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**National Tertiary
Education Union**

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NTEU Submission

House Standing Committee on Education and Employment

Inquiry into the Role of the Technical and Further Education System and its Operation

The National Tertiary Education Union (NTEU) represents the professional and industrial interests of over 27,000 staff employed at Australian universities, research institutes and professional, administrative and technical staff employed in Victoria's TAFE institutes. We welcome the opportunity to provide a submission to the Committee in relation to this important inquiry into TAFE. It is not our intention to address each of the selection criteria individually, but rather concentrated on the broader regulatory and funding framework underpinning Australian tertiary education, which covers both vocational education and training (VET) and higher education (HE).

Regulatory and Funding Framework for Australian Tertiary Education

One of the major questions that the 2008 Review of Australian Higher Education (Bradley Review), was asked to examine was whether the missions and objectives of Vocational Education and Training (VET) and higher education (HE) sectors were merging or becoming more distinctive. In its final report, the panel concluded that while maintaining distinct sectors is desirable (given differences in missions, pedagogy and assessment) it also recognised that there was a critical need for better connections across tertiary education and training and a more coherent and consistent policy framework. In drawing these conclusions the report noted that:

... anomalies and inconsistencies exist between higher education and VET in areas such as funding and tuition financing. These potentially distort decisions about training and education. VET diplomas and advanced diplomas are planned and funded on a different basis from higher education diplomas and advanced diplomas even though VET and higher education graduates are in direct competition in the labour market (Review of Australian Higher Education 2008 p 182).

The NTEU strongly supports these conclusions and questions whether these anomalies and inconsistencies are in the best interests of good public policy and Australian society. The latest data on enrolments (see below) in higher education and VET demonstrates that the purpose and nature of education and the types and levels of qualifications where students are enrolled means that VET and HE remain distinct sectors. It is, however, becoming apparent that changes to labour markets and qualifications requirements, as well as differing funding and regulatory arrangements for VET and higher education, are resulting in:

- Cost shifting from the public sector to individual students in the form of income contingent loans;
- Cost shifting between State/Territory governments and the Commonwealth;
- Increasing competition between public universities and TAFE institutes especially at the diploma and advanced diploma level; and
- Policy competition between private and public sectors within and between the higher education and VET sectors.

The NTEU believes that the types of behaviour described above represent aspects of policy (or regulatory) and/or market failure which need to be addressed as a matter of priority. However, in addressing these issues the NTEU maintains that students' interests and choices about what to study and where to study should be paramount. Student choices should be based on their aspirations and merit without being distorted by financial considerations because of inconsistent policy and funding frameworks between HE and VET or in different States or Territories.

Distinct Nature of VET and HE

As anyone who has been involved in VET and HE sectors would fully understand, they have very distinct characteristics in relation to educational objectives, pedagogies and assessment. VET providers currently describe their educational objectives in relation to student competencies whereas higher education providers describe their educational objectives in terms of student attributes. These attributes include the development of generic or soft skills including communication and critical thinking skills. These differences in educational goals translate to differing approaches to pedagogy and assessment.

The distinctive nature of the education offered by VET and HE in Australia is perhaps most starkly demonstrated by the pattern and distribution of student enrolments across the sector and different types of providers. Figure 1 shows that of the 1.517million full time equivalent (FTE) students) enrolled in government-supported Australian tertiary education courses in 2010:

