

## **SUBMISSION TO FEDERAL PARLIAMENTARY INQUIRY INTO THE ROLE OF TECHNICAL AND FURTHER EDUCATION**

### **Introduction**

I submit the following as an individual. I have been a part-time casual and full-time permanent teacher at a number of colleges, as well as a research and development officer in curriculum services, in NSW TAFE. I was also an officer in the post-schools unit of the NSW Teachers Federation, a delegate to the AEU National TAFE Division Council, the NSW Labor Council (now Unions NSW), ACTU Congress and ACTU VET Conference. I was also a member of the NSW ALP Education Policy Committee for a number of years. Prior to joining TAFE, I worked in a number of positions in both the private and public sectors, including as a part-time tutor at Sydney University. My academic qualifications are BA (Hons) Dip Ed and Master of Labour Relations and Law. I have been retired from full-time employment for some years.

I have sought to address all items under the terms of reference to some extent, but have concentrated mainly on the operation of a competitive training market, which I see as the most contentious.

My sources are mainly from public reports and websites, as well as personal experience. I have utilised material from a report commissioned by the NSWTF and written by Bob Walker and Betty Con Walker through *Centennial Consultancy* (to my knowledge, unpublished) and the NSWTF Submission to the NSW 'Smart and Skilled' Inquiry in 2011 (to which I was a contributor) but all conclusions and views expressed are my own.

I recognise that some of my material is not the most recent which may be available, but I believe it still has currency in terms of the issues addressed by the inquiry.

### **List of abbreviations/acronyms used**

ACTU – Australian Council of Trade Unions

AEU – Australian Education Union

AIG – Australian Industry Group

AMES – Adult Migrant English Service

BCG – Boston Consulting Group

COAG – Council of Australian Governments

HSC – Higher School Certificate

DEEWR – Department of Education, Employment and Workplace Relations

LLNP – Language, Literacy and Numeracy Program

NCVER – National Council for Vocational Education Research

NSWTF – New South Wales Teachers Federation

RTO – Registered Training Organisation

SES – Socio-economic status

TAFE – Technical and Further Education

TPC – Tertiary Preparation Course (a TAFE matriculation program accepted by a number of universities)

VET – Vocational Education and Training

## **Summary**

1. Australia's economy, with its small domestic market, requires a skilled workforce to develop its physical resources and industries. The VET system, of which TAFE is the major and most consistent provider, is essential for this. This should include the provision of general and preparatory education to enable further study and development.
2. TAFE provides a system for students and employers to improve their individual prospects and contribute to the productivity and wealth of Australia. It has a particular brief to provide high-cost training, and to deal with disadvantaged students who may otherwise lack employment and life-choices, and potentially become a burden on society, through welfare dependence and potentially the very expensive and debilitating criminal justice system. It has the capacity and tradition to do so, with geographic spread and a range of specialist and support mechanisms. Given the SES background of many TAFE students, fees can be a significant barrier. TAFE also provides a broad vocational education required for adaptability and employment mobility, rather than narrow, job-specific training which private RTOs linked to particular firms may do.
3. TAFE has a wide geographic spread and a tradition of community involvement, and so is uniquely placed to provide for regional and remote communities, while private RTOs are concentrated in metropolitan areas.

4. The competitive training market has serious imperfections, in terms of the knowledge available to students, employers and government funding agencies to make informed choices. Evaluation of the quality of provision is often only possible after course completion, which can lead to waste of time and money. Information on staff qualifications and other relevant factors is frequently not available for many RTOs.

Profit-making private providers must be primarily concerned with their own financial benefit and the nature of tendering makes cost of delivery the determinant of success and market share. Volunteer-based community providers cannot be held to account rigorously, and may lack expertise however well-meaning they may be. Experience with LLNP tenders in 2010 demonstrated that some RTOs made significant profits from public money by delivering very basic quality, while others were not able to complete their commitment.

Even on strict cost comparisons, TAFE and other public providers are disadvantaged by requirements to include costs for capital facilities that most private RTOs do not provide, and for 'hypothetical' items. The cost of conducting and supervising the tender process is not included in provisions. Savings to the public purse may be illusory, while consistency and quality suffer.

With private RTOs 'cherry-picking' the cheapest and easiest to run courses, TAFE has funding for those withdrawn, leaving it with the difficult and expensive areas, and potentially some underutilised facilities. It risks making TAFE residual.

5. Recent experiences in Victoria and NSW have shown state governments prepared to run down TAFE. In NSW, this involves breaking written pre-election promises by the current Deputy Premier and the Education Minister.

