driver of unit costs in any school or college is the student–teacher ratio. Often, an easy way to reduce unit costs is to increase the number of students without increasing the number of teachers. The scope for APTC to apply this strategy is constrained, however, by quality concerns. There are also safety considerations that limit the number of students in each class. APTC’s student–teacher ratio has actually *fallen* between Stages I and II, even though the ratio of students to trainers has risen. The explanation for this paradox is the College’s increased use of tutors working alongside trainers.

One way by which APTC has managed to reduce unit costs in some training locations is by running two (or more) offerings in the same subject area (not necessarily the same qualifications or competencies) at the same time. This has been referred to as ‘double blocking’, and it results in cost savings if it can be done with three staff (one trainer and two tutors) for two course offerings. This compares with most single blocks in Stage II having two staff (one trainer and one tutor) for one course offering. APTC could increase double blocking possibilities by having the five campus countries specialise in a smaller number of training packages. This would require each of the five training locations to reduce their range of offerings. However, this increased economy of scale would be offset in part by the cost of transport and accommodation for more students having to move between countries (which, while increasing unit costs in the short run, should pay dividends in the longer run by accelerating the achievement of nationalisation targets; see next section).

5.4.5 Nationalisation of APTC staff

A major factor contributing to APTC’s high costs has been its heavy reliance on high-cost expatriates to fill key administrative and teaching positions. The 2013 nationalisation strategy of APTC set an explicit target of having ‘one national trainer for every six expatriate trainers by the end of 2014’ (APTC 2013b). Early progress was slow, but the target had actually been surpassed by July of 2014.

The review team asked APTC’s CEO for projections of further nationalisation expected between July 2014 and June 2019. The percentage of all APTC staff filled by Pacific Island nationals was expected to rise from 64 per cent in 2014 to 88 per cent in 2019. The key changes resulting in cost savings, however, would be in two staff categories – teaching staff (from 58 per cent to 81 per cent, with most of the change consisting of the increase in national trainers) and managers (from 15 per cent to 64 per cent). Administrative support positions were already filled largely by nationals (85 per cent) by July 2014.

The review team analysed the cost implications of the nationalisation between July 2014 and June 2019 as projected by the CEO and concluded that it would result in \$2.1 million in annual savings by the end of the five-year period. This amounts to 5.9 per cent of APTC’s average annual expenditure during Stage II.

5.5 Cost–benefit analysis

The review team was unable to discover whether AusAID conducted a project appraisal, based on estimates of costs and benefits, in 2006 and 2007 before APTC’s launch in July 2007. The first mention of cost-benefit analysis (CBA) found by the review team appeared in the Mid-Term Review of Stage I, which provided a *framework* for conducting a CBA (or economic rate of return (ERR) analysis) but no actual such analysis. The 2010 design document for Stage II did include an ERR analysis, but the document provided few details of the underlying assumptions and variable flows that would allow others to re-estimate the results. The Stage II design team concluded, however, that ‘if graduates obtain work only in their home countries after graduation’

(in the absence, in other words, of migration by APTC graduates to Australia and other high-income economies), ‘the ERR...does not exceed eight per cent’.

The current review generates new estimates of the ERR on the APTC investment, with assumptions and variable flows spelled out. In the absence of tracer survey information on graduate incomes, the team had to rely on answers to questions about pre- and post-training earnings included in a questionnaire administered to graduates in focus group meetings, but only 174 graduates attended these meetings and completed the questionnaire. This turnout is not a representative sample of APTC graduates. Employers supplied other wages data for their APTC graduates, resulting in information for a total of approximately 200 graduates.

ERRs are estimated from three different time perspectives: (1) 2007, looking at the costs and benefits of Stages I and II; (2) 2011, looking at the costs and benefits of Stage II alone and treating Stage I costs as ‘sunk costs’; and (3) 2015, looking at the costs and benefits of a third four-year funding round and treating the costs of both Stage I and Stage II as sunk costs. These three are referred to as models 1, 2 and 3. Two versions of model 3 were estimated. In model 3.1, the base case scenario, it is assumed that the various efficiency measures introduced over the eight semesters of Stage III as recommended in this review will reduce the unit cost (i.e., cost per student) from its average level in Stage II to 90 per cent of that level by the last semester of Stage III (January–June 2019). In model 3.2, a more optimistic scenario, it is assumed that efficiency measures will be twice as effective, reducing unit costs to 80 per cent of the Stage II average.

The following analysis is based on available EMIS data from APTC, on responses to questionnaires administered by the team between June and August of 2014 to some 200 graduates and 211 current students in the five campus countries, and on Australian Census information on the Australian earnings of migrants from the Pacific in 2011. The review team decided on the following base case values for the parameters of the ERR model:

- A. Direct benefits in the Pacific (average pre- and post-training earnings differential of graduates who do not migrate): \$55 per week
- B. Direct benefits for those who migrate
 1. Per cent of graduates who migrate: 2.5 per cent
 2. Average time between graduation and migration: 4 years
 3. Average earnings differential while living abroad (over and above earnings of those at home without APTC training, and net of the differential in living costs while overseas)⁴⁶: \$700 per week
 4. Average duration (time between migration and return home): 10 years
 5. Average earnings differential after return home: \$110 (twice parameter A, above)
- C. Opportunity costs (average weekly foregone earnings of students while enrolled at APTC): \$140 per week

Taking 11 per cent interest on the cost of capital to be the relevant discount rate, none of the four models results in an ERR of 11 per cent or higher as needed to pass the ‘break-even test’. Model 1 has an ERR of 6.4 per cent, and model 2, 8.8 per cent.

⁴⁶ A DFAT reviewer asked whether remittances sent back home to the Pacific should be counted as the benefit of APTC rather than additional earnings. While it is true that those living at home will be better off the greater the remittances sent back, the rate of return is properly based on the additional earnings of graduates, regardless of where these earnings occur or are consumed. Even if a migrating graduate consumes all of the additional earnings abroad and remits nothing to relatives back home, these additional earnings are still a return to the APTC investment.

