



ACTU Submission

**Inquiry into the role of the Technical
and Further Education System and
its operation**



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1. Introduction

The ACTU welcomes the opportunity to make a submission to this Inquiry into the role of the TAFE system and its operation. It is a timely and important Inquiry as the TAFE sector comes under increasing strain as a result of recent budgetary decisions in a number of states. The ACTU and its affiliated unions have been long-standing supporters of TAFE, and at the most recent ACTU Congress in May 2012 the union movement re-affirmed its strong support for the essential and ongoing role that TAFE plays as the public provider of high quality vocational education and training (VET) for Australians from all walks of life.

The TAFE sector in Australia remains the pre-eminent provider of quality VET to students and workers across Australia. It delivers more than 80% of publicly funded training and does so in every major city and most regional and rural areas across the country.

Yet the capacity for TAFE to deliver high quality vocational education and training continues to be undermined by current policy directions and funding cuts.

This is not a new issue, although pressures are particularly acute at present with major cuts to TAFE budgets in at least three states, Victoria, New South Wales, and Queensland.

Over much of the past two decades, there has been a fundamental neglect of TAFE by successive state and federal Governments, despite the crucial role it plays in developing Australian industry, addressing skills shortages, building communities and social cohesion, and in providing innovative responses to the future needs of the Australian economy. This has seen recurrent funding per student contact hour decline by 25% since 1997.

In the submission that follows, the ACTU first provides an overview of our key policy recommendations. We then deal with each of the specific terms of reference for the Inquiry. We also support and refer the Committee to the submissions made to this Inquiry by our affiliated unions.

Perhaps even more importantly, we ask the Committee to take into account the hundreds and hundreds of submissions being made to the Inquiry by concerned teachers, students, workers, and parents, who know from firsthand experience how important TAFE is to them and the negative impact that recent cuts are having.

2. Overview of key policy recommendations

The union movement has a shared interest in and commitment to a quality, national VET system that delivers a highly skilled workforce and which picks up the most disadvantaged in our community. This objective cannot be realised without a strong and properly resourced public provider.

To that end, we call on governments and all those with an interest and a stake in the performance of the national VET system to take all necessary action required to protect and support the capacity of TAFE to continue its historic role in providing high quality vocational education and training to Australians of all ages and backgrounds. This includes the following policy responses (these are explored further in the submission that follows, particularly in section 6 at pages 15-18):

- The public TAFE system needs to have adequate levels of guaranteed funding, with a funding model that supports a strong and increased funding base for capital works, maintenance, infrastructure, and equipment, and which properly recognises the important role of TAFE as the public provider in providing access to training and re-training in areas of high and low demand, and, particularly, in rural and remote areas and in support of improved access and participation for disadvantaged learners.
- A full and immediate reinstatement of TAFE funding cuts in Victoria.
- The federal Government must continue to properly scrutinise the implementation of the national partnership funding agreement to ensure that Commonwealth funding does not flow to any state or territory, but particularly to Victoria, unless it has met conditions of that funding agreement to develop and implement strategies enable public providers to operate effectively in an environment of greater competition.
- State and territory governments to demonstrate their support for TAFE by requiring that the national entitlement to a guaranteed training place is offered only at TAFE.
- A proper public examination and review of the consequences of full competition on TAFE and VET, including the impact on educational quality of VET, levels of student support and teaching infrastructure, and a reassessment of the case and justification for a competitive training market – to the extent this Inquiry does not provide for, or is not able to conduct, such a detailed examination.
- A single, high standard of entry for providers into the training ‘market’ and rigorous enforcement of those standards.
- Ensuring the Australian Skills Quality Authority (ASQA) has the resources it needs to effectively audit and regulate the performance of training providers, and enforce rigorous standards for entry into the ‘market’. This may require an injection of funding in the budget.
- Development of a national workforce development strategy for the TAFE (and wider VET) workforce that addresses the level and quality of teaching qualifications in the sector, and the unacceptably high levels of casual employment, and which specifically includes the allocation of adequate resources to enable TAFE teachers and institutes to develop and maintain close liaison with industry and local communities to assist them to meet their vocational skill needs.

3. The development of skills in the Australian economy

As the pre-eminent provider of VET in Australia, TAFE performs a vital role in the development of vocational skills in the Australian economy; skills that meet the needs of industry and the vocational standards required for productive performance in the workplace as defined by industry through national training packages, and skills which give individuals a genuine employment outcome – a job or an improved set of skills in an existing job - and the opportunity for ongoing employment across an industry or occupation.

It does this through courses and programs that provide both the specific, technical skills that are required to perform jobs in the Australian economy as well as providing students with the necessary underpinning knowledge. Where required, TAFE also provides other necessary services such as literacy and numeracy support.

Of particular interest to many of our affiliated unions is the traditional and ongoing role that TAFE has in the provision of the off-the job training for the apprenticeship system at the certificate III and IV level. However, we also note that TAFE provides training across the full spectrum of AQF qualifications from Certificate I through to Diplomas, Advanced Diplomas and Associate Diplomas. It does this as an active partner with local communities and local industry through relationships that have been developed over many years.

To take one example of the reach of TAFE, as the principal source of training delivery for trades and technician workers (whether through apprenticeships or post-trade qualifications), TAFE plays a critical role in ensuring Australia has the quality and quantity of skilled workers needed to meet current and future skill needs of the Australian economy. In 2012 there were 1.69 million persons employed in the occupation group of Technicians and Trades workers, comprising 14.6% of total employment or one in every 7 workers. These occupations play a key role in a diverse range of export oriented and import substitution industries, such as mining, manufacturing, construction and service industries. They also play a central role in the Australian innovation system and in the promotion of productivity.¹

In delivering the range of skills and qualifications that it does, TAFE is a key contributor to the innovative capacity of the economy and an incubator of skills for the future.

