



**NSW GOVERNMENT SUBMISSION TO THE
HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
EDUCATION AND EMPLOYMENT INQUIRY INTO THE ROLE OF
THE TECHNICAL AND FURTHER EDUCATION SYSTEM AND ITS
OPERATION**

All Governments are signatories to the National Partnership Agreement on Skills Reform that recognises the important function of public vocational education and training providers, particularly in terms of servicing the training needs of industry, regions and local communities. Public providers' role also includes high level training and workforce development for industries and improved skills and job outcomes for disadvantaged learners and communities.

TAFE NSW is the leading provider of vocational education and training in New South Wales. It offers unparalleled breadth and depth of training across its network of ten Institutes and 130 campuses across New South Wales and is a responsible provider, providing sustainable and reliable support for industry including in thin markets of strategic importance. As the leading provider of vocational education and training in New South Wales, TAFE NSW trains over 420,000 students per year and plays a critical role in meeting the economic priorities of Government as well as the training needs of industry and regions.

The NSW Government has introduced reforms to the State's Vocational Education and Training system - Smart and Skilled. These reforms are about making sure we have a more productive and skilled workforce, strengthening our vocational education and training system, and adapting the way we operate so as to meet future demand.

Under Clause 29(b) of the National Partnership Agreement on Skills Reform, the NSW Government is required to improve the efficiency and responsiveness of its VET system through "the development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition", recognising their role and function in servicing the training needs of industry, regions and local communities.

In accordance with this requirement, New South Wales is committed to support TAFE NSW to respond to the State's skill priorities and service the needs of industry, regions and disadvantaged learners under its Smart and Skilled reforms. Under these reforms, New South Wales will develop and implement a student training entitlement for entry level training up to and including a Certificate III for the working age population. Measures to support TAFE NSW are:

- Governance changes to give greater autonomy to TAFE NSW Institutes to meet local training needs and forge industry partnerships.
- Provision of a separate and distinct budget for TAFE NSW that will support TAFE to meet NSW Government economic priorities and which will include operational base funding and community service obligation funding.

- The Minister for Education to issue a Statement of Owner Expectations, which will explicitly state TAFE NSW priorities to ensure its provision is aligned to the Government's priorities, including meeting specialist skill needs and training in rural and remote areas.
- A new Managing Director role for TAFE NSW to improve transparency between TAFE NSW and the Department and direct reporting to the Minister.
- More authority to respond quickly and flexibly to training needs of industry and the community.

A series of fact sheets, attached to this submission, provide further detail on the reforms.

NSW has a strong, stable, flexible, responsive and quality driven VET sector. These reforms are designed to further strengthen the sector and ensure that the needs of students, industry and the community are met. The NSW Government regards TAFE NSW in its role as the public provider as central to these reforms. The reforms to the sector meet the requirements of the National Partnership Agreement on Skills Reform.

THE DEVELOPMENT OF SKILLS IN THE AUSTRALIAN ECONOMY

TAFE NSW has a long and proud history of, and legislative responsibility for responding to Australia's changing workforce and training needs – from rebuilding our economy after the Great Depression to re-shaping New South Wales in the global marketplace of the 21st century. TAFE NSW continues to build on an enduring history of working in partnership with its major customers – enterprises and learners – to deliver workforce productivity and active participation in our economy.

As the leading provider of vocational education and training in Australia, TAFE NSW delivers two-thirds of all the State's Government funded nationally recognised training delivered in New South Wales to a diverse range of students, industries and communities across a network of 130 campuses in 10 Institutes. In 2012, TAFE NSW had 579,719 enrolments, an increase of five per cent compared with 2011. Enrolments in qualifications at AQF Certificate III and above comprised more than 50 per cent of TAFE NSW delivery, and, over 40 per cent of overall TAFE NSW enrolments (236,849) were from regional and remote areas.