## **1. The development of skills in the Australian economy.**

Australia has a relatively small population and hence, domestic market. We have been, and currently are, fortunate in that demand for primary produce, both agricultural and mineral, has contributed to our prosperity. Minerals are non-renewable; wheat, meat and wool may be, but use of agricultural land, especially in a dry and fragile continent, cannot sustain ever more exploitation. Moreover, both primary sectors are subject to vagaries of overseas demand and competition. Long-term reliance on these alone is beyond risky – and to make them more sustainable, both economically and environmentally, they need a skilled workforce.

Manufacturing (secondary) industry in a smallish domestic market is very much subject to competition from imports. This is particularly the case if we wish to maintain wages and conditions for our workforce which allow for the standard of living we currently enjoy. Recent developments in the motor vehicle industry, as well as many other manufacturing sectors, demonstrate how easy it is to lose manufacturing enterprises – including ‘iconic’ brands. In order to succeed in secondary industry, we have the choice of competing purely on cost – i.e. adopting 3<sup>rd</sup> world wages and conditions – or utilising innovation and technology to compete on quality and efficiency; clearly, the latter requires a skilled workforce, not just in terms of initial, narrow training, but broad, transferable vocational education and ongoing development. TAFE provides the latter. A considerable number of private RTOs are concerned with serving the needs of particular companies, or are parts of such companies, for which training is an ‘in-house’ function, ancillary to their main commercial activity; consequently, breadth and transferability are not within their brief.

There is also a need to develop and expand in tertiary, service industries, which further demands education, training and updated skills.

Given the current concerns about standards in school education, especially for disadvantaged students, the importance of ‘second-chance’ (indeed for some students, first chance) education outside the school system is also crucial. TAFE has been a major provider of this, from basic literacy and numeracy for adults to matriculation programs. Without such basic, general education the acquisition of specific vocational skills is much more difficult, especially given the increasing complexity and speed of change in technology and industry. It is unfortunate that the ‘general’ and preparatory education services of TAFE, certainly in NSW, have been significantly reduced. While I am unable to access definitive statistics, the anecdotal evidence is clear. For example, when I was teaching a few decades ago both Penrith (now Nepean) TAFE and Blacktown TAFE ran extensive HSC programs, day and evening, full and part-time; now there are no such programs there or anywhere in Western Sydney Institute; while well-regarded, the TPC programs have not adequately replaced these. The variously-titled over time Year 10 equivalent programs, which were of immense assistance to students of all ages with inadequate school backgrounds, are being phased out. Pre-apprenticeship programs for early school leavers face a similar fate.

*Skills Australia*, an independent statutory body advising the relevant Federal Minister (titles change) and a precursor to the Australian Workforce and Productivity Agency prior to July 2012 stated in May 2011:

*More than any other education sector [VET] connects learning with the labour market, the workplace and community development, as well as with individual learner and employer aspirations. It is pivotal as a lever in realising social and economic opportunity.*

TAFE is the overwhelming VET provider.

## **2. The development of opportunities for Australians to improve themselves and increase their life and employment prospects.**

TAFE has been a traditional source of such opportunities. It has provided a vast range of basic and specifically vocational skills, across a range of technological and industry sectors, geographic areas and student cohorts. In 2010, 170 TAFE colleges/campuses across Australia enrolled 1.3 million students, accounting for about 80% of student contact hours in VET (NCVER, 2010). The BCG (2007 report, page 4) stated:

*The Australian vocational education and training (VET) system supports economic growth through the supply of skilled workers to industry, and assists individuals to gain the skills needed to engage in productive and rewarding working lives. The strong involvement of government in the VET sector reflects the public benefit attached to achieving these economic and social objectives.*

The report went on to say (p.10):

*Government involvement in VET reflects the public interest in the sector's economic and social objectives, beyond the benefits delivered to individuals and firms...government plays a critical role by investing in areas of market failure.*

The NSW Deputy Director-General of TAFE is quoted in the *Sydney Morning Herald* (25/10/2011) as saying

*...people with higher level qualifications are statistically more likely to get a job, stay employed, get a new job more quickly if they lose employment...*

COAG (Communique, August 2011) stated that TAFE's 'key role' included the

*...delivery of high-cost technical training, encouraging participation of disadvantaged students and offering services in regional and remote areas*

*Skills Australia* advocated 'core funding' for TAFE to deliver courses for the 'public good' unavailable through market mechanisms (May, 2011). The AIG submission to *Skills Australia* stated:

*Industry wants TAFE to continue to play important roles in community service, social inclusion and the provision of foundation skills*

**In addition to its numerical predominance in the sector, TAFE does the ‘heavy lifting’ within VET in providing expensive courses, serving needier, often more difficult to teach, students and less accessible regions.**

Students who are socially, educationally and/or geographically disadvantaged are self-evidently in most need of opportunities to improve, personally and vocationally. TAFE is uniquely placed to provide for them. It has a long history of such provision, with experienced teachers capable of working together to develop necessary basic skills and dovetail these into vocational qualifications. It has student support mechanisms, such as counsellors, libraries and student amenities. It has well-developed internal accountability mechanisms and community liaison processes, such as Outreach in NSW. It has purpose-built classrooms and workshops, and distance education provisions, such as OTEN in NSW.

For many disadvantaged students such opportunities are essential for personal success, but these provide economic benefits not only to themselves and their families, but also the whole Australian community and economy. The most obvious general benefit is a skilled workforce. However, the costs of denying such opportunities go beyond this. The most common characteristic of the welfare-dependent and of gaol populations is poor education. To keep someone in a correctional institution for a year is approximately equivalent to a teacher’s annual salary + on-costs (depending on the level of security); juvenile detention is even more expensive. This is additional to other costs of the criminal justice system, to say nothing of the personal costs of crime to both victims and perpetrators and their families.

Investment in education and skills formation, increasing a productive, tax-paying workforce instead of welfare-dependence and potential criminality, is genuinely rational economics. To be slightly cynical, the problem appears to be that the ‘lead time’ for results probably exceeds the term of any parliament. We cannot afford such short-term thinking if this nation is to progress. School leavers and adults requiring further skills development must have a universal system, not dependent on short-term profit or charitable intentions. Only the community as a whole, through its governments, can securely provide this for those most in need.

TAFE students are from lower SES groups than those at universities. Some are from very disadvantaged backgrounds. For these, fee payment is a significant disincentive at best, or totally prohibitive at worst. The recent increase of 9.5% in subsidised courses and the move to increase numbers of full cost recovery courses in NSW are serious impediments to individual opportunity and economic progress. To quote the then (2008) NSW Opposition spokesperson on education, now NSW Deputy Premier, Andrew Stoner:

*...for TAFE students who usually work part-time and study at TAFE struggling with the normal cost of living ...it is a very difficult time and the Government*

*has not helped by increasing these fees by some 9 per cent, which is well and truly above the consumer price index.*

*The impact of the increase in fees has been that enrolments in TAFE are falling, and that is a real shame because TAFE has been a great success story in this State, especially at a time when we have a skills shortage. In 2002 total student enrolments for TAFE New South Wales were 525,865. According to the latest statistics, by 2007 that number has declined to a total enrolment of 497,747 – a reduction of more than 28,000 in student numbers at a time when industry demands more trained young people with appropriate qualifications.*

It appears political memories are barely longer than parliamentary terms, especially if they involve transition from opposition to government.

Finally on this point, it is crucial for both individuals and the economy that broad vocational **education**, rather than merely narrow industry- or even company-specific **training** is available. The latter may be a suitable area for private, industry-linked contributions, but adaptation to changing technologies and structures, and job mobility are the province of an educational institution with a broader brief.

### **3. 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.**

This is largely covered in the previous point. It is, however, worth emphasising that TAFE has a long-standing relationship with communities, built up over decades, fostered by the involvement of teachers and college managers with local industry and community groups. This represents a continuity which most other RTOs do not achieve, tendering for and delivering courses on a more *ad hoc*, shorter-term basis and lacking such provisions as Outreach, and Multicultural and Aboriginal Education officers. While some vocationally oriented RTOs, which may indeed be part of local industry groups, can provide detailed and contemporary knowledge of that industry or those firms, they lack the breadth across firms and industries, and the 'in-house' basic and remedial education which TAFE can provide.

### **4. The operation of a competitive training market.**

Competitive markets are an excellent means of delivering many consumer goods and non-essential personal services. There is undoubted scope for some VET delivery through private RTOs, especially in 'niche markets' required by particular firms. However, the major issues are: the allocation of **public funds to private providers** through competitive tendering and the assumption that the market is truly

competitive for 'consumers' (students, employers and government agencies). Also important is the basis for comparison of alternatives.