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

More than ever, TAFE plays a crucial economic and social role in our society, delivering the skills required to improve both workforce participation and productivity. This occurs on a number of fronts. TAFE provides entry-level skills training for those entering the workforce for the first time or who wish to enter into a new field of work. It provides foundation skills training for those who need the language, literacy and numeracy skills that will better prepare them for the world of work, and it provides more advanced skills training for those existing workers who wish to build on their existing qualification and move into more highly skilled, high paid jobs.

Unions strongly endorse the notion of VET being focused on ‘skills for jobs’. This is consistent with the observation of the OECD that the “the task of VET remains that of meeting labour market needs – of providing learning for jobs”². However, traditionally, VET has also been about encouraging participation in society generally, as well as the labour market. This tradition is particularly strong in TAFE with the notion of ‘second chance education for those who may have left school early, or because of redundancy or redeployment later in life. It is also about programs for disadvantaged communities, or those marginalised or excluded from society. TAFE also has a long history of involvement in programs for Aboriginal and Torres Strait Islander communities. TAFE provides this ‘second chance’ education through a range

¹ For further information on the role of trades and technician workers see Toner, P., The role of wages in apprentice commencements and completions: a selected review of the literature in Australia, pp. 4-5; a report prepared for the ACTU in the current apprenticeship review by the Fair Work Commission, http://www.fwc.gov.au/documents/awardmod/review/AM201218&ors_sub_witness_ACTU.pdf

² Field, S., et. al. (2009); Learning for Jobs: OECD policy review of vocational education and training: initial report, OECD

of programs and support services that operate in conjunction with vocational courses and qualifications. These include literacy and numeracy support, libraries, counselling, career support and job search assistance; the types of programs and services that private providers in the training market are generally not providing.

Programs such as these have been savagely affected by budget cuts.

5. 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

The previous section highlighted the work that TAFE does in providing second chance education, particularly to disadvantaged individuals. The services and programs that TAFE provides to support regions and local communities is another feature that sets TAFE apart. TAFE operates Institutes and campuses across the country and is able to develop particularly close relationships in regional and rural areas with their local communities and industry. The economic importance of TAFE in these communities cannot be understated. We would refer the committee to the further submissions of the AEU on this point and the personal stories that have been submitted from those in regional areas.

It is important to highlight the range of challenges that TAFE faces in regional communities, where there may be only limited access to educational and economic opportunities. These include the particular challenges faced by TAFE institutes as a result of so-called 'thin' markets (i.e. how to fund small class sizes), the challenges in recruiting and retaining teachers, and ensuring that the use of distance and on-line delivery that is obviously critical to regional and more remote areas is nonetheless still appropriate and fit-for-purpose.

Skills Australia has also made the important point in its Skills for Prosperity report³ that vocational education in the regions is especially vulnerable to being squeezed by fly-in, fly-out operators that cherry pick cheap programs and leave the region's other education needs unmet.

6. The operation of a competitive training market

The ACTU welcomes the inclusion of this term of reference. A competitive training market model has been pursued for some years now and has proved to not only have an adverse impact on TAFE but on the quality and reputation of VET in this country. Despite this, it has yet to be subject to serious scrutiny and questioning. In fact, the push to increase 'contestability' continues apace combined now with the impact of entitlement funding models.

The growth of private VET provision

There are a number of ways in which the operation of a competitive training market has played out, but the most obvious and telling has been the proliferation of private for-profit training providers. Government policy in VET over the last 20 years has encouraged the rapid growth of private VET provision. There are currently more than 5000 registered training providers. The largest 100, which includes all 59 public TAFE Institutes, deliver more than

³ Skills Australia, Skills for Prosperity – A roadmap for Vocational Education and Training, Commonwealth of Australia, 2011.

95% of training. The remaining 98% of providers deliver less than 5% of publicly funded VET, mostly in low cost, high volume programs.

Many of these private providers are accessing government funding for the first time in a market which is still poorly regulated. A number of these providers have not provided adequate training (in some cases, any training) and students have wasted their once-only entitlement to government funding for training.

For example, there have been a number of reports by the 7 30 program in recent months highlighting problems in sectors like construction and security where training providers are offering qualifications with little or no genuine training⁴.

Similar issues have been the subject of investigation by the Independent Commission Against Corruption in New South Wales, as we refer to later in this section of the submission.

As these, not isolated, examples point to; the issue of quality continues to plague the VET system. In our submission this is the result of inadequate regulation over a number of years and the logical outcome of a 'contestable' funding system that has neglected TAFE and brought large number of private providers into the 'training market' attracted by the availability of government funding for high-volume, low cost training.

The operation of a competitive training market has resulted in far less government funding going to TAFE institutes, both at an organisational level, and in terms of specific funding for programs, resources and staff. It has seen many support services which are the hallmark of TAFE slashed.

Between 2004 and 2009 government recurrent expenditure for training per student contract hour declined by 15.4% part of a longer term trend that has seen funding per hour decline by about 25.7% from 1997.⁵

Government funding for TAFE has declined for two reasons – because of the reduction in overall funding but also because of the shift of government funding away from the TAFE sector, and into private, for-profit providers under market-driven policies of contestability. If both expenditure per hour and TAFE's share of that expenditure had been maintained at even 2004 levels, TAFE's funding would have been about \$974m (or 18.9%) greater in 2009 than it actually was.

