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LH Martin Institute

# House of Representatives Inquiry into TAFE

May 2013

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## Introduction

The LH Martin Institute welcomes this Inquiry into TAFE and appreciates the opportunity to make a formal submission, addressing in particular the role of TAFE in meeting the training needs of business and industry, serving communities and enabling individuals.

There have been numerous inquiries, studies and reports over the past decade touching on various aspects of VET provision, including the role of TAFE. As one TAFE director has put it:

...[a] concern for those passionate about the implied and implicit value of vocational education is the damaging effect of regular policy changes which see vocational education and training regularly reshaped, redefined and revalued.<sup>1</sup>

Coming as it does during a period of unparalleled flux and uncertainty for the VET sector as a whole and for TAFE in particular, this Inquiry can perhaps serve as a “circuit breaker”, pointing to a broadly acceptable national policy framework.

The thread running through this submission is that TAFE, as the public provider network, underpins the whole VET system and contributes to the public good in numerous tangible *and* intangible ways.

This is not to argue against constructive reform. Even in Victoria, which adopted a radical outlier model of market reform just a year ago, with consequential system dislocation<sup>2</sup>, there will be likely to be positive outcomes of its reform process. If nothing else, TAFEs have been forced to review every aspect of their operations, discard marginal offerings, and divest themselves of poorly utilised assets.

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<sup>1</sup> P. Whitely, [Stop short-changing regional areas](#), Campus Review, 15 April 2013.

<sup>2</sup> Leesa Wheelahan, [Victorian TAFE chaos: a lesson in how not to reform vocational education](#), The Conversation, 30 May 2012.

Nor is it to denigrate training provision by private registered training organisations (RTOs) and seek to insulate TAFE from competition from RTOs, which can add useful diversity, innovation and choice to the overall system.

However, present moves to contestability of public VET funding present fundamental challenges for the public TAFE sector which need to be recognised and addressed in appropriate ways.

Not the least of these is that funding agreements with governments have in the past recognised a particular and distinctive role for TAFE in underpinning the VET system and have therefore provided some certainty of funding to maintain TAFE's training and education capacity.

This may no longer be the case, as has been shown by recent experience in Victoria, which provides no recognition of a particular role for TAFE and funds TAFE on the same basis as private RTOs.

While Victoria's model has been eschewed by other jurisdictions, there is every possibility that other jurisdictions will, in the face of budgetary pressures, eventually move to a similar model – that is, cost cutting and budget savings will be dressed up as “market reform” and “competitive neutrality”, a possibility recently canvassed by the Australian Workplace Productivity Agency.<sup>3</sup>

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## ABOUT

**The LH Martin Institute at The University of Melbourne undertakes research into and analysis of tertiary education and training sector issues, it provides policy advice to institutions and organisations and it conducts professional development programs for people working in the tertiary sector.**

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<sup>3</sup> Australian Workplace Productivity Agency (AWPA), [Future Focus: 2013 National Workforce Development Strategy](#), pp130-131.

## 1. TAFE's contribution to the development of skills in the Australian economy.

### ..... Underpinning the national training system .....

As noted above, Victoria has adopted a radical outlier model of VET reform, which allows of no distinction between TAFE institutes and private RTOs: they are funded on essentially the same basis and the Victorian Government has, in effect, asserted that the publicly owned TAFE institutes have no community service obligations.<sup>4</sup>

The more conventional view is that, as public entities, TAFEs are directly agents of government and therefore of which a government requires broad adherence to that government's economic and social policy objectives.

TAFEs also have a scope of course offerings ("comprehensive service provision") and a geographical reach – in excess of 400 campuses and centres throughout Australia – which other providers simply cannot match.

TAFEs serve their communities, local businesses and individuals in myriad ways.<sup>5</sup>

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**Perhaps the least visible aspect of the work of TAFEs is how they anticipate the knowledge and skills that will be needed to support innovation. Just as universities create new knowledge for society and train the professions, TAFE's role as an educational and training institution is to anticipate how workplaces are changing, and the kind of knowledge and skills that will be needed for tomorrow and not just today.**

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<sup>4</sup> Victorian Government, [Next Steps for Refocusing Vocational Training Victoria – Supporting a Modern Workforce](#) (2013), p.34 – see recommendation 18.

<sup>5</sup> Leesa Wheelahan, [TAFE cuts will affect everyone: state governments should think again](#), The Conversation, 20 September 2012.

In a fundamental sense, by simply “being in place”, TAFEs offer the opportunity of broad, accessible and quality vocational education and training to meet community needs (such as for qualified workers in the community sector, including health and aged care), individual needs (for example, for upskilling, reskilling and further education) and business needs (in workforce and business development).