As for the forward-looking analysis, model 3.1 has a 10.0 per cent ERR, and model 3.2, 10.9 per cent. The model 3 ERRs, while still below 11 per cent, are at or above the 10 per cent level, which some analysts take to be the cost of capital. It can be argued that the relevant basis for estimating an ex ante ERR should ignore all sunk costs. Using the 10 per cent discount rate, these results imply a positive net present value of the Stage III investment – when we look ahead only and treat all costs during Stages I and II as sunk costs.⁴⁷

Given the sizable difference between the estimated earnings of graduates working at home in the Pacific and those who migrate to Australia and other high-income economies, the ERR results are highly sensitive to the assumption about the percentage of graduates who migrate. Just increasing the percentage from 2.5 per cent (the base line assumption) to 3.2 per cent (the optimistic assumption), increases the estimated ERRs of all three models by approximately one percentage point. Assuming a migration rate of 25 per cent in the future, as was assumed in the Stage II design document, obviously raises all of the ERR estimates to levels well above the 11 per cent break-even level. To maximise economic returns, APTC's strategy for the future should emphasise labour mobility and measures to reduce the reliance on foreign workers in middle-skill occupations.

The review team also tried adding externalities (indirect benefits) to the CBA. There is ample reason to believe that APTC graduates contribute to workplace productivity by passing along knowledge to co-workers, improving workplace organisation and procedures, and training staff of NTI providers (Chapter 4 and Annex 8). The problem is that these indirect benefits are difficult, if not impossible, to measure, which means that incorporating them into the CBA requires bold assumptions. To be fully credible, an ERR incorporating externalities would need to be based on empirically based evidence.

It should be noted that the VfM analysis in this independent review considers only the *dollar* costs and the *dollar* benefits of the investment. Questions having to do with Australia's reputation in the Pacific (and in the eyes of the global community at large) and the likely pushback from any decision to walk away from the project after eight years of support (whether abruptly, or over a period of time, according to some well-prepared and transparent exit strategy), while certainly relevant to Australia's ultimate decision, are not factored into the economic analysis.

5.6 Sustainability

The sustainability of APTC in the absence of GoA funding seems unlikely for a number of reasons. These include APTC's high costs relative to the benefits its graduates can gain as reflected by the incomes they can expect to earn in the Pacific. APTC will continue to have high costs in the future compared with the costs of national training institutions (NTIs). Even if APTC manages to reduce unit costs by as much as 20 per cent over the course of a third four-year funding cycle, the average cost per graduate will still be six to 15 times higher than GDP per capita across the 14 PICs.

Another reason that works against APTC achieving sustainability from student fees is that APTC students are generally not eligible for, or find it difficult to access, national training funds that are available for students who attend NTIs. APTC tuition fees are set at notional levels across the five campus countries, ranging in 2014 from a low of \$380 to a high of \$2239 per qualification. This compares with unit costs in the \$26,000 to \$30,000 range. However, few students (or employers of students) pay even these

⁴⁷ This independent review benefited from thorough comments provided by four peer reviewers appointed by DFAT, two of whom were DFAT staff members while the other two were external consultants. One of the four peer reviewers disagreed with the CBA in which past costs are treated as sunk costs and excluded from the ERR calculations.

heavily subsidised fees. The majority (about 75 per cent) of APTC students are given scholarships, which cover their transportation and living expenses, and they pay nothing for tuition.

To reduce the burden of APTC costs on Australian taxpayers, in the interest of improved sustainability, the review team recommends reducing the percentage of students given scholarships and increasing, over time, the percentage of students who pay, or whose employers pay, the notional tuition fees. One proposal that has been considered would be to require international employers to pay the tuition fees of enrolled employees, although the possibility of ‘free riding’ (an employer who ‘fires’ workers prior to the APTC training and re-hires them when the training is completed) is evident. Given the generous availability of scholarships over the first seven years of APTC, any reduction in availability in the future could meet with a negative PIC response. Moreover, to avoid negative consequences on equity, efforts would be needed on the part of the College to ensure that qualified applicants with no family or employer financial backing would not be barred from admission.

Although it amounts to a preliminary recommendation requiring a careful feasibility study to assess the benefits and likely risks, another plan for the future would be for APTC to transition from a system of grants (scholarships) to a system of student loans. The key for APTC, of course, is how to ensure repayment on the part of graduates with outstanding loans. One possibility would be to require every loan recipient to have an established, demonstrably dependable person to co-sign and guarantee the loan. Also, the loans could be made income-contingent (in the fashion of Australia’s Higher Education Contribution Scheme), and some loan forgiveness could be given to graduates who maintain close ties with the College and provide regular and accurate information on employment outcomes. If APTC (or DFAT) could make this system work and establish a revolving loan fund, this would amount to approximately 15 per cent in APTC cost savings (in terms of expenditure in Stage II, this would be equivalent to more than \$5 million per year).

Fee-for-service programs, for which APTC’s policy is to charge industry and donor agencies full-cost fees including a 10 per cent profit on top of costs, offer some further scope for cost recovery. To date, APTC has landed few fee-for-service contracts with industry, but there has been substantial success with donors (including the EU, NZAID, the Food and Agriculture Organisation of the UN (FAO), and the UN Development Program – as well as with AusAID/DFAT) in negotiating contracts for training that donors need in their aid projects. APTC set itself a target of reaching \$500,000 in profit from fee-for-service activities during Stage II. As of the third quarter of 2014, \$354,000 had been earned. A recently awarded project will bring in another \$130,000 in profit. APTC management was confident that the \$500,000 target would be reached by 30 June 2015.⁴⁸

5.7 Conclusions

The review conducted a value for money (VfM) assessment of the APTC investment between 2007 and the end of Stage II, and also looking forward to a possible third round of funding. The VfM analysis was difficult to carry out due to the lack of robust data. The mid-term review of Stage I conducted five years before this review included a careful list of essential survey information that would be needed for a thorough and credible CBA. However, due to the absence of an M&E strategy for APTC, this information was not collected. APTC has conducted a series of graduate and employer surveys to provide information on training outcomes, but information on the wages of graduates is missing. Questions about earnings included in an early survey were

⁴⁸ Email to the review team from APTC’s CEO, 3 November 2014

deleted in subsequent rounds in response to complaints from national staff that questions about salary levels were culturally inappropriate in the Pacific. However, it is also likely that some graduates did not respond to these questions due to uncertainty about *how* to respond.⁴⁹

APTC's unit costs are high in relation to incomes in the Pacific, the costs of national training institutions, and the costs of similar training in Australia. Several factors are responsible for these higher costs. These include expatriate staff wages, allowances and other conditions of employment (e.g. the fly-in, fly-out arrangements for trainers in PNG). Diseconomies of scale and costly security arrangements are other reasons.

In any extension of APTC, it will be important to implement measures to reduce unit costs so as to boost the economic rate of return and to diversify sources of financing so as to reduce the dependence on Australian aid support.