For example, in Victoria, the state at the forefront of the move to full contestability, there has been a massive shift in training with TAFE market share slumping from 75% in 2008 to only 45.6% by the first quarter of 2012. In that same period, the number of private providers grew from 225 to 528 and their market share increased from 14% to 46%.⁶

The shift over a longer period of time is demonstrated by the graph below that is drawn from a recent paper by Dr Phillip Toner that is discussed further in sections that follow.

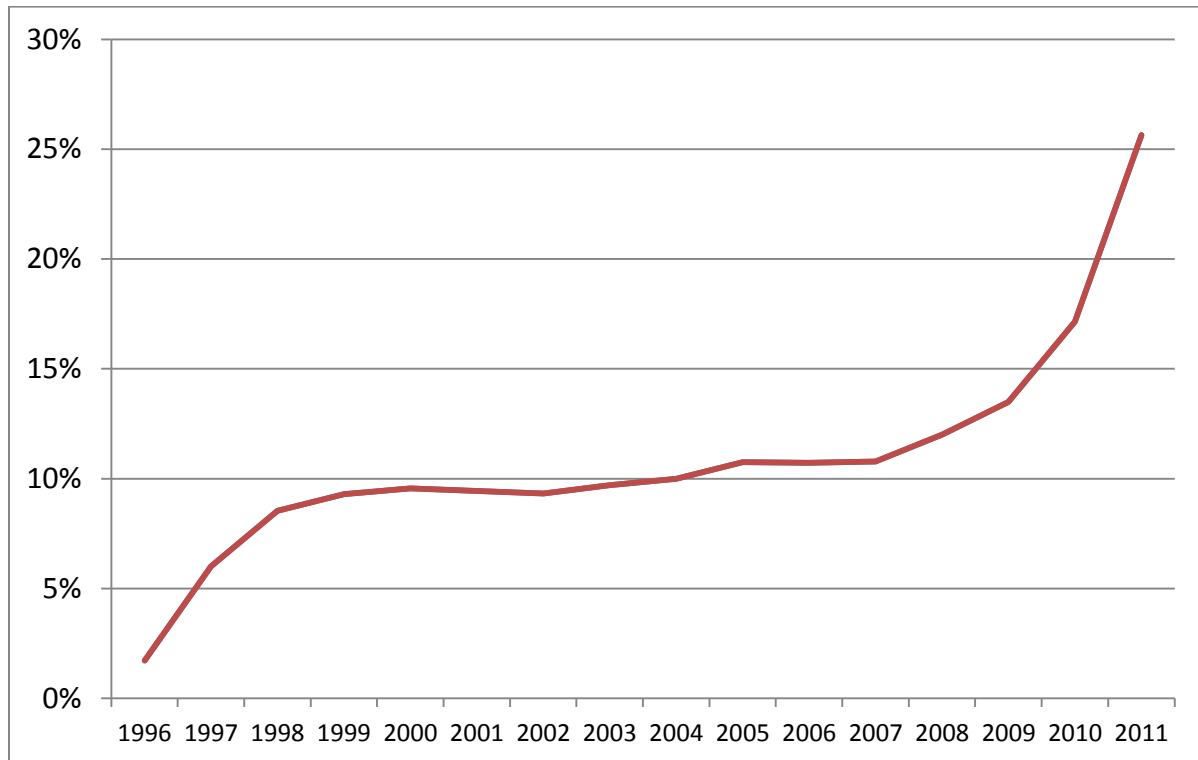
4. <http://www.abc.net.au/news/2012-08-08/dodgy-trade-schools-on-the-rise/4186382>
<http://www.abc.net.au/7.30/content/2012/s3596989.htm>

5. Long, M., TAFE funding and the Education targets (an update), Centre for the Economics of Education and Training, Monash University, November 2011

6. Victorian Training Market Quarterly Report Q1 2012

The graph shows that from 1996 to 2011 the share of enrolments in publicly funded VET in the 'other provider' category, which is 80% private providers, increased from 1.7% to 26%. There were around 400 000 publicly funded students in private providers in 2011, which Dr Toner estimates to represent around \$900m in public funding. Each of the major inflection points corresponds to a change in public VET policy which increased the scope for private delivery of publicly funded VET.

Figure 1: Proportion of annual publicly funded VET student enrolments in 'Other registered training providers'. Australia.



Source: NCVET (2011) *Historical time series of vocational education and training in Australia from 1981*, Table 10 and NCVET (2012) *Australian vocational education and training statistics: Students and Courses*, Table 15. Note, similar trends apply whether student enrolments or hours of publicly funded training delivered is used.

The full impact of funding cuts to TAFE is discussed further in response to the final term of reference and we refer the Committee also to the AEU submission for further detail.

Contestability and entitlement funding models

The operation of the competitive or 'contestable' training market cannot be viewed in isolation from other VET policies being pursued such as student entitlement funding and the availability of income contingent loans. We focus in this submission on entitlement funding.

The Commonwealth Government has promoted a guaranteed entitlement to a training place up to certificate III as the centrepiece measure of its current national partnership funding agreement (NPA) with the states and territories. This is to take place within a 'contestable' training market with growing numbers of private 'for profit' training providers competing with the public provider, TAFE, for public funding.

The rhetoric is that these measures will produce the boost in skills and qualification levels that Australia needs to meet its future skill needs and improve access and equity in the vocational training system.

However, on closer examination, these reforms could well have the opposite effect, shifting the cost burden of training further onto individuals, lowering the quality of vocational training and running down TAFE as the public provider, while not substantively addressing our national skill needs.