In a national training system that is becoming increasingly market driven, a strong TAFE sector acts as a bulwark against market failure. As reported by the Productivity Commission, if VET was to be left purely to the market, it is likely that market failures would eventuate, with outcomes being sub-optimal for a community perspective.<sup>6</sup>

There is already evidence of market failure to the extent that the National Skills Standards Council is proposing a more stringent VET provider registration system, predicated on a perceived diminution in the quality of VET qualifications being delivered outside the TAFE system and by the “better private providers”.<sup>7</sup>

TAFE therefore also provides an assurance of quality provision and sets a benchmark for the entire VET system.

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**Advance TAFE worked closely with relevant authorities following the closure of Community College East Gippsland in September 2012 to minimise disruption to students. Advance took over the running of VET in Schools courses for students from across the region to ensure they were not disadvantaged in their Year 11 and 12 studies.**

Advance TAFE Annual Report 2012

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<sup>6</sup> Productivity Commission, [Vocational Education and Training Workforce, Research Report](#), (2011), p.60.

<sup>7</sup> National Skills Standards Council, [Improving vocational education and training – the case for a new system](#), 2013.

It is for these and other reasons enumerated throughout this submission that TAFE has been described as both the “bedrock of the national TAFE system”<sup>8</sup> (AWPA) and a “standard bearer in the delivery of training and education” (AiG).<sup>9</sup>

This is generally recognised by governments, with the National Agreement for Skills and Workforce Development providing for:

...the development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities.<sup>10</sup>

However, the signatories to this partnership agreement have obviously widely disparate views as to the meaning of this commitment, with Victoria seemingly regarding it as having no force, and other jurisdictions, particularly NSW and Queensland, seeing it as no bar to cutting TAFE funding.

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<sup>8</sup> AWPA, [Future focus](#), pp.15-16.

<sup>9</sup> [Industry and TAFE harmed by VET reforms](#), Campus Review, 23 July 2012

<sup>10</sup> COAG, [National Partnership Agreement for Skills and Workforce Development](#) (13 April 2012), para 6(d), p.3.

**2. TAFE’s contribution to the development of opportunities for Australians to improve themselves and increase their life and employment prospects.**

.....

**Enabling individuals**

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TAFE is popularly (and correctly) associated with the strength of its provision in technical training – the “T” in both “TAFE” and “VET”, as it has been described.

But from the outset, TAFE has had – and was expected to have – a strong presence in further education, with its mission to “prepare people for work, develop the individual and provide second chance education”.<sup>11</sup>

Some 80% of the activity of TAFE institutes is in areas other than trades training, such as business, community services and hospitality.

TAFE is able to meet the diverse education and training needs of individuals and communities through the spectrum of the Australian Qualifications Framework (AQF), from Level 1 (Certificate I) to Level 7 (Bachelor Degree).

TAFE has always been important pathway to further training and is now an increasingly important pathway to higher education higher education.

AWPA projects that Industry demand for workers with qualifications, particularly at higher levels, is growing at a rate of between 3% and 4% a year. Expanding the stock of qualifications within the workforce is therefore critically important for future economic growth and productivity.

However, in many ways, we are starting from a low-base. At the same time as industry demand for skills is rising, survey after survey shows that Australia has a surprisingly (and alarmingly) high number of people of working age who lack fundamental language, literacy and numeracy skills. Up to 7 million people (about 50% of the workforce).<sup>12</sup> This is a real brake on the potential to expand the stock of qualifications and improve productivity (as well as a brake on current economic activity).

<sup>11</sup> Leesa Wheelahan, [The fractured social settlement in VET in Australia](#) (2012).

<sup>12</sup> See for example Australian Bureau of Statistics, [Programme for the International Assessment of Adult Competencies, Australia, 2011-2012](#) (2013).



But the gaining of a post-school qualification is also critically important for the life opportunities of each individual worker and the lack of such a qualification is a brake on those opportunities. The workforce participation rate of people without a post school qualification is markedly less than that of an individual with a post-school qualification.<sup>13</sup>

**Labour force participation of persons aged 15–64 with and without non-school qualifications, Australia, 2012**

Non-school qualifications	In labour force (%)			
	Year 10	Year 11	Year 12	Total
With qualification	84.1	86.3	87.2	86.5
Without qualification	61.6	69.8	76.1	68.9

Source: AWPA, [Future Focus](#), Table 6.

Research by the National Centre for Vocational Education Research (NCVER), among others, shows that even the lowest level of qualification is better (in many cases, much better) than none.<sup>14</sup> AWPA suggests that the employment prospects for people who have left school at Year 10 and who have obtained a Certificate I or II are 10 percentage points greater than for a Year 10 leaver without such a qualification.

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**Dianne Moore had retired but the financial slowdown caused her to rejoin the workforce. She retrained in Aged Care at Advance TAFE and has since secured ongoing work as a Personal Care Assistant.**

**“I’m 59 years old but returning to study was a joy and not as daunting as I feared.”**

Advance TAFE Annual report 2012

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<sup>13</sup> AWPA, [Future Focus](#), p.70.