6 Future of the APTC⁵⁰

6.1 Short-term measures

The team was asked to make recommendations on what could be done to strengthen APTC in the months remaining in Stage II, i.e. until mid-2015. The recommendations can be divided into those relating to APTC and to DFAT. However, in terms of the viability of future options, this timeframe is too short to achieve the changes needed to put APTC on a path to a sustainable endpoint.

6.1.1 Actions for APTC

Priorities would be for APTC to:

- (1) continue its process of eliminating duplications in the organisation and management
- (2) work out accelerated staff nationalisation targets supported by a risk management plan focused on professional support so that national trainers can maintain their currency
- (3) complete its review of the APTC-to-Work program that has the potential for significant impact
- (4) address communication problems with staff.

6.1.2 Actions for DFAT

As a matter of priority, DFAT should institute a consultative process to finalise a regional TVET strategy, and, within it, a long-term vision for APTC. The process should involve consultations with Pacific governments, TVET authorities, enterprises and aid agencies about the future role of APTC.

In addition, DFAT should start designing a new monitoring and evaluation system centred on the economic impact of APTC's outputs. It should also engage with Australian immigration authorities to determine how to provide a coordinated approach to promoting labour mobility in the Pacific.

⁴⁹ Some graduates may have been confused about the reporting period asked for in the survey (e.g., a fortnight or a week). Other graduates not in work with a regular wage may not have understood how to answer a question about what they earned 'in the last week' when they had not received any payment in the week before they were surveyed.

⁵⁰ For elaboration, please refer to Annex 10: Future of the APTC

6.2 Form and conditions for APTC in the medium to long term

APTC remains relevant in the medium term, but the current model is not sustainable in the longer term. Other options need consideration.

6.2.1 Relevance of the APTC approach

APTC focuses on providing Australian qualifications to a manageable niche market of existing skilled workers and new industry entrants. The benefits are that this avoids duplication and competition with other national providers who mainly do pre-employment training for school leavers. However, it comes at some cost to what APTC can achieve. APTC will continue to provide a useful service until this market niche becomes saturated, a risk first for the smaller Pacific economies. Unless the barriers for APTC graduates to migrate to Australia and New Zealand are addressed, low growth Pacific economies especially will miss out on the remittances of migrants in well-paid jobs.

APTC's objectives in relation to the supply of skills, improved employment outcomes and improved productivity should each have targets set for relevant indicators. In relation to the supply of skills of international standard, the target could be to reduce the need for foreign workers in specific skills-based occupations in Pacific countries. These targets should be set on a country-by-country basis after country consultations.

In relation to labour mobility, DFAT should set a target on APTC graduates who migrate overseas for work. This target should be set at a level which ensures there is an acceptable ERR for the Australian Government's investment in APTC. The target would also help to show the other benefits that flow to PICs from labour mobility, such as remittances. The indicators could be: a set proportion of eligible APTC graduates in eligible qualifications who find work in Australia or New Zealand⁵¹; the wage levels of APTC graduates who find work in Australia or New Zealand compared with their pre-departure income; the amount of remittances as a proportion of wages that migrants send home; and measures of economic and social impact of these remittances on the recipient households and communities (e.g. new businesses started, children staying at school longer than other non-migrant households). With greater promotion of labour mobility, APTC's focus on providing full qualifications will continue to raise employers' fears of a brain drain, unless this is managed carefully.

New sources of economic demand for training need to be identified for APTC to remain relevant to Pacific skill needs. This will require a shift towards provision of skill sets for enterprises that meet their needs more closely and away from almost exclusive provision of standardised qualifications.

APTC's provision of in-depth and high quality training will likely remain important in the region. Such training is not available elsewhere yet, and provides a way for Pacific enterprises to aim for international markets, as exemplified by a textile and clothing partnership in Fiji. Many employers, particularly in PNG, offer the prospect of being long-term clients, provided that APTC offers training tailored to their needs.

Upgrading skills and capacity in Pacific TVET systems and specific NTIs needs to be more than an add-on to APTC's first objective to increase the supply of skilled workers in targeted sectors in the Pacific. APTC needs to have a more direct objective aimed at lifting capacity in TVET in the Pacific, especially in relation to the delivery of international qualifications by NTIs. APTC's efforts in raising training standards in NTIs should be expanded and broadened to cover a large number of partner institutions and teaching staff.

⁵¹ 'Eligible graduates' excludes those who were with the same employer before, during and after their APTC training.

6.2.2 APTC sustainability

Almost all public authorities consulted by the review team warmly supported the APTC. However, except possibly for Samoa, no government officials indicated a sense of ownership of the institution. It is widely regarded as a foreign institution, with good reason, as it was conceived and is governed, managed, operated and financed by Australia and Australian institutions.

The current model is not sustainable in the long term educationally, organisationally or financially. In the long term, the best providers in the Pacific countries will be in a position to offer international level qualifications themselves and will become less reliant on Australia's assistance. The current management, governance and employment arrangements will not serve APTC well into the future (Annex 6). They are cumbersome, costly and inefficient. There is an urgent need for streamlining. APTC's unit costs are high relative to per capita incomes in the Pacific which means few students could afford to pay other than highly subsidised fees. APTC's unit costs are also high compared with the costs of national training institutions (Annex 9).

Thus, APTC, as presently structured, is likely to depend indefinitely on substantial Australian financial assistance. In any extension of APTC under a third tranche of DFAT funding, it will be important, on the one hand, to implement substantial measures to reduce unit costs and, on the other, to diversify significantly sources of funding.

6.2.3 APTC fit within DFAT aid policies

APTC fits well with the new Australian policy on aid⁵² from both geographic and sectoral perspectives. Geographically, the new aid policy focuses on the Indo-Pacific region in which APTC operates. Education and health together form one of the six priorities for investment. TVET is explicitly included among the five education priorities: 'Prioritise skills for growth to enable people to be job-ready and adaptable, by improving access to quality-assured technical education and training, which matches the needs of the local private sector'.⁵³ APTC is relevant to other priorities in the aid policy, including the focus on strengthening private sector development including small and micro-businesses, provision of humanitarian assistance in emergencies, and gender equality and the empowerment of women and girls. APTC has strong achievements in gender equality (Chapter 2 and Annex 6).