The so-called student entitlement model currently being pursued by the states will not give students greater access to public VET. Australian students have had an entitlement to a place at a publicly funded TAFE Institute for more than thirty years, at modest upfront cost to themselves and their families.

The guaranteed entitlement is for a first qualification only at the certificate III level. Under the NPA, states can provide more than that, but the experience in Victoria outlined below has been students are given only one chance and any further qualification has to be done on a full fee-paying basis. This has had the effect of denying access to training to mature-aged workers returning to study, those looking for a career change, or those workers in industries subject to structural adjustment, if they had a previous qualification at the same level.

The introduction of entitlement funding together with the increasing push for contestability has had significant adverse impacts on the role that TAFE plays as the public provider of quality VET, as evidenced for example by the major loss of market share experienced by TAFE in Victoria as described above.

The experience in Victoria

Victoria was the first jurisdiction to go down the path of entitlement funding and full contestability in 2009. For doing this, they received funding outside the National Partnership Agreement applying at the time.

The introduction of these reforms in Victoria has had widely reported and recognised adverse effects on the reputation of the VET system, as increasing number of private providers have entered the VET system attracted by the availability of public funding. This has encouraged training providers to focus more on the marketing of courses to attract new students, rather than serious attention to the quality and rigour of the training being provided.⁷

7. For example, the Productivity Commission Discussion Draft: Impact of COAG reforms, December 2011, at paragraph 36 notes that increased competition does: "imply a need for greater investment in marketing and advertising to appeal to students, increasing the importance of staff associated with these functions within the workforce...While the VET sector already comprises professional with such skills, it may require proportionally more of these workers in the future...".

The result has been unprecedented growth in high volume, low cost qualifications in non-skill shortage areas delivered by private providers in a fraction of the time it takes at reputable providers – the ubiquitous ‘weekend’ or ‘five day’ diploma. The most common, oft-cited, example of fitness instructor training is a case in point. It would appear in such cases that enrolment growth has been driven more by marketing campaigns than genuine labour market demand and solid employment prospects. Skills Victoria, for example, reported a marked increase in training in a small number of occupations where graduates were reporting that training had little or no vocational benefit ⁸

There is no evidence to suggest that the economy or individuals are benefiting from these activities. Measuring success by enrolment growth in itself fails to factor in the quality of the qualifications and whether they have led to genuine vocational and employment outcomes or benefit to individuals and the wider economy. That is, whether the qualifications have led to more productive skills being deployed in the economy.

The model as introduced in Victoria has also had the effect of denying access to publicly funded training for those looking to re-enter the workforce, change career, or develop new skills, by virtue of the fact they have existing qualifications at that same level. The rationale may have been to prevent individuals churning through a number of different lower level qualifications - which is a legitimate concern - but in our submission there are a range of circumstances outlined above that can justify doing a qualification at the same level, particularly if their previous qualification was some time ago or in a discipline the subject of structural adjustment. The previous Victorian Government in fact pulled back on some of these reforms in recognition of the negative impact they were having on mature aged apprentices for example.

In our view, governments and all parties with an interest in quality VET should be learning from the experience in Victoria before seeking to replicate this across the country.

In this respect, unions share the concerns raised by the then Skills Australia and others that access to entitlement funding should not be provided to private providers until new national quality assurance bodies are well established and working properly to ensure quality. Unfortunately, this advice has not been heeded.

We do note that some progress is being made. For example, the ACTU recently made a submission to the National Skills Standards Council providing broad support for its proposal to establish a new Australian Vocational Qualification System as a genuine effort to introduce more rigorous standards governing the entry and ongoing operation of training providers in the training ‘market. Unless new standards result in significant improvements in oversight and regulation of the training market, the reputation of the VET sector and the qualifications it delivers will continue to suffer.

We also note some of the good work by the new Australian Skills Quality Authority, the national VET regulator. For example, ASQA, with the support of industry, is currently conducting a strategic review into poor practices and behaviour of training providers. However, there continue to be doubts held across the VET sector as to whether ASQA has the resources it need to adequately audit and regulate over 5000 training providers.

⁸ Productivity Commission Discussion Draft: Impact of COAG reforms, December 2011, p. 36

The need for a fundamental rethink of the contestability agenda

While the steps around better standards and better regulation can help to improve the quality of the VET system based around contestability and entitlement funding, there is also an opportunity for this Inquiry to scrutinise the whole policy approach that has been taken in the VET sector over a number of years. The ACTU and unions are strong supporters of the national VET system, industry training packages and the provision of nationally recognised and portable qualifications. However, we believe there are good reasons to question the market-driven approach based on the experience of over more than a decade and particularly in recent years in jurisdictions such as Victoria.

We refer the Inquiry in this respect to a recent paper by Dr Phillip Toner at the University of Sydney, who has researched and written extensively on the VET system for much of the past two decades.⁹ The paper by Toner makes the argument that the conditions for efficient contracting out of VET via a competitive training market do not exist given the weight of publicly available evidence that demonstrates the risk of poor quality VET delivery and corruption resides overwhelmingly with private RTOs. The published evidence includes:

- three NSW Independent Commission against Corruption Inquiries into private RTOs over the past 10 years;
- the hundreds of suspensions and cancellations of private VET providers by state regulatory authorities and the Australian Skills Authority;
- the foreign student debacle, as detailed by the review by former MP Bruce Baird, including the necessary payment of refunds to overseas students and associated costs to compensate for provider failure and to protect the reputation of Australia as a reliable provider of quality education and training services;
- publicly expressed concerns by major employer groups such as AIG and ACCI about declining quality, the integrity of qualifications being issued, and reputational damage to the system; and
- regular exposes by the media of poor quality provision and of robbing of the public purse.