Free market proponents since Adam Smith have recognised market imperfections. Perfect markets require full knowledge of alternatives as a basis for choice. In the case of most retail trade, price and quality are relatively transparent; errors are readily and inexpensively remediable by transfer of business to a different provider without significant lasting disadvantage. **This does not apply to the training market.** The precise match between needs and provisions is often not obvious to most students and employers. The range and nature of providers may be difficult to ascertain, especially for educationally disadvantaged students. Training programs are not apples, haircuts or even motor vehicles, which can be sampled and tested in a controlled environment. They require ongoing evaluation and adaptation over extended periods. The quality of outcomes may not be clear until after graduation. Much time and many dollars (be they student, employer or taxpayer dollars) may be wasted.

How many certificates or diplomas does the average student undertake in her/his lifetime? What basis of comparison among multiple providers does s/he therefore have?

The accreditation processes and the continual evaluation has to be time consuming and expensive to be at all effective, as it is spread over a wide range of RTOs which may have very limited in-built accountability mechanisms, and for whom market share and profit are (and have to be) their prime concern. Initial accreditation and subsequent tenders are based on information supplied in advance. During the 1990s, I was on the management committee of the Greater Western Education Centre (a government-funded body mainly designed to assist teachers with staff development, now voluntarily closed). I helped prepare the documentation to have the centre accredited as an RTO (successfully). It was not very demanding.

Profit seeking RTOs will 'gild the lily' in both tendering and advertising, as do most businesses. Well-meaning not-for-profit providers may lack detailed knowledge; moreover, as predominantly 'voluntary' organisations, they cannot be held to the same rigorous accountability as governmental or incorporated entities. There have been a number of media reports, notably on ABC current affairs programs, of private RTOs failing to deliver what is needed and promised. I have personally heard considerable anecdotal evidence from former TAFE colleagues of other such failures. According to the AEU (*State of our TAFEs Survey*, March 2010, 2691 participants across Australia, 93% teachers, 7% managers) 43% of surveyed TAFE teachers found the quality of training provided by private RTOs was 'low', 33.5% mixed, 8.4% 'medium, and 1.5% 'high' (13.4% responded 'don't know'). While it may appear that this would be a view based on biased expectations and assumptions, it must be remembered that many students move between private RTOs and TAFE and teachers have contacts with industry which employs students/graduates from



both, so TAFE teachers often have grounds for first-hand comparisons. There have been allegations that some private providers in Victoria have offered iPods and iPads as inducements for enrolling. Private RTOs, to my knowledge, are not required to make available publicly information on their staff-student ratios or the qualifications of their staff; many are small businesses or consortia, not required to disclose annual reports and financial statements. Such information is readily available to governments regarding TAFE.

Competitive tendering for LLNP in 2010 resulted in many programs allocated to non-government RTOs rather than TAFE or AMES. Some outcomes were:

**Navitas**, a listed company with profits of \$105.2million in 2011 (yielding a pre-tax return of 101.7%, and 74.7% after tax) gained 7 contracts (some in consortia, involving its subsidiary ACL). Its pre-tax profits on the LLNP programs were \$11.5million. According to anecdotal evidence, it hired many staff recently qualified, at lower pay rates than TAFE or AMES, which had more experienced staff; it does not publish information on staff qualifications, nor does NCVET appear to collect this.

**Mission Australia**, a reputable charity, won 5 tenders (in one case in a consortium with ACL). However, its training segment had deficits of \$3.2million in 2006-9 and \$229,647 in 2009-10. It was already outsourcing its training activities to a Western Australian company, in turn acquired by a publicly listed company, Talent2 International. The tender was awarded without proper regard for performance history of this tenderer, as required by Commonwealth guidelines.

**NORTEC**, self-described as 'not-for-profit' but operating commercial enterprises which, according to its website (which does not include its financial statements) support its community programs won a tender. It operated from shopfronts and 'mobile classrooms' (i.e. the backs of trucks). Public providers which tendered unsuccessfully, in the same area, had purpose-built accommodation.

It is fairly clear that the tendering process is based exclusively on cost, not quality or sustainability, and results in successful tenderers sometimes making substantial profits on taxpayers' money and/or not producing comparable provision.

However, even on a crude 'cost-efficiency' basis, TAFE (and other public post-school providers such as AMES) are severely disadvantaged. They have to include a 'notional' 8% for capital costs – for purpose-built classrooms, language labs, workshops and libraries, which most private RTOs do not provide. TAFE also provides services such as counsellors, consultants for disabled and NESB students, and student amenities. These capital items will not be subject to savings to any significant extent if utilised less; if decommissioned or sold they are lost for any students still at TAFE and unavailable for future students when private provision

becomes unavailable or unsatisfactory due to changes in the market. **This is not a level playing field.** Hypothetical items such as payroll tax which government providers do not pay are also included.