<sup>14</sup> Damian Oliver, [Lower level qualifications as a stepping stone for young people](#), NCVER, 2012

At this lower end of the qualifications scale, TAFE's scope and reach makes the possibility of upskilling and reskilling reasonably available to most Australians and is particularly relevant in regional (and outer urban) communities where TAFE is likely to be not only the "best show in town" in terms of post-school provision but the *only* show in (or near) town.

A recent study shows that TAFE provides a greater of benefits than other providers in meeting, for example, the needs of socially and economically disadvantaged people and people with low education and training attainments (with disadvantage and low attainment often, if not usually, overlapping).<sup>15</sup>

At the other end of the qualifications scale (AQF Levels 6 to 7), TAFEs have emerged as increasingly important higher education providers, both in collaboration with universities and in their own right.

Higher education in TAFE, with its focus on applied learning, usually involving a strong component of workplace integrated learning, provides students from a "non-traditional" higher education background a strong student engagement and adaptable, flexible programs, with multiple entry and exit points.<sup>16</sup>

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**The University of Canberra and four TAFE institutes - Northern Sydney Institute, Metropolitan South Institute of TAFE (Brisbane), Holmesglen Institute (Melbourne) and South Western Sydney Institute – are in the formative stages of a collaboration project. The University of Ballarat has its Menzies Affiliation for joint delivery of TAFE/higher education programs with Victorian regional TAFEs. Queensland's Gold Coast Institute of TAFE and NSW's North Coast TAFE are teaming up with Southern Cross University. Flinders University and South Australia TAFE are working together.**

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<sup>15</sup> C.Stone, [Valuing skills: why vocational training matters](#) (2012).

<sup>16</sup> See [Demand-driven system promises innovation gains](#), The Australian, 6 March 2013 and [University of Ballarat's "Menzies Affiliation" – background](#), The Scan, 9 September 2012.

TAFE's widely distributed network, together with the pathways that TAFE institutes provide, creates the possibility of making higher education accessible to more Australians than ever before – again, particularly for residents of regional (and outer urban) communities who have not, in the past, enjoyed locally accessible higher education. Lack of access to higher education opportunities has meant that many higher education aspirants (such as young people) have had to relocate or that “immobile” aspirants (such as older people with family and work commitments) have been largely denied the opportunity to undertake higher education. Higher education provision is a seemingly “organic” evolution of TAFEs as integrated tertiary education providers, the type of integration envisaged in the Bradley Report on Higher Education.<sup>17</sup>

These sorts of initiatives provide TAFEs with a contemporary and extraordinarily valuable role in training and education, from foundation studies and technical and trades training through to higher education preparation and higher education itself.

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<sup>17</sup> D.Bradley et al, [Review of Australian Higher Education: Final Report](#) (2008), pp.157-158.

**3. TAFE’s role in the delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment.**

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**Supporting communities**

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TAFEs contribute to meeting the education and needs of communities and to the maintenance of the economic, social and cultural fabric of their host communities.

Geographic disadvantage manifests in a number of forms, many of which overlap and reinforce each other. For example, a concentration of low socio-economic status families in a particular location will likely have limited social and cultural resources (as well as economic resources) and low education attainments, with limited employment opportunities.

With the appreciable gap in education and training attainments between metropolitan and regional populations, the range of opportunities now provided by TAFEs can be life changing opportunities.

With its wide geographic distribution, TAFE can and does play a key role in addressing education disadvantage. TAFEs typically provide support to local schools to achieve better outcomes, they provide pathways from one qualification to another, up to and including higher education and they ensure a reasonable degree of accessibility for persons of limited mobility and/or resources.

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**GOTAFE has become the leading provider of tertiary education programs in North East Victoria through a brokerage model, with universities including Latrobe, Ballarat, Deakin, Monash, Melbourne and Charles Sturt.**

GOTAFE Annual Report 2012

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Locally accessible education and training benefits not only individuals but supports local businesses, in ensuring the availability of qualified workers from within the local population and both skilled, as well as the contribution that TAFE can make to innovation and business.

It also contributes to the viability of regional communities in a number of ways beyond education and training.<sup>18</sup>

As the population across the whole of Australia ages, a strong youth demographic is essential to reinvigorate and regenerate communities. One of the challenges associated with this need is that, traditionally, rural and regional communities have often seen their young people move away to pursue education and job opportunities elsewhere.

The presence of a strong local provider in the form of a TAFE can counter this trend and contribute in other ways to the viability of regional communities.