TAFE NSW offers fully integrated pathways across the full range of industries and from foundation level to applied undergraduate degrees. In 2013, industry and employers had access to over 1,700 nationally recognised training package qualifications.

With a major role in increasing workplace participation and productivity, and developing unique training solutions for specific skill requirements, including niche high-end skills, for both students and industries, TAFE NSW continues to explore new and better ways of doing business, working in consultation with industry and the community, to ensure that its training delivery supports high growth industries with strong job prospects. TAFE NSW offers training in the classroom, online and in

workplaces across the State. Since 2008, TAFE NSW delivery outside the classroom has increased from 28 per cent to more than 45 per cent of all delivery.

In response to the need for higher level skills in our economy, TAFE NSW has encouraged increased student enrolments in programs at or above Australian Qualifications Framework (AQF) level IV. Between 2010 and 2011, TAFE NSW increased enrolments in these high level programs by 6.5 per cent from 257,777 to 274,527.

Under Smart and Skilled reforms, governance changes to TAFE NSW will give greater autonomy to Institutes and a VET budget and funding model will support TAFE NSW to meet NSW Government economic priorities.

New South Wales supports the targets set out in the National Agreement for Skills and Workforce Development, but it is essential that public funding is prioritised to achieve those targets.

There has been a reduction in Commonwealth funding for training in the National Partnership Agreement on Skills Reform relative to the funding that was available under the National Partnership Agreement on the Productivity Places Program. Under the National Partnership Agreement on Skills Reform, New South Wales will receive \$561.6 million over the five financial years 2012-13 to 2016-17. Had the National Partnership Agreement on the Productivity Places Program continued, New South Wales would be receiving \$806.0 million over the five years. This is a reduction in funding of 30 per cent.

In addition, indexation on Commonwealth funds for training is inadequate. The 2012-13 Commonwealth Budget shows that the growth factor for the National Agreement for Skills and Workforce Development is estimated to be 1.89 per cent in 2012-13.

The current indexation on the National Agreement for Skills and Workforce Development is a composite of 85 per cent at wage cost index 1 for recurrent funding and 15 per cent at wage cost index 6 for capital funding. This grows at an average rate of about 2 per cent per annum, but this does not compensate for actual price movements.

Over the years, many suggestions for alternative indexation arrangements have been raised in negotiation between the Commonwealth and States and Territories. For example, it has been suggested that the Labour Price Index be used for recurrent funding and the Producer Price Index for capital. Using the Labour Price Index would reflect that employee expenses generate the bulk of the vocational education and training activity costs.

The NSW Government recommends that the Commonwealth review indexation for the National Agreement for Skills and Workforce Development in order to develop an adequate composite index based on growth in costs.

The NSW Government recommends that the Commonwealth continues to prioritise public funding for vocational education and training including TAFE NSW to support the targets set out in the National Agreement for Skills and Workforce

Development.

The NSW Government recommends that the Commonwealth reviews the process used to allocate funding from the Education Investment Fund to the vocational education and training sector. Four TAFE NSW proposals were forwarded to the Commonwealth on 28 March 2012 under Stage 2 of the Regional Priorities Round of the EIF. The VET sector is still waiting on the outcomes. This protracted process makes it difficult for TAFE to undertake planning when there is no certainty about if and when funding will be received.

THE DEVELOPMENT OF OPPORTUNITIES FOR AUSTRALIANS TO IMPROVE THEMSELVES AND INCREASE THEIR LIFE AND EMPLOYMENT PROSPECTS

It is now widely recognised that Australia needs to improve the skill level and productivity of its workforce to ensure its global competitiveness and the social and economic wellbeing of its people. TAFE NSW as Australia's largest and leading tertiary institution has a vital role to play in meeting this challenge, in both VET and higher education. However TAFE NSW is currently constrained by inconsistent funding arrangements between higher education and VET funding and between funding for universities and other higher education providers such as TAFE NSW. This is a barrier to achieving a more interconnected tertiary sector.