Furthermore, the cost of organising and conducting the tendering process appears not to be included, nor that of supervision and quality control of private RTOs which gain tenders. During early years of competitive VET market (2005-9) expenditure by DEEWR (and predecessors) increased by 132.7%, from \$170.8million to \$397.4million.

A 2005 report by NCVET concluded that

*...some of the purported benefits of market reform remain unsubstantiated, even if not entirely disproved*

And that

*...on balance...the weight of available evidence suggests that, at the time of this study, negative rather than positive outcomes predominate*

When 'contracting out' public provisions was pursued actively by the then NSW government in 1991-5, expenditure on VET increased by 7.1% in real terms while enrolments increased by 6.2%. This was described by the NSW Council on the Cost of Government (1996) as

*...consistent with...growth in overheads, through structural change or administrative inefficiencies*

Private RTOs – especially profit-making ones – will inevitably 'cherry-pick' the less expensive, easier to deliver programs in more accessible areas (only about 1/3 of such providers operate in non-metropolitan areas). They have to do so – their owners/shareholders quite properly require this. Students, for whom they may be the only available option (e.g. if attendance is required by Centrelink) or who may lack the information to choose wisely, have little recourse if quality is unsatisfactory – they would often only realise this after graduation, or – worse – after the provider goes out of business; this is rather more serious than buying a bad apple or having a bad haircut. TAFE loses such courses, and is left with what I have referred to as the 'heavy lifting'. If the market becomes unprofitable for private RTOs compared with other sources of investment, TAFE may lack the facilities – human and capital – to fill the essential need.

The Commonwealth, as well as state governments, should seriously reconsider the currently fashionable, ideologically-driven move to a competitive market for the allocation of public VET funds. If there is a need beyond what TAFE can provide in respect of some features, surely the basic principles of a capitalist economy are that the market itself will provide for it. Public subsidies for private profits are not always

'efficient' even in cost-saving terms. Worse, they do not guarantee the quality of education and skills that our students deserve and the economy needs.

## **5. Jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability**

My knowledge beyond NSW is limited. A report consistent with my concerns in the previous section was in *The Australian* (5/10/2011) stating that the 'marketised' Victorian system had adversely affected the viability of TAFE with the result that:

*Having averaged small surpluses during the preceding four years, Victoria was confronted with an operating deficit of nearly \$125m last year, after public payments to non-TAFE providers rose almost \$140 to \$275m*

The same edition of the newspaper also quoted Gavin Moodie of RMIT regarding the funding shift to private providers:

*If these proposals are implemented in anything like the form [of] Victoria, one may expect similar developments in those states, which would result in the erosion of much of TAFE's financial viability and ultimately capacity.*

It appears from media reports that the Victorian government has had to review its approach to TAFE.

In NSW, recently proposed cuts to TAFE funding and staffing involve the projected loss of 800 jobs (including face-to-face teaching positions, which have been supposedly 'quarantined' in school education cuts). Student fees for subsidised courses have been increased by 9.5% and more courses are being designated as full cost recovery. The statement by the current Deputy Premier, quoted under sub-heading 2, has been shown to be empty and misleading rhetoric. So have the statements by him and by the current Education Minister among others, made in opposition when they signed the '5 point plan' for TAFE presented by the NSWTF prior to the state election, stating:

1. *Government must guarantee TAFE funding.*
2. *Ensure that TAFE jobs and courses are not contracted out to the private sector.*
3. *Invest in infrastructure for TAFE that ensures a skilled workforce.*
4. *Increase permanent teaching positions and invest in teacher training.*
5. *Ensure that everyone in NSW has affordable access to a TAFE education.*

These are clearly broken promises, abandoning any commitment to equity for students and continuing contribution to skills development for the economy and community.

Further, a number of proposals have been made to reduce course offerings – e.g. art education across the board, and threats to close the panel-beating section at Mount Druitt College (which services an area with a major vehicle repair industry). The enterprise bargaining agreement being negotiated with the AEU NSW Branch involves the state government repeatedly proposing the creation of tutor and assessor positions, likely to replace qualified teachers; this proposal has been twice rejected by TAFE staff in ballots conducted through Fair Work Australia, despite intense pressure and advocacy from the employer, including the withholding of the 2.5% wage adjustment give to schoolteachers and other NSW public servants.

All of the above clearly has a negative impact on the operation and viability of TAFE.

Submitted by

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