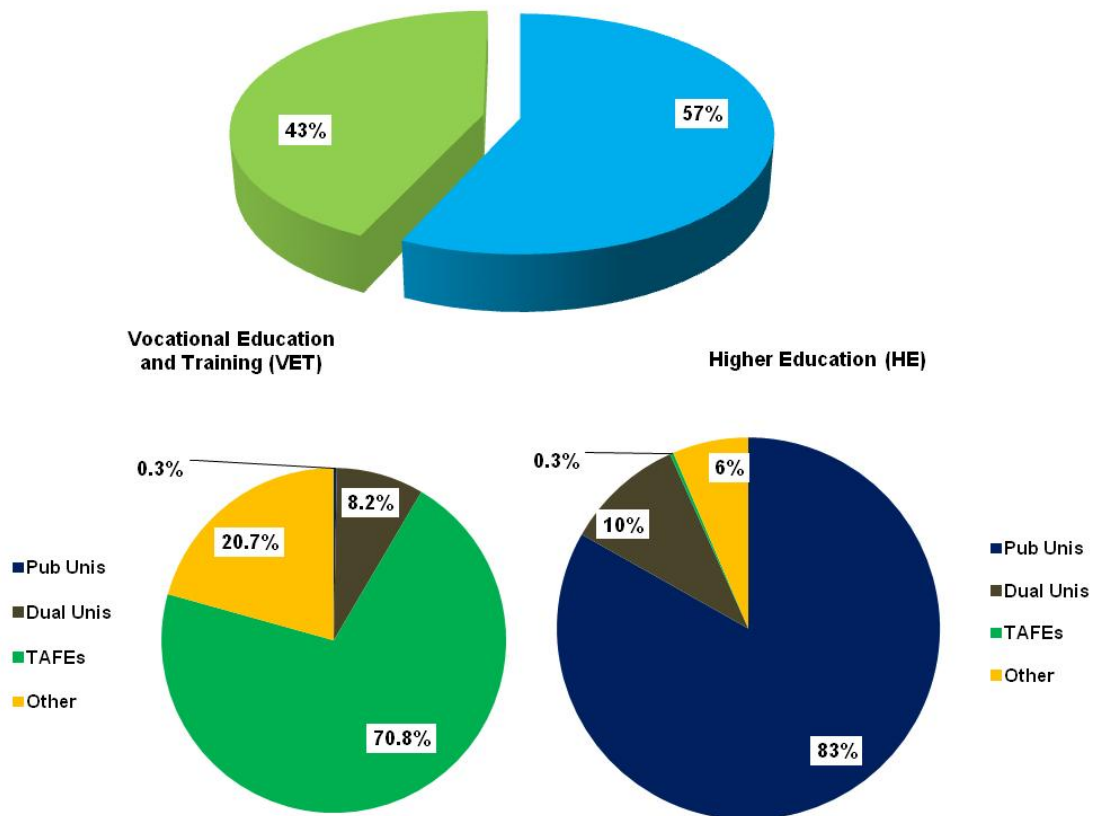
- 861,500 FTE (56.8%) were enrolled in HE programs and 665,800 FTE (43.2%) were enrolled in VET programs.
- Of those students enrolled in HE qualifications:
 - 83.2% were at a public university
 - 10.1% at a public dual sector university
 - 6.4% at other providers
 - 0.3% at public TAFE institutes.
- Of those students enrolled in VET qualifications:
 - 70.8% were at public TAFE institutes
 - 8.2% at dual sector universities
 - 20.7% at other providers
 - 0.3% at public (non dual sector) universities.

While these patterns of enrolment will clearly reflect the regulatory and funding frameworks, they also indicate that there is a high degree of specialisation in public sector providers, namely universities and TAFE. That is, excluding the dual sector universities, public

universities account for less than one per cent of VET. Similarly, TAFE accounts for less than one per cent of HE enrolments.

The other interesting aspect of the data is that other providers only accounted for 6.4% of HE enrolments, but in excess of 20% of VET enrolments.

Figure 1 Distribution of Tertiary Education Students (FTE) by Sector and Type of Provider 2010