Improve tertiary pathways

There is a risk to the range and availability of pathways created by the policy and funding gap between the public funding for vocational qualifications and the public funding for university-delivered undergraduate degrees. This is further aggravated by the inconsistencies in the provision of student support that disadvantage TAFE students relative to higher education students.

Different funding regimes and support provisions currently apply creating a serious disconnect. This presents a real barrier to improving the connectedness of the VET and higher education sectors.

Improving access to VET FEE-HELP will assist. However, TAFE and VET students have less access to accommodation and transport support. The greater connection sought by the Bradley Review has been undermined by the incentive for universities to provide enabling programs that compete with higher level TAFE programs. This has limited opportunities to expand the number of pathways from TAFE to higher education. There is a need for partnerships with universities that provide pathways into higher education for a broad range of learners and communities.

The recent report of the Australian Workforce Productivity Agency, *Future Focus*¹, noted the need for a review of the interface between TAFE and higher education qualifications and the delivery of higher education qualifications in TAFE institutions.

¹ Australian Workforce and Productivity Agency (2013) *Future Focus: 2013 National Workforce Development Strategy Australia*.

TAFE NSW continues to strengthen its links with universities to expand delivery of pathway degrees combining vocational and higher education programs leading to a university degree. These pathways to higher education ensure that higher education is accessible to the working age population of New South Wales.

Since 2011, TAFE NSW has been approved as a non-self-accrediting higher education institution offering degree level qualifications.

TAFE NSW Higher Education currently offers eight undergraduate programs at 14 locations to approximately 350 students. Between 2013 and 2015, additional undergraduate programs will be developed and offered. TAFE NSW Higher Education degrees are accredited by the Tertiary Education Quality and Standards Agency. TAFE NSW has also developed a pathway degree, the TAFE NSW Associate Degree. This qualification is marked by the close involvement of industry partners in development and the consequent 'job readiness' of graduates. In 2013, TAFE NSW Higher Education students graduated from courses including Bachelor of Design (Interior Design), Bachelor of 3D Art and Animation and the Associate Degree in 3D Art and Animation.

The NSW Government has also committed to the introduction of Income Contingent Loans for publicly subsidised Diplomas and Advanced Diplomas which will enhance access for all individuals in these qualifications. However TAFE NSW Higher Education students are not able to take advantage of the support offered to students in public universities through uncapped and subsidised places through the Commonwealth Supported Places.

The NSW Government recommends that the Commonwealth:

- recognise the capacity and quality of TAFE Institutes as tertiary providers and review the interface between TAFE and higher education
- consult with stakeholders to develop a principles-based framework that encourages TAFE and higher education collaborations to make the most efficient use of public funding and facilities
- agree to the provision of Commonwealth Supported Places higher education funding for the delivery of undergraduate degrees by public TAFE providers registered to deliver higher education.

THE DELIVERY OF SERVICES AND PROGRAMS TO SUPPORT REGIONS, COMMUNITIES AND DISADVANTAGED INDIVIDUALS TO ACCESS TRAINING AND SKILLS AND GAIN PATHWAYS TO EMPLOYMENT

TAFE NSW plays a vital role in responding to the particular training needs of the working age population of New South Wales. TAFE NSW is the backbone of the State's training system and has enduring legislative responsibilities to deliver in thin markets, regions and for disadvantaged learners. TAFE NSW improves outcomes for the people of New South Wales by facilitating pathways into sustainable employment.

Each of the 10 TAFE NSW Institutes respond to the wide range of learning needs across the community by providing customised training to specific target groups to ensure that all community members have access to high quality training and are able to fully participate in the workplace. TAFE NSW Institutes provide essential student support including contextualised language, literacy and numeracy, disability support, counselling and childcare.

TAFE NSW has a strong history in providing training for young Aboriginal people, providing culturally appropriate training and a range of support services to assist them to successfully complete higher level qualifications.