To start with, the paper makes the note, as we do, that there are many high quality non-TAFE providers, but the concern is that the model of market-driven contestability has created the conditions giving rise to low quality private provision of publicly-funded VET.

The Toner paper traces the evolution of the case for contracting out of VET to the 1990 Deveson report.¹⁰ The gradual extension of contracting out to most aspects of publicly funded VET subsequently began with the introduction of User Choice and public subsidies for traineeship training from the late 1990s.

⁹. FN- Contracting out publicly funded vocational education – a transaction cost critique; An unpublished paper delivered to a Political Economy Department Seminar 25 March 2013

¹⁰. Deveson, I., Training costs of award restructuring; report of the Training Costs Review Committee: Volume 1, Australian Government Publishing Service Canberra, 1990

As Toner explains, the original case for contracting out was that on the demand side it would provide students and/or employers with greater choice of training providers so they can more closely align training provision to their needs. On the supply side, contracting out would increase competition among providers and establish incentives to be more responsive to student needs, to be more innovative in their delivery and to increase efficiency as private providers seek to maximise profits by minimising costs. However, as Toner notes, the many official reports over the years do not justify the case for contracting out with specific examples or rigorous evaluations showing poor provision by public providers, or, conversely, excellence in private provision. The case for increased competition is argued from simple economic assumptions that it will achieve flexibility, responsiveness and efficiency in VET training provision and is a means to realise broader labour market goals¹¹.

The proponents of the contestability agenda are quite open as to the impact it could have on TAFE. The Productivity Commission itself for example observes that 'there is a tension between promoting competition and the viability of TAFE¹². The Productivity Commission recommends TAFE adopt what it terms 'contemporary human resource practices¹³. In practice, this amounts to increasing managerial prerogative through decentralised industrial relations bargaining, extension of workforce casualisation and use of performance based pay, which together are designed to increase functional and numerical flexibility in the use of labour.¹⁴

Toner identifies a range of risks and costs arising from contracting out that will arguably negate, and possibly exceed, any anticipated benefits from outsourcing¹⁵, including:

- the costs of specifying and defining the performance indicators for VET provision;
- the cost of Government having to intervene in the case of provider failure, in the form of refunds for students and other associated costs; and
- the increasing requirement for both public and private VET providers to use taxpayers' dollars to fund an increase in their advertising and marketing budgets and the proportion of non-teaching staff, in order to attract students.

Toner then goes on to identify a range of general and specific aspects of VET that make it unsuited to contracting out either through competitive tendering or student voucher, entitlement-type models.¹⁶ These include:

- the importance of the good or service being contracted out i.e. publicly funded vocational education and training;
- the economic and social cost of delivery failure on individuals, society and the economy;

11. op. cit. p. 3-4

12. Productivity Commission, Vocational Education and Training Workforce, Draft research Report, November 2010, paragraph 4.16

13. ibid, paragraph 7.38

14. Toner, p. 5

15. op. cit., pp. 7-9

16. ibid, pp10-18

- the potential for low quality providers to undercut high quality providers as they are not incurring the expense of delivering a quality service – under these conditions, competition is not a guarantee of either effective pricing or quality;
- effectively, the imposition of a contingent liability for Government to make provision for the financial failure of VET providers if training is not delivered;
- ‘important and infrequent transactions’ i.e. the onus is on individuals who bear the risk of their choice of training provider, and the investment that goes with it, for what is often a once in a lifetime decision. Individuals therefore have little opportunity to learn from their direct experience and improve their outcome from such transactions, as occurs when market exchanges are frequent;
- The low barriers to entry and exit for training providers in many VET courses e.g. low mandated formal entry qualifications for teachers and minimal amount of physical infrastructure and assets required to teach, reduces the fear or cost of adverse action by regulators and shortens their investment horizon;
- The considerable latitude available to training providers in terms of training delivery and actual training hours that allows providers, if choosing to act in bad faith and exploit short-term economic gains, to supply a low quality service;
- By their very nature, private for-profit providers are motivated to improve the financial performance of the firm by increasing revenue and minimising costs. These goals may not always be compatible with the provision of quality VET. By contrast, TAFE was established to overcome market failure and promote social equity, subject to externally imposed budget constraints.

Aside from occasional academic papers like the one cited above from Dr Toner, there has been no serious scrutiny in recent years of the policy rationale and assumptions underpinning the operation of the competitive training market and its practical implications. An opportunity exists under the terms of reference for this Committee to fill the vacuum.

Recommended policy responses

The ACTU and affiliated unions have been advocating strongly for some time in relation to matters concerning the operation of a competitive training market. As indicated, unions have major concern with the direction of VET reform as it continues inexorably towards entitlement funding systems and contestability which is based on price alone. Unions have called for a proper public examination and review of the consequences of full competition on TAFE and VET, including the impact on educational quality of VET, levels of student support, services to regional and remote communities, and teaching infrastructure, and a reassessment of the case and justification for a competitive training market taking into account the Toner critique referred to above.

At the very least, a number of things need to happen before going any further down this path. As discussed, investment in quality and compliance is critical. As noted above, The ACTU has supported concerns raised by Skills Australia and others that access to entitlement funding should not be provided to private providers until new national quality assurance bodies are well established and working properly to identify and deal with poor performance. The experience of our affiliates is that while these systems may be in place, they cannot yet be said to be working to the extent required for public and stakeholder confidence in the quality of the VET system.

In our submission, states need to be providing at least a second chance at a guaranteed entitlement in recognition of the problems referred to above when there is a first entitlement only. If they elect not to do this, states should be more far transparent about the implications of the guaranteed entitlement on first qualifications only. As a show of support for TAFE and quality VET, it also our position that states should require entitlement places to be offered only at TAFE, which they are able to do under the terms of the NPA.