#### Key data : Victorian TAFE institutes 2012

Institute	Revenue (\$m)	Govt (\$m)	Fee (\$ m)	Result (\$m)	Equity (\$m)	Student enrolments	Contact hours (m)	Staff EFT	Campuses (b)
Advance	26.03	17.54	7.7	-3.7	56.14	10036	1.17	217	11
Angliss	60.4	28.21	30.04	-1.04	105	25850	4.68	311	2
Bendigo	48.65	38	9.34	0.26	88.8	10918	2.93	318	6
Box Hill	150.6	74.2	69.1	7.99	239.4	40467	8.97	822	5
Chisholm	132.96	93.62	36.94	3.54	234.7	37623	10.98	1039	7
GippsTAFE	46.93	34.21	12.46	6.05	88.08	13627	2.16	318	5
Gordon	97.5	83.6	12.81	11.05	160	19891	7.33	584	3
GoTAFE	74.65	58.23	14.66	11.75	109.8	20100	6.33	473	9
Holmesglen	167.5	101.56	60.1	4.62	381.66	54528	12.94	941	4
Kangan	130.4	79.2	48.3	-0.745	230.2	32254	7.9	762	6
NMIT	153.1	85.42	60.18	5.616	323.4	69666	11.646	1000 (a)	13
South West	36.57	28.18	8.45	2.79	65.5	11210	2.3	165	7
Sunraysia	31.63	23.91	6.67	2.26	49.8	6722	0.639	222	4
Wodonga	43.5	31.22	11.27	9.83	58.93	22844	3.06	293	4
<b>Total</b>	<b>1200.42</b>	<b>777.1</b>	<b>388.02</b>	<b>60.271</b>	<b>2191.41</b>	<b>375736</b>	<b>83.035</b>	<b>7465</b>	<b>86</b>

**Source:** TAFE Institute Annual Reports 2012. **Notes:** a – estimate b – in addition to formally designated campuses, TAFEs operate study centres and deliver in schools, workplaces and community houses.

<sup>18</sup> The Productivity Commission has noted that, while generally associated with relatively sparsely populated regional areas, urban areas with a high proportion of low socio-economic status households might be similarly not well catered for - [Vocational education and training workforce](#) (2011), p.64.

TAFE institutes provide tangible economic benefits, in the form of direct employment and the economic activity they generate, which can be shown by reference to Victoria.<sup>19</sup>

Overall, Victoria's 14 standalone TAFE institutes had revenues in 2012 in excess of \$1.2 billion (of which \$338 million – 28% - was generated by fee for service activity), had net assets of \$2.2 billion, employed over 7,500 staff and had nearly 400,000 student enrolments at 86 campuses across the state.

The 8 regionally based TAFEs generated revenues of over \$400 million (\$84 million – 21% - in fee for service activity), had net assets of nearly \$700 million, employed 2,800 staff and had student enrolments of nearly \$700 million at 49 campuses.

What is this worth to a regional community?

Apart from the regional development benefits of a locally based tertiary provider in providing education and training services, a TAFE presence obviously contributes directly to local economic activity and employment.

The **positive** impact of the regional economic impact of the presence of a tertiary provider can be illustrated by economic modelling that showed the University of Ballarat's expenditures of \$225 million in 2012 over its 5 campuses generated more than half a billion dollars annually and 2,000 jobs for the regions in which it operates (in addition to the 700 staff it employs directly).

This sort of multiplier effect would suggest that regional TAFEs would generate hundreds of millions of dollars (up to \$600 million) in additional economic activity for their regional economies, creating several thousands of jobs.

The negative impact of institutional contraction can be illustrated by the estimated **costs to the community** of the announced closure of a campus at Traralgon in Victoria, as a result of the cessation by the Victorian Government of public funding for "comprehensive service provision". Baw Baw Shire Council modelling indicated a loss of 10 jobs in the local education sector could also see three supporting jobs go and cost the local economy \$903,000. If

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<sup>19</sup> Victoria is the reference because the annual reports of Victorian TAFE institutes for 2012 have been published and are generally available.

GippsTAFE cut 15 jobs, the council said five supporting jobs will be lost at a cost to the local economy of \$1.354 million.<sup>20</sup>

All the evidence indicates that individuals who study at regional tertiary institutions are likely to remain in regional areas after they complete their courses, regardless of whether they decide to engage in further study or to move directly into employment – the “train in the country to stay in the country” rule. Moreover, this pattern holds true five years after course completion and is particularly the case for those who also attended a primary school in a regional area.

Students who move from regional areas to urban areas in order to undertake a higher education are unlikely to return, while those who are able to remain in regional areas while they are studying are likely to stay. Regional provision is therefore very important in the skilling of regional communities and in the retention of skilled workers in regional areas.<sup>21</sup>

Social and cultural benefits are less easily measurable than economic ones, but this does not diminish their importance and impact.

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**The Cultivator Regional Creative Conference convened by SuniTAFE staff in October 2012. It brought together 130 design experts, students and business and community leaders to “inspire creative thinking, find new ways of problem solving and build regional capacity through creativity.**

Sunraysia TAFE Annual Report 2012

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TAFEs play a central role in direct community building and social capital development through, for example:

<sup>20</sup> [Twenty jobs could go in Warragul GippsTAFE funding cuts](#), Warragul Citizen, 1 June 2012.