Lessons from an assessment of 20 initiatives in the regional delivery of services in the Pacific have highlighted the problems of top-down, all-encompassing efforts to set up region-wide service pooling arrangements. A better approach is a bottom-up focus, starting at a sub-regional level where there are good chances of success. These elements include where the differences between cooperating countries are less, political support is evident, there is a clear economic demand for the service, and good accountability practices are in place. These lessons need to be applied to how the APTC operates in specific countries. As noted above, major country differences exist in level of economic demand, TVET provision, country political support and potential for growth. Future planning for APTC needs to start from a better understanding of the different characteristics and stages of development of the five campus countries.

⁵² Australian Government Department of Foreign Affairs and Trade. (2014). Australian Aid, Promoting Prosperity, Reducing Poverty, Enhancing Stability. Retrieved from <http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx>

⁵³ Ibid., p. 19

6.2.4 Guiding principles and lessons for APTC

The principles of aid effectiveness suggest that APTC needs to:

1. address development priorities in each country of the region
2. provide solid evidence for its lasting results
3. work in close partnerships with governments, employers and other stakeholders
4. be transparent and accountable to intended beneficiaries for its outcomes.⁵⁴

After eight years of delivery of Australian qualifications in the Pacific, what key principles and lessons should guide decisions about the future of APTC?

1. **Need for long-term perspective.** One key lesson is the importance of a long time frame to implement a large program across a diverse geographical, political and social landscape. This underscores the necessity of a long-term perspective in planning APTC's future. Finding: APTC has been limited by working in a planning environment aligned to the four-year contract and without a clear view provided by DFAT of a long-term vision for its future. Implication: APTC should operate within a strategic framework developed by DFAT that articulates the criteria and timelines by which the ultimate success of APTC can be judged. (See **Recommendation 1** in section 7.)
2. **Emphasis on outcomes.** The need for a shift in emphasis from inputs/outputs to outcomes is noted in PESDA 2011 (p.10). Finding: The APTC program focuses on outputs (qualifications produced) not on labour market results and impact on enterprise productivity. As a result, the evaluation could say relatively little about economic impact. In addition, the lack of evidence on employment outcomes, such as wage rates and skills match by qualification and gender for each country, has been a lost opportunity to show governments and other stakeholders the beneficial impact of investing in TVET. Implication: A carefully designed and adequately resourced evaluation system focused on outcomes has to be a key element in showing key stakeholders the value of investing in APTC and high quality TVET. (**Recommendation 15**)
3. **Demand-driven.** PESDA 2011 stated that APTC will provide demand-driven qualifications (p.9). Finding: Insufficient information is collected about labour market demand and employment outcomes. As a result, APTC risks oversupplying the market in some fields. Implication: APTC should: (1) undertake systematic tracer studies by country, qualification and gender; and (2) strengthen the collection and analysis of labour market information. (**Recommendations 16 and 17**)
4. **Placing quality first.** Finding: APTC has succeeded in delivering Australian standards in the Pacific. It has done so by relying almost exclusively on Australian staff until recently. Implication: Sustaining high quality requires efforts at maintaining the professional currency of teaching staff, particularly as nationalisation of staff accelerates. (**Recommendations 7 and 9**)
5. **Client orientation.** Finding: APTC has focused primarily on being accountable to one client (DFAT) in its contractual obligations. The Advisory Group serves as a forum for communication rather than accountability to the members. Implication: APTC needs to place more emphasis on being accountable to other clients (employers, Pacific governments, students and graduates). (**Recommendation 8**)

⁵⁴ Fourth High Level Forum on Aid Effectiveness, Busan Partnership for Effective Development Co-operation, Busan, Republic of Korea, 29 November–1 December 2011

6. **Country differentiation.** The PEDF and Regional TVET Framework both recognise the varying development levels and contexts of TVET and labour market systems in the Pacific and both advocate a bottom-up approach to sector planning. Efficiencies from pooling delivery of services in a regional program need to be counter-balanced with adaptation to local needs. Finding: Major country differences exist in the level of economic demand and potential, TVET provision and country support. As APTC matures, the differences in potential and development of the campus countries are becoming increasingly clear. Implication: Planning for APTC should take into account the different characteristics and stages of development of the five campus countries, as well as SIS. (**Recommendation 2**)
7. **Pacific government support, partnership and ownership.** APTC's success in Samoa shows the positives that result from strong government support for APTC. The Paris Principles for Aid Effectiveness call for greater partnership and country ownership of foreign assistance programs, and this is echoed in PESDA 2011. The review team found little or no interest in country ownership for APTC, other than in Samoa. More country participation in governance and, gradually, financing should be sought as a means to build local ownership. Implication: As a first step, the report recommends changing two things: (1) creating campus country-specific APTC strategies taking into account local developments and constraints; and (2) creating campus country advisory groups to guide APTC operations, from which the regional advisory body would be formed. (**Recommendations 2 and 8**)
8. **Promoting equity.** Finding: APTC has a strong commitment and salient achievements in equity. However, students from PNG and Solomon Islands (the largest and third largest countries by population in APTC's list of eligible countries) are proportionately under-represented in APTC enrolment relative to their populations. Female enrolments constitute about 40 per cent of the total, but little can be said about the labour market outcomes of female graduates due to the absence of Stage II tracer survey results by gender. APTC provides two training programs in disability, but enrolls relatively few disabled students. Implications: Achieve economies of scale to expand enrolments of nationals from PNG and Solomon Islands based on economic demand. As stated above, carry out systematic tracer studies of graduate outcomes by gender. Establish protocols for tracking participation of those with disabilities. (**Recommendation 10**)
9. **Efficiency-reducing costs per output.**
- Administrative efficiencies. Findings: While having two RTOs involved in the operations of APTC may have had advantages at the time of establishment, after eight years this arrangement is now at the expense of efficiency and effectiveness. The review team also noted the importance of proactive country managers in fostering close links with employers, NTIs and national TVET systems. Implications: Educational and administrative processes should be streamlined and simplified and delegations to the CEO and Country Managers maximised. (**Recommendations 3, 4, 5 and 18**)
 - Nationalisation. Findings: Even taking into account the time taken to develop a fully qualified VET practitioner under the Australian system, APTC was slow to implement a nationalisation strategy. Now that it has been introduced, it is clear that there is much to be gained in terms of capability building and skills transfer, as well as cost-effectiveness. Implication: APTC should aim for a largely nationalised staff, with expatriates employed only on a short-term adviser basis as specialists and/or mentors. The pace at which this occurs should give due account to the quality and sustainability risks involved, as well as to the educational and financial benefits. (**Recommendation 7**)