As well, the ACTU is concerned that while the Federal Government has required state and territory governments to include additional criteria specific to each state for access to public subsidy funding, it has no control over the way in which these criteria will be applied, monitored or enforced. These criteria will be applied outside the newly established national regulatory system, effectively handing a key mechanism for ensuring quality delivery as a condition of access to public funds back to the states. This will leave governments open to criticisms that they have increased the regulatory burden on VET providers. Unions support an approach which ensures that access to public funds, and the capacity to offer national VET qualifications, are tied to rigorous quality standards. However, adding another layer of state-based scrutiny to the regulatory process could be seen as undermining a consistent national approach to VET regulation.

In any event, the qualification standards that the system must meet are the same regardless of whether the delivery has an element of public funding. Having different barriers to entry make no sense.

As noted above, we share AWPAs concerns about the adequacy of the current funding base for ASQA despite the modest budget increase last year to be achieved mainly through cost-recovery activities. It is vital that ASQA has the resources required to oversee the operation of around 5000 RTOs and be able to undertake audits and other regulatory activity of sufficient quality, frequency and intensity. ASQA needs to have a highly visible presence, with a regular program of audit in place that does not occur only at the point of initial and continuing registration. While it is accepted that RTOs need to be able to get on with their work, they should not be doing this secure in the knowledge they will never be audited or held to account for the training and support services they deliver to their students. This includes greater regulatory control to ensure all VET is provided by an appropriately qualified and registered workforce.

We also agree with AWPAs that mechanisms need to be in place – caps and quotas for example – to ensure entitlement-funded training is linked to identify industry skill needs and jobs outcomes.

The point is often made that students in a competitive market and entitlement system will need to have adequate information to inform their choices about providers and the course and qualifications they offer. We support the case for more and better information and transparency and have made submissions on this in other forums.

However, while information can assist students to make decisions, our concern is that a focus on information and transparency requirements diverts attention from the more critical issues around quality and compliance. Creating websites to give students more information about providers will not solve the problems experienced in Victoria.

Students should of course have necessary information to help them make decisions, but far more importantly they should be able to have confidence in the quality of the providers they are enrolling with and the course and the qualification they are undertaking. Responsibility for this lies squarely with the relevant standard-setting bodies, regulatory agencies, the providers themselves and the governments that fund them; the responsibility should not be shifted to individuals on the basis of 'buyer beware'.

The choices students make are often driven by the fact these private providers are government funded (and the offers of 'free training' that come with that). Private providers use their government funded status prominently in their advertising and students are entitled to assume that if the provider is accessing government funds (and is registered in the first place) then they must be of high quality. Instead, what has happened in Victoria is that students are being held responsible for choosing a poorly performing government funded provider and being told that the solution is that the government will put more information about these providers on a My Skills Website. This unfairly put the focus on students to come up with the right decisions, when the onus and accountability should be on providers and regulators to improve standards and improve quality.

The other under-discussed issue is the nature of the choices that students are offered. The market is gravitating to those programs that are commercially viable, rather than those the economy needs to meet social and skill shortage needs. Students can only be informed and demanding consumers of that which is on offer.

We support the call for increased investment to accommodate enrolment growth and fund the support services required to help completion rates so that the entitlement is not 'wasted'. Among other things, this requires a commitment to adequate levels of funding for TAFE. However, improving completions is not the answer alone. The critical point in ensuring the entitlement is not wasted comes down again to quality of the provider and the value of the qualification they are delivering. Enrolment growth and more qualifications is one thing, but the qualifications must be of value to the individual and industry.

A further critical issue is the quality of the TAFE and VET workforce and the support that is provided to them to deliver quality vocational education and training. The various targets set by the COAG reforms to improve the number and level of skills and qualifications cannot be met without a VET workforce that is well-skilled and qualified to teach, train, and assess a diverse learning population, particularly disadvantaged learners.

This requires a serious look at a number of issues, which in our view should form part of a national workforce development strategy for the TAFE and wider VET teaching workforce. As set out in previous ACTU submissions to the Productivity Commission study into the VET Workforce and to the AWP National Workforce Development Strategy, these include the level and quality of teaching qualifications in the sector, opportunities for professional development and stronger links with industry, and measures to address the unacceptably high levels of casual employment. The apparent pre-occupation of the Productivity Commission and others with 'flexibility' and removing the 'obstacles' caused by public sector employment conditions distracts from these core priorities for TAFE.

There is a misdirected focus at present, we submit, on governance arrangements for public providers to allow for greater autonomy and capacity to compete with other providers. This is not a genuine reform if it is simply code for reducing the wages and conditions of TAFE workers, and for contestability based on price, rather than quality and fitness for purpose. We refer again to our submissions to the VET workforce study for further treatment of these issues.

Finally, the increased risk to individuals associated with the rapid expansion of the VET system – an expansion which has seen hundreds of private RTOs enter the market in a relatively short period of time – must be accompanied by governments taking responsibility for failed provision by poor providers. As more and more stories come to light of thousands of students receiving inadequate vocational education, governments must accept responsibility for the funding and provision of retraining for those students who have wasted their once only entitlement to government funded training by providers that have been registered and monitored by the governments' own regulatory systems. It is entirely immoral to require these students to pursue their own claims, even where they are aware that their training has been of poor quality and questionable value. These students are often amongst the most vulnerable in society, and their experience in poor quality, government funded vocational education could mean that they resist attempting to gain qualifications for work in the future, especially if they are then required to pay for it themselves.