<sup>21</sup> See ACER, **Higher education & community benefits: the role of equal provision** (2011). While this deals with the presence of local higher education providers, the analysis is on point, given the strengthening of pathways between VET and higher education and the growing role of regional TAFEs in higher education provision.

- providing social, cultural and sporting infrastructure,
- hosting events, projects and alliances;
- understanding, addressing and advocating for regional needs; and,
- developing linkages between local, state, and national business and other interests.

A campus contraction or closure, through a withdrawal of CSO or other funding, as has occurred across Victoria, therefore has cascading negative effects through a community;

- It reduces education and training opportunities across-the-board.
- It results in direct job losses.
- It reduces regional economic activity, results in other job losses and undermines viability for at least some businesses.
- It can lead to population loss, as people are forced to relocate to pursue education or employment opportunities.

**Each effect obviously weakens the sustainability of a community.**



#### 4. TAFE and the operation of a competitive training market.

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#### Creating a broadly level playing field

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In a broadly competitive market, as is emerging in the VET sector and is proposed for the tertiary sector generally, participants should operate under the same rules.

As the VET system has expanded with the entry of new providers attracted by access to public funding, it has become clear there are substantial weaknesses in the regulatory framework. There have been college failures, which have particularly impacted the international sector, predatory pricing practices and, associated with such practices, sub-standard delivery, raising serious concerns about the validity of many qualifications. These have been most clearly evident in Victoria, with its virtually open market, and have been centred on the private provider side of the VET sector, not in the public TAFE sector.

As put by TAFE Directors Australia (TDA) in its submission to the Queensland Skills and Training Taskforce, in the competitive market being created by policy makers, the expectations of public providers and private providers seeking public funding should be broadly similar.

Such expectations would include:

- the demonstrated ability to deliver **quality assured training**, consistent with the specifications of particular National Training Packages and consistent with the requirements of the Australian Qualifications Framework for the level of qualification
- **responsiveness** to contemporary and emerging skills needs of business and industry, the community and individuals
- **value for money** – that is , delivery of qualifications to the requisite standard
- **capacity** – including expertise, facilities and balance sheet – to meet a suitable range of industry, community and individual needs.<sup>22</sup>

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<sup>22</sup> TAFE Directors Australia, [Supplementary submission to the Queensland Skills and Training Taskforce](#), (2012), pp5-6.

The National Skills Standard Council’s proposals to introduce a new Australian Vocational Qualifications System setting a higher bar for a training provider to be awarded the privilege of a license to issue vocational qualifications is an appropriate measure given the quality problems that plagued the Victorian system after the introduction its market reform measures.<sup>23</sup>

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**“...we don’t know the proportion of qualifications coming out of what you would call high-quality training organisations. I think we can assume an employer looking at qualifications from a TAFE or some of the better private providers would not have a question about the quality of the qualification. The question is, what about the others?”**

John Dawkins, chair National Skills Standards Council

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It is noteworthy that the Victorian government has significantly culled the list of providers eligible to access public funding from 650 in 2011 to 400 in 2013.<sup>24</sup> The Victorian government has also recently published a “statement of expectations” of private RTOs in receipt of public funding, as a framework to promote ethical day-to-day conduct and requires such providers to demonstrate a commitment to serving the public interest.<sup>25</sup>

With the increasing presence and capability of TAFE in higher education, TAFEs suffer a number of significant competitive disadvantages as against universities.

The most evident concerns funding arrangements in higher education where TAFE institutes are denied access to Commonwealth Supported Places – that is, a public subsidy towards the cost to an individual of a higher education course – despite TAFE providers in higher education having to meet the same registration and teaching standards as universities.

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<sup>23</sup> National Skills Standards Council, [Improving vocational education and training – the case for a new system](#), 2013.

<sup>24</sup> Brendan Sheehan, [Naphthine falls short: TAFE needs more than a bandaid](#), The Conversation, 14 March 2013. This has been achieved through eligibility conditions, such as financial standing, rather than strictly quality regulation measures.

<sup>25</sup> Victorian Government, [Statement of Expectations – Principles and obligations for government contracted training providers in Victoria](#) (2013).

TAFE degrees are therefore provided on a full fee basis, which clearly places TAFE institutes at a cost disadvantage to universities, which provide publicly subsidised places.<sup>26</sup>

And it is clearly unfair to students undertaking unsubsidised higher education at a TAFE institute, many of whom have had an unconventional pathway to higher education and whose learning needs are best catered for in a TAFE setting, as against students undertaking subsidised higher education at a university.

The continuing denial of a public subsidy for students undertaking higher education programs in TAFE runs directly contrary to the Bradley Review's recommendations, which proposed that "all domestic students accepted into an eligible, accredited higher education course at a recognised higher education provider would be entitled to a Commonwealth subsidised place", once new regulatory processes were in place (as they have been since the Tertiary Education Quality and Standards Agency came into being in January 2012).<sup>27</sup>

Universities also enjoy a significant competitive advantage in the international market in having access to streamlined visa processing arrangements which assumes that all international applicants to a university are low risk (Assessment Level 1), which reduces student visa eligibility requirements, particularly in relation to financial standing, demonstrated English language skills.