Source: NCVET (2010) Tertiary Education Australian 2010

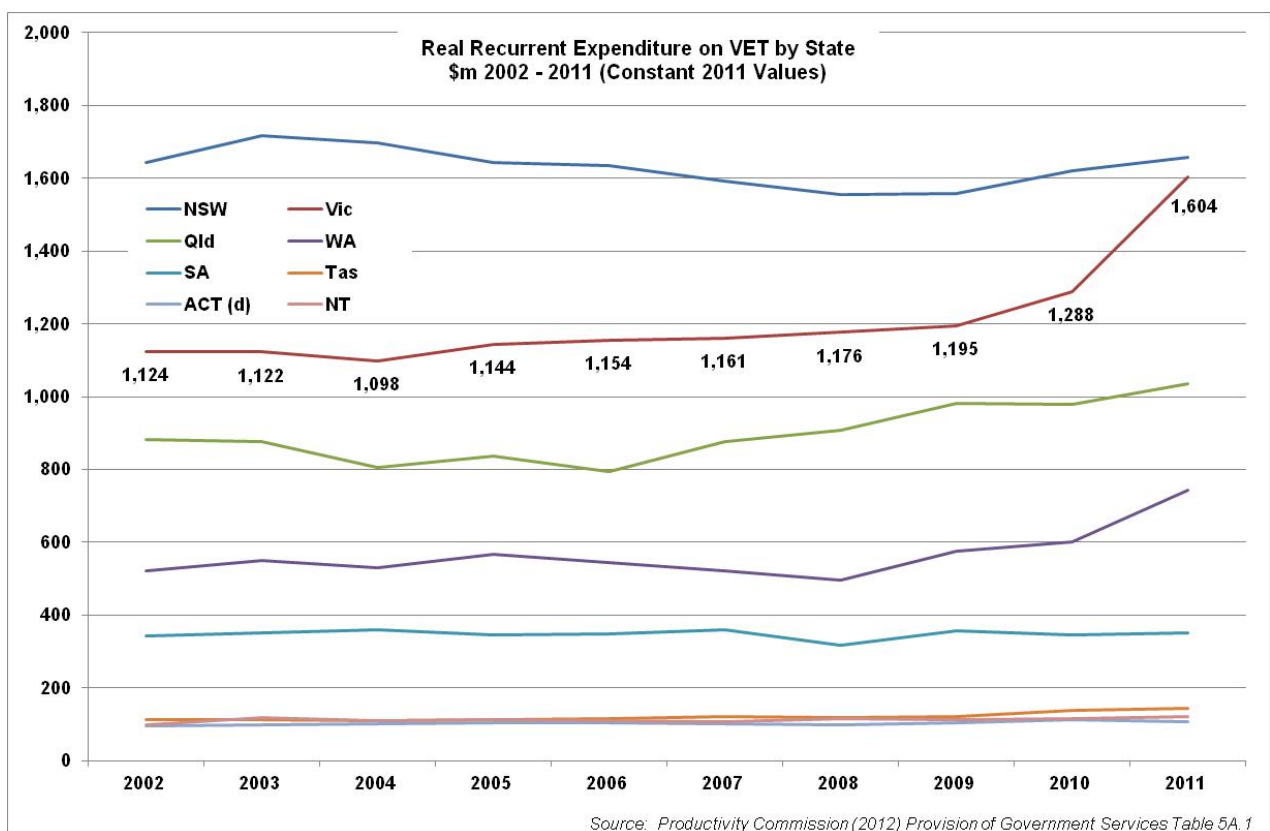
Evidence of Policy and Market Failure

While competition that provides students with greater and more genuine choice in relation to structure, quality and cost of education would be welcome, undesirable behaviour by some providers is strong proof of fundamental regulatory miscalculation or failure. The evidence of undesirable behaviour by providers in tertiary education in Australia is confirmed by recent responses from both the Commonwealth and Victorian governments.

In the May 2012 Federal Budget, the then Minister for Tertiary Education, Senator Chris Evans, announced that caps on the number of Commonwealth supported sub-degree places would be kept in place and would not form part of the student demand driven model. The funding of university sub-degree programs was part of the Commonwealth Government's enabling programs to provide pathways for students who could not gain entry into university

through traditional means. Maintaining the caps on the number of places was seen partially as a response to announced plans by a number of universities to rapidly expand the number of students enrolling in Diploma, Advanced Diploma or Associate Degree programs. There was a fear that, if uncapped, a demand driven model for sub-degree (Associate Degrees, Diplomas and Advanced Diplomas) would result in universities cannibalising the VET sector programs because of more generous Commonwealth funding for the qualifications offered by the higher education sector.

In 2012 the then Victorian Premier, Ted Baillieu, announced a \$300m cut to TAFE funding. These cuts were in direct response to an unsustainable increase in public expenditure on VET. In 2008 the Brumby government introduced a policy entitled *Securing Jobs for Your Future*. This policy framework opened government subsidies for VET courses to all approved private providers as well as public TAFE institutes. The consequences of this policy and the blow-out in public expenditure are clearly depicted in Figure 2, which shows the level of real (2011 values) recurrent expenditure on VET for each of the States and Territories. Between 2009 and 2011 real recurrent expenditure in Victoria rose by 34.3%, whereas for the rest of Australia it only rose by 9.3% (not shown on Figure 2).