7. Those jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability

The previous section highlighted the pressure on TAFE and its budgetary position as a result of policies of market contestability. These policies have had the effect of decimating the market share of TAFE as a growing number of private providers of varying degrees of quality have flooded the training 'market'. The ongoing impact of these policies has been now been greatly exacerbated by direct funding cuts to TAFE in state budgets in a number of jurisdictions.

A summary of the budget cuts and their impact is provided below. We also refer and rely on the submissions of the AEU for further details of the full extent of the cuts and their impact, as well as the personal stories of the hundreds of individuals who have made submissions to the Inquiry. We then provide evidence of the particular impact that the budget cuts are having on apprenticeship training.

TAFE budget cuts: Overview by jurisdiction

Three states (Victoria, New South Wales and Queensland) are feeling the impact of major cuts to TAFE budgets. Of particular concern is Victoria where the combined effect of a shift to full competition for funding and budget cuts is placing TAFE in that state on the brink of collapse. Despite the massive increase in funding to private providers, TAFEs are bearing the brunt of an estimated \$400m cut next year, with about \$270m being cut from TAFE budgets. Further details of the state budget cuts and the implementation of competition are outlined below.

The reduced budgets are particularly concerning for disadvantaged students. NSW, Queensland and Victoria have all reduced their contributions to concessions. For example:

- in NSW, student concession fees will increase from \$53 to \$100 per course;
- in Queensland, government spending on concessions for TAFE tuition fees for disadvantaged students will drop \$1 million to \$15.6 million; and
- in Victoria, access to concession places for 15 to 24 year-olds who enrol in a diploma or advanced diploma course at a TAFE institute will cease.

In terms of the direct impact on TAFE staff, hundreds of permanent staff have already lost their jobs and many teaching contracts have not been renewed. This represents a significant loss of experience, knowledge and expertise in the system.

As well as job losses, the impact on teachers and other staff in TAFE from reduced funding is manifested in increased casual employment, reduced (or no) professional development, minimalist teaching qualifications, pressure to reduce teaching hours, and increased class sizes. Ultimately, of course, the impact is felt by students.

Casual employment is a particular problem the ACTU has highlighted in previous submissions. On figures from 2008, almost half (46.8%) of the total national TAFE workforce is employed on a casual or contract basis. The available data also suggest that most casual employment in the sector is not truly casual in nature, with 75% of non-permanent staff having been employed for longer than one year and more than one third having been there for more than five years.¹⁷

We note that the Commonwealth Government, particularly through the former Skills Minister, Senator Evans, has been critical of the state budget cuts and continues to retain the option of not making funding available to the states and territories under the Commonwealth–State National Partnership Agreement if TAFE is not properly provided for¹⁸. We call on the Government to continue to rigorously scrutinise the actions of the state and territory governments to ensure they are abiding by the terms of the NPA in relation to the public provider before they can access funding.

¹⁷. Guthrie, H., Mlotkowski, P., and Nechvoglod, L, (2010), National TAFE Workforce Study 2008, p.41

¹⁸. At the time of writing, five jurisdictions have had their TAFE Implementation Plan agreed to by the Federal Government under the Partnership Agreement. These are the NT, South Australia, the ACT, Western Australia and Tasmania.

Victoria

At the end of 2011, as a result of a massive budget blowout, TAFE funding was cut and this led to 300 permanent teacher redundancies, and the loss of many casual and contract positions in the sector.

Therefore, even before the decision by the Victorian Government to strip a further \$300million from TAFEs in its 2012-13 State budget, the sector was in trouble with 16 out of 18 Victorian TAFE Institutes operating in deficit. By the end of 2012, it is estimated TAFE had lost an additional 2000 workers, with a number of campus closures and course cuts particularly in regional and outer suburban areas in Melbourne, denying students and workers access to high quality vocational education.

In September 2012, the media was leaked a copy of Cabinet in Confidence documents from the Victorian Government which were a summary of the TAFE Institutes' Transition Plans. These plans were effectively the Institutes' responses to the massive cuts in the May 2012 state budget.

The Transition Plans outline further job cuts, assets sales and campus closures, course cuts and rationalisations, fee increases in the order of 100% in some courses, the establishment in a number of TAFE institutes of separate entities (private arms) to deliver trades training, partnerships and amalgamations with other TAFE institutes and universities, the deployment of administrative staff to deliver training, and a reversion to the modern award and other significant attacks on wages and conditions. Since the budget cuts were announced, the Victorian government has made no secret that a key target of any strategies on the part of institutes to reduce expenditure would need to include employment arrangements for teachers. Most TAFE institutes in Victoria have already announced significant redundancies and job cuts, and a number indicated their intention to increase the use of casual and contract teachers, and increase weekly teaching hours.

The Transition Plans reveal a very bleak financial picture for Victorian TAFEs. Three TAFEs expect to break even in 2013; five project surpluses and seven identify deficits. The remainder did not submit their projections.

In light of the development above, our submission renews the call made by the union movement at the ACTU Congress in May 2012 for the Federal Government to properly scrutinise the implementation of the National Partnership Agreement with Victoria, ensuring that funding from the Federal Government does not flow to Victoria until it has met condition 29 (b) in the agreement requiring 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.”