International applicants to TAFE institutes, for either VET or higher education, are subject to the risk assessment attaching to applicants from their country of origin, with eligibility requirements becoming more onerous as the risk level rises (Assessment Level 5 being the highest).

The public policy justification for treating universities in this preferential way include:

- Quality is high right across the entire Australian university sector.
- Because there are only 39 of them, the university sector is much easier to monitor and regulate.
- The university sector is very stable.

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<sup>26</sup> Despite the availability of VET FEE-HELP, this merely defers payment, and is not a direct subsidy.

<sup>27</sup> D.Bradley et al, [Review of Australian Higher Education: Final Report](#) (2008), pp.157-158.

- Australian taxpayers have a huge financial stake in Australian universities.<sup>28</sup>

Exactly the same considerations apply to the TAFE sector:

- While there have been evident quality issues in the VET as a whole, TAFE provision is of a demonstrably high standard.
- While there are more than 5000 VET providers in Australia, there are only 60 TAFE institutes
- While a number of private RTOs have collapsed in recent years, TAFEs have proved as stable as universities.
- Like universities, TAFEs are public sector entities in which taxpayers have a huge financial stake.

The downturn in TAFE international enrolments, which is being compounded by this discriminatory treatment in respect of visa arrangements, is having a substantial negative effect on TAFE revenues (and therefore, in the current environment, negatively affects sustainability). One major TAFE institute estimates that, over the last 4 years, its international revenue for onshore delivery has declined by 50%, from \$40 million to \$20 million a year.

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<sup>28</sup> M.Knight, [Strategic Review of The Student Visa Program: Report](#) (2011), p.28-31.

**5. TAFE in those jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability.**

.....

**Funding must be sufficient to sustain TAFE’s public good activities**

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Funding of TAFE must be sufficient to enable TAFE to efficiently meet its purposes as the public provider.

As noted, Victoria’s model of reform is a radical outlier that allows virtually no distinctive role for TAFE as against private providers and which therefore funds public providers on the same basis as private providers.

While other jurisdictions have moved in a more measured and orderly way towards the introduction of contestability, expressly to avoid the type of dislocation that has occurred in Victoria, the undoubted challenge that contestability presents to the TAFE sector has been intensified by funding cuts in other jurisdictions, notably in New South Wales and Queensland<sup>29</sup>.

Such cuts add to an alarming long term decline in overall VET funding, relative to other education sectors and per student.

According to analysis by AWP, between 2006 and 2010, government real recurrent expenditure on VET increased by 10% but expenditure per student annual hour actually *decreased* by 14% during the same period.

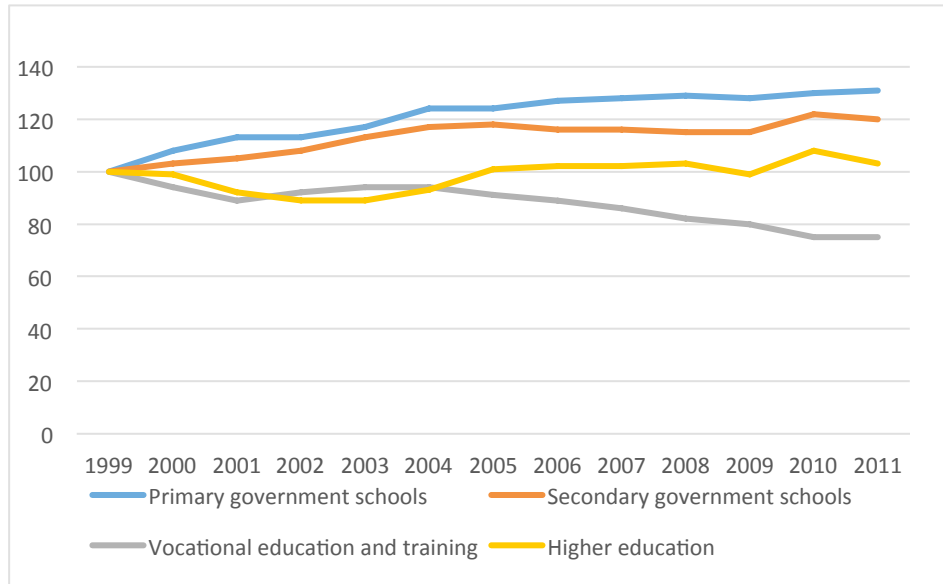
Somewhat more alarmingly, the agency finds that while recurrent funding since 1999 has increased 31% for public primary schools and 20% for

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<sup>29</sup> The New South Wales government is cutting \$80 million and 800 teaching jobs from TAFE, while increasing student fees by 9.5% and the Queensland government has cut \$78.8 million from training, tertiary education and employment. According to AWP there have been cuts in 2012-13 all jurisdictions except SA and NT.