- Financial information. Findings: APTC has developed sound management information systems which can readily provide the data for analysing value for money (Annex 9). Implication: It will be in APTC's best interests to develop robust impact measurement systems as well. **(Recommendation 15)**
10. **Cost-sharing.** Finding: Reliance on DFAT funding and operating on a scholarship model is convenient for the contractor but is not sustainable in the long term. Greater efforts are called for to share the costs of APTC with beneficiaries – employers and trainees. Implications:
 - Targets for income generation should be increased to progressively reduce reliance on DFAT funding support.
 - Explore other revenue sources to sustain APTC, including replacing some scholarships with student loans to reduce the financial burden on Australia. **(Recommendation 6)**
 11. **Maximising benefits through labour mobility.** Labour mobility to Australia and New Zealand can produce strong benefits for Pacific Islanders in the form of remittances (as indicated by the Stage II hypothetical rates of return). Findings: Relatively few APTC graduates have migrated to high-income countries. Notwithstanding potential opposition to labour mobility for skilled workers from some national governments, ongoing uncertainty about APTC's role in labour mobility has been detrimental. It has exposed APTC to criticism within Australia, and it has left students who wish to migrate without proper guidance. Implication: APTC's role in labour mobility should be clarified and support provided to potential migrants. If appropriate, labour mobility targets should be introduced, taking into account the constraints that exist in relation to Australian migration policy and cultural mores. **(Recommendations 11, 12, 13 and 14)**
 12. **Division of effort – Complementarity rather than competition.** Finding: APTC has succeeded in complementing rather than competing with national providers. Implication: APTC should continue to attract students not targeted by national providers and otherwise avoid competition with national providers.
 13. **Contract adaptation to local requirements.** Finding: APTC operates within a unique and complex training environment which merits purpose-designed working terms and conditions, not the application or adaptation of terms and conditions designed for Australian circumstances. Implication: APTC should have terms and conditions for trainers specifically designed to meet its own circumstances. **(Recommendation 3)**

6.3 Options for the long-term success of the APTC

DFAT needs to define what success would look like in the long term for APTC. The review team has provided eight options, which are discussed below.

Option 1 – Close APTC. One extreme option would be to conclude that the costs of APTC have exceeded its outputs, and close APTC in mid-2015 at the end of Stage II. In effect, there would be no long-term future for APTC. This would save money for the Australian Government and the aid program that could be allocated to other priorities. However, it could prompt push back by employers who value APTC's contributions to raising the domestic supply of skills. It would deprive NTIs of a source of support to build their standards and teaching capacities. It would also deprive thousands of low-income Pacific Islanders the opportunity for better living standards through higher occupational qualifications. Finally, such a move would entail loss of prestige and would deprive Australia of the continued diplomatic benefits of a visible, successful

assistance program, not to mention the enthusiastic support of students and graduates. The negative consequences would far outweigh the benefits.

Option 2 is a variation on the status quo. APTC would continue to be an Australian institution with one RTO managing its education programs and with its own employment arrangements tailored to its operating requirements. DFAT would continue to be the main financier of APTC, but with increasing revenue from fee-for-service and students via loans. Lower costs would be realised through nationalisation and other efficiency measures recommended in this report. However, APTC would cease to exist along with its legacy when DFAT funding ceases or phases out. This option carries several risks: eventual aid fatigue; APTC becomes less relevant as NTIs become capable of delivering the same kinds of qualifications; and, as an independent organisation, APTC may become isolated from national priorities.

Option 3 would be for APTC to become an independent Technical College of the Pacific owned by participating Pacific governments, and with its own regional administration. It would be analogous to the University of the South Pacific, but provide high quality technical skills. Its independence would guarantee priority to technical skills. However, creation of a separate administration and perhaps infrastructure could be costly. Continued DFAT funding would be required but could be focused on delivery of specific outcomes, such as qualifications that meet external quality audits. It is doubtful whether Pacific governments would fund this option and, hence, it would not have Pacific ownership. Potential risks to quality would also need to be considered.

Option 4 is that the APTC could be taken over and integrated into an existing regional organisation, such as the University of the South Pacific (USP). APTC would cease to exist as a separate entity. There may be economies in APTC's use of USP's existing administration, infrastructure and facilities in several countries. Indirect funding would still be required by DFAT through the regional institution, as it is likely it could not absorb the full costs. However, there is a risk that the parent regional organisation may not give sufficient priority to TVET. USP, for example, has little background, infrastructure or expertise in program delivery to support such an integration. APTC could lose its practical orientation. USP sees TVET as a fee-for-service activity that should not siphon off investment from the university's core academic and research programs. Among the current USP Strategic Plan objectives⁵⁵, TVET is number 20 out of 30. This set of circumstances does not augur well for a transfer to USP of APTC's operations.

Option 5 is for APTC to be made a legal entity and be transferred by the Australian Government to a third party. This could reduce or eventually eliminate Australian subsidies. However, the new legal entity could not become an Australian RTO under current regulations. Australian RTO support would still be necessary. A decision would be needed on the country in which to establish the legal entity. It would lose tax exemption, likely have less prestige and could face difficulties in attracting staff. The feasibility of this option appears remote at present because APTC is a money-losing operation from a strictly business view.

Option 6 (a variant on the previous one) is for the Australian Government to retain ownership of APTC but franchise its operations, i.e. allow a third party to use the name to offer training courses. The franchisee would likely need to be subsidised by Australian aid until it became self-funding which may take some time. The APTC would need to be made a legal entity with the same issues as above. Moreover, it is not clear what products APTC owns outright and could franchise.

⁵⁵ USP Strategic Plan 2013–18: p. 27

Option 7 is that APTC could be integrated, country-by-country, with national training institutions wishing to offer international qualifications when they are ready. During the field visits, when asked what long-term success would look like, the APTC CEO put the answer succinctly: 'To be successful we need to put ourselves out of business'.⁵⁶ The ultimate aim would be for national training institutions to be strengthened to the point where they could take over APTC's delivery. This is clearly the best option from the viewpoint of national capacity building and integration with Pacific TVET systems. APTC would cease to exist as a separate entity. This option would require careful partnering by APTC with NTIs and clear strategies for building sufficient local capacities. Sustained DFAT financing would also be required but could focus on funding outcomes, such as qualifications that meet external quality audits.

This option also carries risks. Partnering with key NTIs has met resistance in Fiji and Solomon Islands. These risks may be difficult to overcome, and it could happen elsewhere. Another risk is the length of time required for NTIs to be fully capable of taking over APTC training. One aid official in a major Pacific country estimated it could take decades for national training institutions to assume APTC functions. On the other hand, this option offers the possibility of maximising the benefits from all the sunk costs of APTC, encouraging revenues from Pacific countries, increasing revenues from fee-paying students, reducing unit costs to acceptable levels, increasing the ERR to respectable levels, and creating a genuine sense of national ownership.