Over the five year period from 2008 to 2012, TAFE NSW increased:

- Aboriginal enrolments by 26.7 per cent from 29,135 to 36,901
- Aboriginal enrolments at AQF Certificate III and above by 66.3 per cent from 7,725 to 12,850
- Aboriginal graduates by 15.6 per cent from 9,903 to 11,449
- Aboriginal graduates at AQF Certificate III and above by 83.0 per cent from 1,436 to 2,628
- Aboriginal graduates at AQF Diploma and above by 154.1 per cent from 146 to 371.

TAFE NSW offers services to support students with disabilities, through dedicated specialist staff providing additional learner support, adaptive technology and assistance. In the period 2008 to 2012, enrolments by students with a disability increased by 23.1 per cent from 48,062 to 59,167.

For the same period TAFE NSW also increased enrolments by:

- students from languages other than English by 14.8 per cent from 111,930 to 128,456
- unemployed people by 41.3 per cent from 99,937 to 141,234.

TAFE NSW Institutes are able to provide for regional and remote students and for the period 2008 to 2012, increased enrolments by students from regional/remote areas by 18.8 per cent from 199,360 to 236,849.

These achievements are reflected in the fact that TAFE NSW has a greater representation of students from equity groups within its total student population, compared with the total NSW and Australian VET populations.

Table 1: TAFE NSW share of equity group students in government funded training in 2011

Equity group	TAFE NSW	NSW	Australia
Aboriginal students	7.0%	6.2%	5.4%
Students with a disability	10.9%	8.1%	7.2%

Unemployed students	26.6%	20.5%	18.8%
Language background other than English students	22.6%	18.2%	14.7%

Sourced from VOCSTATS, National Centre for Vocational Education Research: Student and Courses 2011

Through the implementation of our Smart and Skilled reforms, TAFE NSW will continue to provide sustainable and reliable support for industry including in thin markets of strategic importance. The NSW Government will ensure that TAFE NSW will remain the strong public provider to continue to service essential skill needs across the State, and TAFE NSW will continue to play its critical role in making the system work better for regions and disadvantaged learners.

THE OPERATION OF A COMPETITIVE TRAINING MARKET

New strategies are being designed through new governance arrangements to support TAFE NSW to respond to the State's skill priorities and service the needs of industry, regions and disadvantaged learners. Measures to improve TAFE NSW's ability to compete in the training market include a new governance model for TAFE NSW which recognizes the role of TAFE NSW; an assets strategy to create modern, industry standard facilities; greater autonomy for TAFE NSW Institutes; and course prioritisation to focus on high skills needs areas and prepare for the skills list under entitlements.

TAFE NSW and its Institutes are reviewing their business processes to ensure that they remain efficient and competitive, as any good business should.

THE FUTURE ROLE OF TAFE NSW

TAFE NSW will continue to be the leading provider of vocational education and training in New South Wales. TAFE NSW trains over 420,000 students per year and plays a critical role in meeting the economic priorities of Government and the training needs of industry and regions.

TAFE NSW will be allocated a separate and distinct budget comprising operational base funding and community service obligation funding to ensure the sustainability of TAFE NSW and Institutes so that Government priorities are met, including the training needs of regions, communities and disadvantaged learners. TAFE NSW will be accountable to meet Government expectations.

Reforms to increase the autonomy and flexibility of TAFE NSW Institutes will enable them to compete in a robust, high quality NSW training market. The separate and distinct budget to TAFE NSW will ensure that TAFE NSW can continue to meet its legislative responsibility to support individuals, particularly those who are disadvantaged, to gain skills that lead to employment and to meet the needs of industry. This action will guarantee that TAFE NSW can continue its role as a partner to industry and provider of pathways to higher education. A healthy, viable and

sustainable high quality NSW training system that meets the economic and social needs of the State will have TAFE NSW as its backbone.