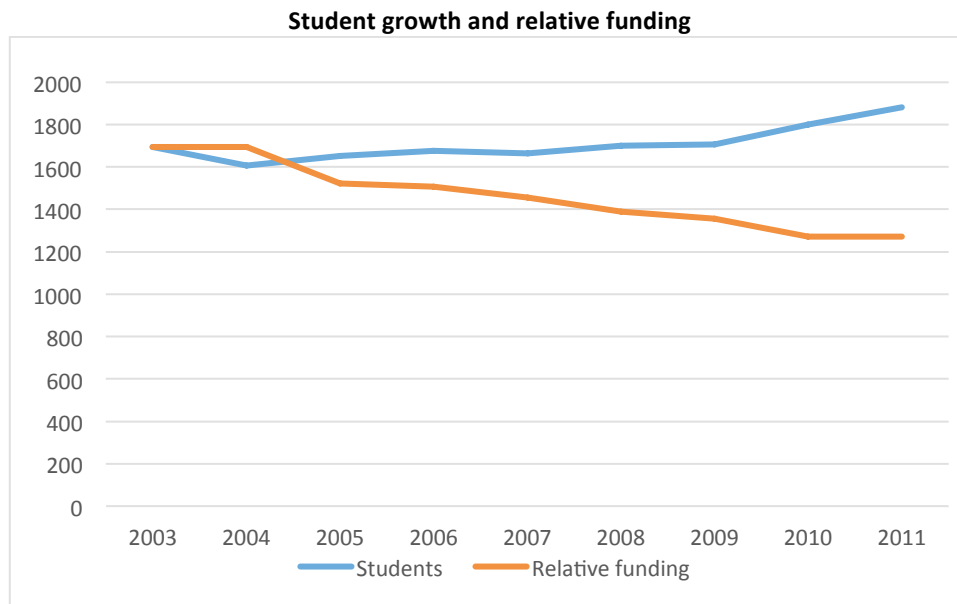
secondary schools, and remained steady for the university sector<sup>30</sup>, it's fallen 25% for vocational education and training.

**Commonwealth and state government recurrent expenditure, funding per full-time equivalent student (schools and higher education) and per annual hour (VET) indexed to 1999 (1999=100)**



Source: AWPA, Future Focus, Table 7.

Obviously such recent funding growth as has occurred has not been sufficient to keep pace with growth in participation.



Source: AWPA, [Future Focus](#), Table 7. NCVET, [Australian vocational education and training statistics: students and courses 2011](#)

<sup>30</sup> Recent savings measures targeting higher education have changed this equation somewhat.

AWPA's conclusion is compelling: there is a tipping point at which funding cuts must compromise the quality of provision.

Arguably, as suggested by the NSSC in proposing a more robust regulatory framework as outlined in Section 4, that tipping point as already been reached and "skills reform" is not so much about ensuring efficiency and effectiveness but shoring up budget bottom lines – that is, cost cutting.

With more providers and students chasing fewer dollars, regulation alone is not sufficient to ensure quality.

Certainly there are real industry concerns that sustained budget reductions are now endangering the quality of provision<sup>31</sup> and the meeting of skills needs.<sup>32</sup>

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**“What you’ve got now is the development of quite a disturbing trend among the states to cut education funding – but vocational education funding in particular. There will be very significant short-term consequences for industry because we won’t see the flow through of graduates and apprentices in core trades like electrical engineering, plumbing and welding that we need for our economy.”**

- AiG CEO Innes Willox

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AWPA makes two relevant recommendations:

- A review be undertaken for the VET sector to determine an appropriate level of funding for delivery of VET to ensure quality standards are met.
- An increase in public and private funding of at least 3% per annum in real terms to meet industry demand for skilled, qualified workers.

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<sup>31</sup> [TAFE 'support' two-faced: ACTU](#), The Australian, 17 May 2012.

<sup>32</sup> [Evans threatens to block education reward funding](#), Australian Financial Review, 17 September 2012.

In its response to the Final Report of the Queensland Skills and Training Taskforce, the Queensland Government acknowledged there are higher costs associated with government service provision which need to be identified and funded through an agreed base funding and service arrangement.<sup>33</sup>

This is typically the case, with the published plans of the NSW<sup>34</sup> and South Australian<sup>35</sup> Governments making similar acknowledgements. Only in Victoria is there no such acknowledgement, even though there was a recommendation to that effect by the Victorian Government's own TAFE Reform Panel.<sup>36</sup>

Nevertheless the level of support provided by each of the jurisdictions is somewhat moot, being impacted by a range of other funding factors, including budget "savings" and highly variable funding rates. Australia's "national" training system comprises eight, often quite different, sub-systems.