Option 8 is that APTC could become a regional TVET support organisation. APTC would cease to deliver student training directly. Its role would change from a best practice provider of Australian qualifications to that of a much smaller enabler, or technical adviser, to Pacific TVET institutions and systems which want to offer international qualifications, addressing their needs and requirements.

This option could be considered together with Option 7. The TVET support organisation would not need to be based in the Pacific to save on costs, provided it could respond to demands on short notice. APTC as a support organisation could be linked to a TAFE institute/VET provider which accredits the training it delivers to the staff of NTIs.

Except for the first option, none of the options would reduce the costs of APTC to the Australian aid program in the short term. All of the other options would require continued substantial Australian financial support. Option 5 could lead to a major reduction in Australian aid, but its feasibility is unlikely. Option 8 would reduce total costs in the long run.

Except for the first, any of these changes clearly would take time. They would also need to take into account the fact that there is no 'one-size-fits-all' for country campuses. Moreover, the options should not be seen as static. Developments can alter their viability. The more APTC can reduce its costs and raise revenue, the more viable other options become. That is, APTC's reduced cost per student would affect all options not involving DFAT's continuation of core funding.

The review team sees options 3 or 7 and 8 as the preferable alternatives for a successful end point. These and other options would need to be the subject of a separate study.

⁵⁶ Evaluation team interview with APTC CEO, 20/8/2014

7 Recommendations

The recommendations are organised in sequence below, by issues they address and by phasing. They are based on the terms of reference guiding this review and, as such, focus on the current performance, contribution and impact of APTC. Each set of recommendations has a reference to the relevant chapter in this review.

7.1 Recommendations in sequence

7.1.1 Recommendations related to Chapter 2: TVET capacity

- R.1** DFAT begins intensive consultation towards the development of an Australian regional TVET strategy; and within the context of this strategy, DFAT defines its long-term vision for the APTC.
- R.2** APTC develops mid- and long-term strategic plans for each campus country, acknowledging their different stages of development, in line with the Australian Government's vision and strategy for TVET assistance to the region; and APTC bases its regional plan on these country strategies.
- R.3** DFAT: a) contracts a single RTO to implement and be accountable for all aspects of program planning, delivery and quality assurance; and b) requires a single set of administrative policies, procedures and processes for the APTC, including employment terms and conditions of staff, separate from Australian TAFE industrial awards.
- R.4** APTC strengthens delegation, ensuring that: a) all APTC staff are accountable to the CEO; and b) country managers have sufficient authority to operate effectively and deliver on their country plans.
- R.5** APTC rationalises the organisational structure and locations. Specifically, APTC:
- a) replaces two senior managers in shared roles in Fiji with one senior manager in charge of all aspects of teaching and learning, possibly at deputy CEO level, and one country manager for Fiji, based in Suva
 - b) reviews manager positions in the APTC headquarters in Nadi with the aim of ascertaining whether some functions might be carried out more cost-effectively in Australia and others can be turned over to lower-cost national staff
 - c) replaces two service managers and two RTO teams supporting the APTC in Australia with a single team liaising closely with Fiji-based staff
 - d) considers relocating the APTC headquarters to Suva, thereby consolidating in a single location all APTC operations in Fiji.
- R.6** APTC: a) strengthens its business development strategy; b) pursues more vigorously fee-for-service contracts with industry, government and donors priced at 10 per cent above the level of full cost recovery; and c) ensures that each country campus has sufficient resources and capacity to achieve fee-for-service revenue targets.
- R.7** APTC reviews the nationalisation strategy to: a) adopt a risk management approach to the increase in national trainers; b) develop more cost-efficient ways of supervising new national trainers; c) plan for the reduction of resident expatriate trainers in favour of short-term visiting specialists; and d) incorporate into each country plan specific ways and means to support national trainers and tutors.

- R.8** DFAT: a) establishes a Consultative Forum in each campus country; and b) replaces the current APTC Advisory Group with a Pacific Consultative Forum drawing on the membership of the Country Forums.
- R.9** APTC expands the Centre for Professional Development to strengthen the capability of partner institutions and APTC staff, and achieve fee-for-service targets.
- R.10** APTC: (1) creates more training places for individuals from PNG⁵⁷ and Solomon Islands in qualifications justified by labour market demand; and (2) establishes protocols for its enrolment of people with disabilities.

7.1.2 Recommendations related to Chapter 3: Labour mobility

- R.11** DFAT clarifies its expectations on the labour mobility objective of APTC and engages with Australian immigration authorities to provide a coordinated approach to promoting labour mobility in the Pacific.
- R.12** APTC provides, from publicly available official sources, information (through the APTC website, the APTC-to-Work program and other College channels) to students, prospective students, and graduates on:
- the process, requirements and costs of migration to Australia and New Zealand
 - qualifications that are eligible for skilled entry to Australia and New Zealand, including the links between specific Australian qualifications offered by APTC and current immigration requirements
 - trends in employer demand, based on the occupations of skilled migrants to Australia and New Zealand
 - skills assessment and other requirements for migration to those countries, and how to access updated information online.
- R.13** APTC provides, within existing resources, counselling and support based on publicly available information to students and graduates wishing to emigrate overseas for work⁵⁸, including conducting on request the International English Language Testing System (IELTS) test for students near to, or soon after, graduation.⁵⁹
- R.14** APTC establishes links, through industry associations, with employers from Australia and New Zealand (and also PNG), specifically:
- inviting employers at their expense to visit APTC campuses and industry partner workplaces to assess for themselves the enthusiasm of the students, the quality of the training, and the performance standards of work-based qualifications
 - inviting employers to interview and select job applicants from a pool of eligible graduates who want to migrate, with eligibility as defined above
 - making the APTC-to-Work tutors the contact point for overseas employers interested in offering jobs to APTC graduates

⁵⁷ Given the high cost structure in the PNG campus (Annex 9 section 4.3), APTC management will have to consider the balance between expansion in PNG or sending PNG nationals to lower-cost campuses by reducing the intake of students from countries which are over-represented.

⁵⁸ Only students and graduates who are not working for the same employer prior to APTC should be eligible for this support. This is to protect employers' investment in their employees.