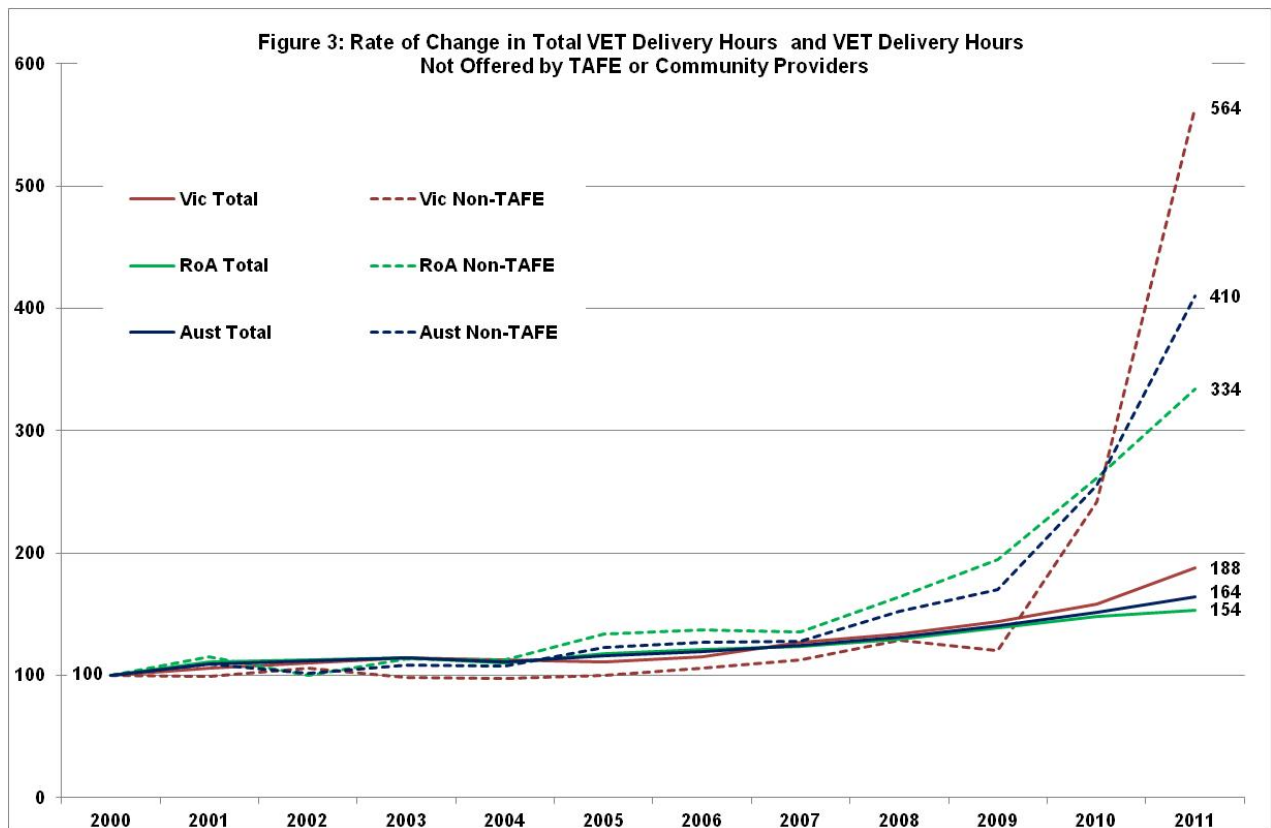


The Brumby *Securing our Future* reforms not only had the consequence of blowing out the Government's VET budget, they also led to a significant shift in delivery from TAFE to other providers. Figure 3 shows the changes (expressed as Index numbers) in the number of delivery hours provided by TAFE and non-TAFE providers for Victoria, the rest of Australia (RoA) and for all of Australia. Between 2000 and 2011 the total number of VET hours delivered in Victorian TAFE increased by 88% compared to 54% for TAFEs in the rest of

Australia. By contrast the number of hours delivered by non-TAFE providers in Victoria increased by almost five-fold (464%) compared to 224% for the rest of Australia. It is also worth noting that virtually all of the growth in Victorian non-TAFE provision of VET hours has occurred since 2009.