This has led to calls for a Commonwealth "takeover" of all or some of the TAFE system.<sup>37</sup>

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**"[VET] is a national endeavour and it would better if there were a single layer of government...It isn't sensible to continue to split it in the way we do. We are in a very counter-productive situation that just increases regulation. It is difficult to get the sort of strategic direction that makes sense for tertiary education."**

- Margaret Gardner, Vice-Chancellor, RMIT University

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<sup>33</sup> [Government response to the Queensland Skills and Training Taskforce final report](#) (2012), p.12.

<sup>34</sup> [Smart and skilled](#) website.

<sup>35</sup> [TAFE SA and Skills for All: building on strength](#).

<sup>36</sup> TAFE Reform Panel, [A strong and sustainable Victorian TAFE sector](#) (2012), p.47.

<sup>37</sup> [Call for feds to take over VET](#), The Australian, 30 May 2012. Former Queensland premier Anna Bligh countenanced a rationalisation of national education and training arrangements, which would see States responsible for schools education and the Commonwealth responsible for post-school education and training - [Critical Reflections on Australian Public Policy: Selected Essays](#) (2009), p.28.



## 6. Conclusions

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### A new national partnership

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There is broad agreement about the need to increase the stock of skills and knowledge in Australia, for both economic and social purposes. Governments have affirmed through the Council of Australian governments the central role of the VET system in meeting this need and have equally acknowledged the underpinning role of TAFE in the VET system.

The National Partnership Agreement entered into at the COAG meeting of 13 April 2013 was intended to ensure accessibility and equity, transparency, quality, responsiveness and efficiency of the VET system. It also committed governments to “the development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition.” The agreement set out the respective responsibilities of the various jurisdictions - Commonwealth, State and Territory – and areas of shared responsibility.

However, a little after a year since its execution, the partnership has apparently broken down in key respects, principally to do with overall VET funding and around maintaining the capacity of TAFE, as evidenced by the impasse between the Commonwealth and several States over incentive funding.<sup>38</sup>

Over the past year, the long run decline in relative VET funding identified by AWPAs has been exacerbated by funding cuts in most jurisdictions, which have particularly impacted TAFE.<sup>39</sup> As put by the chief executive of the Australian Industry Group, VET funding has become an increasingly a discretionary budget item - a source of budget savings.<sup>40</sup>

There is merit in a review of VET funding as proposed by AWPAs and that it specifically encompass a “TAFE base funding review” in order to establish the

<sup>38</sup> [VET hit by funds crossfire](#), The Australian, 1 May 2013.

<sup>39</sup> While VET funding overall has increased in Victoria, there have nevertheless been swingeing cuts to TAFE funding.

<sup>40</sup> The NSW Government has recently announced that it will fund its commitments under the National School Improvement Plan, in part, by further changes to TAFE funding - [NSW signs up to Gonski reforms](#), The Age, 23 April 2013.

minimum funding required to sustain the public provider network in its role as a comprehensive service provider.

The outcomes of such a review could form the basis of a new National Partnership Agreement on Skills, in much the same way as the Gonski Review established the basis for the proposed National School Improvement Plan and the Bradley Report established the basis for higher education funding reform.

Such an agreement would need provide for maintenance of overall effort – that is, *at the very least*, current funding levels per student contact would need to be maintained, which would require increases in funding in line with growth in participation.

The agreement would formally recognise role of TAFE as a comprehensive service provider and require, as a condition of funding, for appropriately maintaining this role through funding *separate* to generally contestable funding.

Consideration needs to be given to the efficacy of current national arrangements. While a transfer of responsibilities for post-secondary education and training to the Commonwealth would seem the neatest and optimal outcome, it seems not to be a practical option for the immediate future.

AWPA's predecessor, Skills Australia, proposed, instead, a clear differentiation of government roles premised on:

- the Australian Government driving coherence of national strategy, policy, regulation and standards;
- the key focus of state and territory governments residing in service delivery—streamlining for consistency; comprehensibility and ease of access; maximising of service impact; and providing seamless support for clients and users.<sup>41</sup>

The current National Partnership Agreement has failed to create the clarity, certainty and consistency necessary for effective national arrangements and a new agreement needs to focus on establishing such arrangements.

With the emergence of many TAFE institutes as truly multi-sector providers, with growing delivery in higher education as well as VET, current funding and

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<sup>41</sup> Skills Australia, [Skills for prosperity – a roadmap for VET](#) (2011), p.160.

regulatory frameworks serve to constrain TAFE's multi-sector operations and need to be revised to remove such constraints.

In particular, the withholding of a Commonwealth tuition subsidy from students undertaking higher education in TAFE cannot be justified on either policy or equity grounds.

Likewise, denying TAFE institutes access to streamlined international student visa arrangements cannot be justified given that TAFE institutes share more or less those characteristics of universities which provide the rationale for granting the streamlined arrangements to universities.