⁵⁹ This can provide an external assessment of the language support given to students during their training. Where students fail to meet this external standard, APTC should, if requested, provide additional support through existing language, literacy and numeracy (LLN) staff.

- d) encouraging trainers to offer employers endorsements of specific eligible graduates; hosting technical interviews by VETASSESS via Skype; and conducting RPL assessments where required
- e) through its APTC-to-Work tutors, identify and act on opportunities for APTC graduates in hospitality who are unemployed or under-employed in part-time or casual work to find work in Australia for up to six months in the accommodation trial of Australia's Seasonal Worker Program.

7.1.3 Recommendations related to Chapter 4: Impact on graduates and employers

- R.15** APTC give priority to better identifying the economic impacts of its outputs by:
- a) expanding the M&E system⁶⁰ to collect robust and accurate information on employment outcomes and wages from all APTC students before, during and after their APTC training
 - b) assembling data methodically on the productivity of APTC graduates in the workplace, including the replacement of foreign workers in the region.
- R.16** DFAT assesses systematically, as an essential part of its regional TVET strategy, the economic demand for skills in the Pacific by:
- a) adopting a low-cost, simple and reliable methodology
 - b) analysing census, survey or administrative data available in all Pacific countries on the stock of workers by occupation and post-school qualification, number of foreign workers by occupation and qualification, and foreign work permits issued by occupation
 - c) supporting national tracer surveys of post-secondary graduates
 - d) funding employer surveys following a common template in each campus country on their skills needs and vacancies
 - e) identifying the skills implications of public, private and donor investment projects.
- R.17** DFAT provides APTC with sufficient resources to undertake appropriate labour market analysis and dissemination as a basis for determining and adjusting its training plan and to provide information to prospective students, employers and governments on the economic demand for the qualifications it offers. Specifically, APTC:
- a) prioritises graduate tracer surveys to achieve response rates that are sufficient to provide robust results on employment outcomes by country, gender and level of qualification, in part by using alumni groups
 - b) establishes or strengthens databases of employers wanting to employ APTC graduates
 - c) ensures that students not in employment are given work placements that could lead to employment
 - d) produces a job opportunity index, based on advertised job vacancies (Powell 2012, p. 13), using the International Standard Classification of Occupations (ISCO)
 - e) disseminates information to students and graduates about employment rates and incomes by occupation or qualification for each campus country.

⁶⁰ Annex 8, Attachment 1, Program Evaluation, elaborates on the types of information that should be collected for evaluation of APTC's economic impact.

7.1.4 Recommendations related to Chapter 5: Value for money

- R.18** In addition to R.5 and R.6, APTC intensifies efforts at cutting costs and raising revenue by:
- a) increasing double-blocking (running two or more courses in the same subject at the same time) where possible
 - b) increasing the specialisation of course offerings by the five campus countries as a way raising student–teacher ratios and reducing unit costs
 - c) adopting more ambitious nationalisation targets to be met over the course of the next five years⁶¹
 - d) reducing the percentage of students given scholarships with due regard to equity implications, and increasing the percentage of students who pay (or whose employers pay) the notional tuition fees
 - e) conducting a feasibility study to assess the possibility for APTC to transition from a system of grants (scholarships) to a system of student loans, which could be made income-contingent.
- R.19** DFAT bases its decision regarding extension of funding for APTC on a forward-looking ERR that considers only future costs and benefits and treats the costs of both Stages I and II as sunk costs.

7.1.5 Recommendations related to Chapter 6: The future of APTC

- R.20** APTC implements short-term actions to strengthen itself until the end of Stage II, namely:
- a) continue to eliminate duplication in the organisational structure
 - b) develop a risk management plan for the nationalisation strategy
 - c) complete the review of APTC-to-Work
 - d) address communication problems with staff.
- R.21** DFAT implements short-term actions to strengthen APTC until the end of Stage II, namely:
- a) conduct consultations with Pacific governments and stakeholders and finalise a regional TVET strategy and a long-term vision for APTC
 - b) design and fund a new M&E system focused on economic impact
 - c) develop a coordinated approach to labour mobility in the Pacific in consultation with Australian immigration authorities.
- R.22** DFAT considers an interim funding extension of two years to design a Stage III during which:
- a) DFAT develops a regional TVET plan and a long-term vision for APTC based on analysis of options
 - b) APTC prepares country-based and regional strategy plans; designs and introduces an improved M&E system focused on economic impacts; introduces organisational efficiencies; increases nationalisation and prepares a realistic revenue plan.

⁶¹ The CEO of APTC has suggested the following as targets that could be met by the middle of 2019: 81 per cent of trainer positions and 64 per cent of management positions to be filled by Pacific Island nationals.

R.23 DFAT bases the decision about a full third stage on an external assessment of the strategic plan and APTC vision.⁶²

7.2 Recommendations by issue

The following table identifies each issue facing APTC and the review's recommendations to address that issue.

Table 4: Issues and linked recommendations

Issue	Recommendations (number in bold)
Inadequate identification of labour market requirements and economic impact	<ul style="list-style-type: none"> • APTC gives priority to identifying economic impact of its activities and outputs R18 • DFAT provides sufficient resources for proper labour market analysis R17 • APTC prioritises graduate tracer studies on employment outcomes by qualification gender and nationality R17 • APTC strengthens employer databases and provides more support for unemployed graduates R17
Lack of labour mobility among APTC graduates	<ul style="list-style-type: none"> • DFAT clarifies its expectations of APTC on labour mobility and engages with Australian immigration authorities to reach a coordinated approach to promoting labour mobility in the Pacific R11 • APTC provides information to students and graduates about migration processes, requirements and costs, including eligible qualifications R12 • APTC provides support to students/graduates wishing to migrate, in part through language testing R13 • APTC provides links with employers in Australia and New Zealand R14
Geographical inequities	<ul style="list-style-type: none"> • APTC creates more training places for PNG and Solomon Islands nationals R10
Weak strategic planning regionally and by campus country	<ul style="list-style-type: none"> • DFAT consults with stakeholders on a regional TVET strategy and defines its long-term vision and strategy for APTC R1 • DFAT assesses the economic demand for skills as part of the regional strategy R21 • APTC prepares country-specific strategic plans R2 • DFAT establishes Country Consultative Forums R8 • DFAT draws regional forum members from Country Forums R8
Organisational inefficiencies	<ul style="list-style-type: none"> • DFAT contracts with a single RTO to implement a single set of educational policies, procedures and processes and separates the administrative/ employment function from the education function R3 • APTC strengthens the authority of the CEO and country managers R4 • APTC rationalises the organisational structure and locations to eliminate duplications R5
High unit costs	<p>APTC intensifies efforts, in addition to R5, to reduce costs by:</p> <ul style="list-style-type: none"> • accelerating nationalisation of APTC staff • double-blocking where possible • increasing course specialisation by campus R18
Low sustainability	<ul style="list-style-type: none"> • In addition to R6, APTC reduces the percentage of students on scholarships R18 • APTC considers introducing student loans R18

⁶² If funding for APTC is extended, DFAT decides on funding for any *subsequent* phase at least one year in advance, to give APTC's management and Board time to plan ahead efficiently.