Victorian private providers have exploited the new funding arrangements (direct public subsidies) by cherry-picking highly popular and high margin courses such as personal training. In some cases private providers used less than scrupulous marketing tactics to attract new students, such as offering free iPads or holidays. TAFE colleges are not in a position to compete with many of these private sector providers who are not obliged to offer their students full services or to fulfil public sector obligations to their communities, such as offering training in less popular high cost areas of critical skills shortages.

Not surprisingly the most recent cuts to TAFE funding have even further undermined the financial viability of many of Victoria’s TAFE institutes and cross sectoral universities. The NTEU believes that the risk of the Victorian experience being replicated is too high and encourages the Commonwealth to ensure that it is not replicated in the other states.



In order to manage the cost blow-out resulting from the rapid rise in enrolments and delivery hours as private providers sought to capitalise on the newly opened market, the Ballieu government cut funding to Victorian TAFEs by \$300m. These cuts have had profound and undesirable consequences, including:

- Substantial increases in student fees for most programs except introductory programs.

- Massive increase in fees for Diploma and Advanced Diploma qualifications facilitated by students having access to Commonwealth income contingent loans through VET FEE HELP.
- The proliferation of highly popular (and often substandard) courses by private providers in areas such as personal training.
- For TAFE there have been more than 2,000 redundancies, the closure of up to 20 campuses and cessation of hundreds of courses.

A More Coherent Regulatory and Funding Framework for Tertiary Education

Given the highly undesirable impacts that anomalies and inconsistencies in the funding and regulatory frameworks are creating, the NTEU is calling on the Commonwealth to commit to working with all State/Territory governments and various stakeholders, including staff and student representatives, with the aim of achieving greater consistency and coherence across the tertiary education sector. We believe that this new framework should be based on the following principles.

1. Maintenance of the distinct missions and roles of the VET and higher education sectors.

This is seen as absolutely necessary, especially because to remain internationally competitive it is essential that Australian universities maintain their status as self-accrediting autonomous institutions.

2. Explicit recognition and funding of public and community service obligations of public providers.

Public universities and TAFEs have specific legislated obligations to their students and communities. Public universities and TAFEs do not compete on a level playing field with private providers. Public providers are required to provide full student support and advocacy services, meet their community service obligations, provide equal access to all students, and deliver programs and training which are considered to be nationally or locally important even where they might be unpopular or highly expensive to deliver. These are not obligations that can easily be imposed on a private provider.

These distinct obligations are not acknowledged under a funding regime that allows full contestability for direct public subsidy of students between private and public providers.

In addition the Victorian experience shows that when direct student subsidies are made fully contestable it will result in a 'blow-out' in public expenditure.

Therefore, the NTEU is advocating that a coherent tertiary funding system be based on the existing higher education arrangements, whereby private providers are only eligible for public subsidies under specific and limited circumstances such as where there are specific (and in some cases highly specialised) skills shortages. These arrangements would be determined on a case by case basis as is the situation with respect to national priority places in higher education.

3. Imposition of a cap on the fees public universities and TAFEs can charge students enrolled in courses for which they receive direct government subsidies.

Again NTEU is recommending a framework consistent with current higher education Commonwealth Grants Scheme arrangements, which impose a maximum fee (HECS charge) universities can charge government supported students.

In addition to imposing a cap on fees, universities are not allowed to enrol full fee paying students in the same course in which they have government supported students.

4. Eliminate (or at the very least minimise) the opportunity for providers to exploit different funding and regulatory regimes.

The possibility of cost shifting between different levels of government would be eliminated if the government/student contribution amounts were the same for State/Territory and Commonwealth funded places at the same level. While this could be achieved by agreement between the various levels of government, NTEU believes that it would be more efficient if all tertiary education was funded by the Commonwealth.

5. Ensure that no one is prevented from participating in tertiary education because of upfront costs or tuition fees by making income contingent loans available to all students studying in an approved course by an accredited provider.

There are currently a variety of income contingent loans, including HECS-HELP, FEE-HELP and VET-FEE-HELP which need to be rationalised.

Recommendation

NTEU recommends that the principles outlined in this submission form the basis of a new, more coherent and consistent funding and regulation framework for tertiary education in Australia.

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