7.3 Priorities and phasing of recommendations

Priority *strategic* recommendations include **R1**, **R2**, **R11** and **R15**. Operational priorities include **R3**, **R6**, **R7** and **R17**.

Recommendations cannot and need not be implemented all at the same time. The following table and section indicate a possible sequence of recommended actions by responsibility.

Table 5: Priorities and phasing of recommendations

Recommendations (priorities in bold)	Completed by	
	End of Stage II (mid-2015)	End of two-year extension (mid-2017)
R1- Regional TVET strategy and long-term APTC plan completed by DFAT		③
R2- Country strategies completed		③
R3- Contract for single RTO responsible for education function prepared and separate education and administrative policies/ procedures adopted	③	
R4- Delegation to CEO and country managers increased	③	
R5- APTC structure and locations rationalised	③	
R6- Business development plan strengthened		③
R7- Risk management plan completed for nationalisation	③	
R8- Country Consultative Forums established, regional Advisory Group restructured		③
R9- Centre for Professional Development expanded		③
R10- Enrolment expanded for PNG and SI nationals		③
R11- DFAT expectations clarified on regional labour mobility		③
R12- System established to compile and update information for those wishing to migrate	③	
R13- Support provided to those wishing to migrate	③	
R14- Links established with Australian industry associations		③
R15- M&E system strengthened to evaluate APTC's economic impact		③
R16- Economic demand assessed for skills as part of TVET plan		③
R17- Better labour market assessment undertaken, especially graduate tracer studies by country, occupation and gender		③
R18- Cost-cutting intensified and sustainability increased		③
R19- Forward-looking ERR calculated from perspective of July 2017		③
R22- Two-year extension adopted	③	
R23- External assessment of two-year interim period completed and decision taken in regard to any Stage III		③

Note

R1-In order to be completed by mid-2017, work on the regional TVET strategy and long-term APTC plan would need to begin before the end of Stage II, as well as **R15** work on strengthening the M&E system. **R20** and **R21** are by definition actions to be taken in the short term and are not included above.

Before the end of the current contract (mid-2015):

DFAT contracts a single RTO for implementation and separates education and administrative policies/procedures (**R3**), adopts a two-year extension (**R22**), and undertakes other short-term actions (**R21**).

APTC integrates policies and procedures (**R3**), increases delegations to country managers (**R4**), rationalises the structure and locations (**R5**), prepares a risk management plan on nationalisation (**R7**), provides information and support for potential migrants (**R12** and **R13**), and undertakes other short-term actions (**R20**).

Before the end of any two-year extension (mid-2017):

DFAT prepares a regional TVET strategy and long-term vision/plan for APTC (R1), establishes country consultative forums and restructures the regional advisory group (R8), clarifies its expectations on regional labour mobility and adopts a coordinated approach to immigration (R11), strengthens M&E on economic impact (R15), assesses economic demand for skills (R16), calculates a forward-looking ERR for any Stage III (treating costs during Stages I and II as sunk costs) (R19), and arranges an external assessment of any Stage III design (R23).

APTC prepares country strategies (R2), strengthens the business development plan (R6), expands the CPD (R9), increases participation by nationals from PNG and SI (R10), establishes links with overseas employers (R14), undertakes appropriate labour market assessment as a basis for adjusting the training plan (R17), and intensifies cost-cutting steps to increase sustainability (R18).

7.4 Conclusion

As noted in this review, APTC has achieved substantial outcomes while operating in a highly complex, regional environment. These achievements include high completion rates, a supply of graduates with Australian qualifications, employer satisfaction with graduates, high female participation and the recent start on nationalisation of teaching staff. APTC has enhanced the skills of existing workers, offering a second chance to this group without competing with NTIs in the region. Its graduates are often effusive in their praise and gratitude to APTC for the opportunity afforded them. APTC is likely to have some long-term impact on raising the quality of TVET training in the Pacific. The body of this report and the annexes outline the extent of these impressive achievements in detail.

The review team has identified the shortcomings and issues faced by APTC. These include: inadequate labour market analysis; lower rates of graduate employment in some fields; inadequate support for labour migration; very high unit costs; a dependence on expatriate staff; and inefficiencies in implementing the program. Additionally, APTC operates in a strategic vacuum.

Ex-post analyses concluded that rates of return fell below the cost of capital, but looking ahead from the end of Stage II, returns could be positive under certain assumptions and given the implementation of cost-saving recommendations.

DFAT needs to define what success would look like in the long term for APTC. The review identified seven long-term options for APTC, ranging from a variation on the status quo to a College owned by Pacific governments or the integration of APTC campuses with national training institutions when they are ready. The alternatives should be analysed further to create a long-term vision and plan for APTC. In the medium term, however, APTC will remain dependent on substantial Australian assistance.

The review has provided 23 recommendations for consideration. The recommendations have been separated out by area and issue, along with suggestions for phasing and timing. With the current contract due to finish in mid-2015, the review recommends a two-year interim extension during which DFAT and APTC can make organisational improvements and prepare strategies for achieving the long-term vision of APTC.

In short, the APTC program has been highly successful in producing Australian qualifications, it has been largely successful in meeting its equity objectives, and it has contributed to the development of national training institutions. APTC faces a formidable set of challenges, to:

- identify better the demand for skills and market absorption of graduates
- expand enrolments and balance student intake to give more weight to PNG and Solomon Islands – to multiply the impact and achieve scale economies
- maintain quality (neutralise risks to quality under nationalisation of staff)
- synchronise better with Australian immigration requirements
- streamline administration and reduce unit costs
- serve employers better through provision of more flexible forms of training, such as short courses and skill sets
- mobilise greater resources from industry and enterprises
- increase its impact on Pacific TVET systems
- secure stronger Pacific government buy-in.

The challenge for DFAT is to update its TVET strategy for the region, articulate its long-term vision for APTC and build an M&E system focused on outcomes.