New South Wales

On 23 October 2012, the NSW Government released its *Smart and Skilled* VET policy reforms. Details of the reforms include:

- An entitlement to government subsidised training applies up to Certificate III and only for courses listed on a new NSW Government Skills List, to be developed in consultation with industry;
- People who already have certificate III qualifications will still receive subsidies, but at reduced levels. People with an existing Certificate IV or higher will not be able to access the entitlement, and will therefore pay full fees. People with certificate IV and above will pay full fees. The exception will be people doing apprenticeships or traineeships, who will receive full subsidies irrespective of prior qualifications;
- Subsidised qualifications from Certificate IV to Advanced Diploma will continue but only for courses on the Skills List;
- Income contingent loans to be introduced from 2014;
- TAFE NSW will receive its own separate budget, with guaranteed funding for operations and community service obligations (but not necessarily funding for their extra costs as public sector employers), and more autonomy for TAFEs, including more flexibility to negotiate enterprise agreements;
- RTOs will receive additional funding for training in regional locations and for training disadvantaged learners;
- Instead of paying annual fees, students will pay a fee per qualification. The amount of fees and subsidies will be determined and published in 2013.

The reforms will commence in 2014, with consultations on a number of the proposals to take place during 2013. After a year of implementation the NSW Government plans to review the system with a view to extending the entitlement measure.

The NSW government had already announced a \$1.7b cut to education in NSW, which for TAFE included an estimated \$80m cut. This follows the \$54m reduction to the state training budget in June 2012. There will be a loss of 800 jobs in TAFE, course delivery will be rationalised within Institutes and some courses will be cut altogether if other providers can deliver them more effectively or are seen as more appropriate providers. Low-demand courses are to be "rationalised", and the 4000 or so fine arts students made to pay full commercial rates. Fees will be increased by 9.5%. This will result in charges of \$506 for a Certificate I & II; \$793 for Certificate III; \$1078 Certificate IV as of Jan 1 2013. Those in receipt of Centrelink benefits will now pay \$100 per course.

The cuts, while not of the magnitude of those in Victoria, will ultimately impact on TAFE students' education.

Queensland

In late 2012, the Queensland Government released the report of the Queensland Skills and Training Taskforce. The report recommends closing almost half of the existing 82 TAFE campuses, the majority in regional areas. It also recommends new industrial arrangements for TAFE staff that will undermine current conditions.

This report comes on top of the 2012 Queensland State Budget that included an estimated \$79m budget cut to TAFE, and a cut of about \$50m to capital works. There have been an estimated 100 permanent job losses in Queensland TAFE over the last year.

South Australia

On 1 July 2012, South Australia became the second state after Victoria to implement a fully competitive entitlement funding system in vocational education. All VET funding in SA is now open to competition from TAFE and private RTOs. However, the SA government, in response to community campaigning, and to events in Victoria, has implemented a modified form of the competitive model which was implemented in Victoria. The SA Government has also imposed budget cuts on its TAFE institutes, resulting in a significant number of teachers being made redundant.

Tasmania, WA, NT and the ACT

Tasmania, WA and the ACT are all developing their responses to the National Partnership Agreement.¹⁹

Our submission renews the call made at ACTU Congress in May 2012 for state and territory governments to demonstrate their support for TAFE by requiring that the entitlement to a guaranteed training place is offered only at TAFE, as they are entitled to do under the terms of the National Partnership Agreement. In that respect, we welcome the position taken by the Commonwealth indicating that access to federal funding is no longer tied to a requirement to implement further contestability for VET funding,

Impact on apprenticeship training

The TAFE budget cuts have particular implications for apprenticeship trades training. As Toner identifies, TAFE has maintained a near monopoly of off-job training for apprenticeships in traditional trades because it requires a considerable investment in capital equipment, courses can incur high costs, and trade teachers typically have decades of work experience and post-trade qualification²⁰. Given the additional expenses and facilities required to support quality trades training, private providers have tended to steer clear of this area.

¹⁹. The NT ALP Government indicated before it lost the election in August 2012 that it would be restricting the National Entitlement to its public provider of vocational education – Charles Darwin University – the only jurisdiction to make that commitment. It remains to be seen whether the incoming CLP government will do the same

²⁰. Toner, op. cit., p. 14

However, many TAFE institutes at least in Victoria are now contemplating cuts to the traditional trades, as budget cuts impact on their capacity to deliver high cost, resource intensive training. The withdrawal from mechanical trade training by RMIT after 130 years of continuous delivery is a stark case in point. With these areas traditionally being avoided by private for profit providers, it is essential that TAFE continues to be supported to provide high quality trades training in industries across the country.

The impact of TAFE budget cuts are also being felt by apprentices themselves in the form of increased fees and charges being imposed on them to undertake their training. This is being done by TAFEs desperate for extra sources of revenue, and there is direct evidence and testimony of this coming from the current apprentice review case being conducted by the Fair Work Commission.

Appendix 1 contains the transcript of evidence from three different witnesses – both from employer and union perspectives - who have appeared in the Fair Work Commission in this case. Each of the witnesses has referred to either an increase in fees for apprentices or the imposition of new charges that had never previously applied until now. It is clear from the evidence that the new or increased charges are directly related to the budgetary position of the TAFE Institutes and are an attempt to counteract the impact of budget cuts.

In our submission, it is untenable and unsustainable to have an apprenticeship system where apprentices (and trainees) already on low wages are now being hit with new and increased costs to undertake their off-the-job training. Effectively, this acts as a ‘double-whammy’ for apprentices where it is not only low wages but also the costs of participating in an apprenticeship that affect them. This can affect both take-up and completion rates and impact on the quality of the overall apprenticeship experience.

8. Conclusion

The ACTU sees great value and benefit in supporting TAFE, as the public provider, to continue its long-standing role as the national leader and benchmark for high quality and innovative vocational education and training. However, it must be adequately resourced to do this and under current policy directions and funding arrangements the capacity of TAFE to continue to set the quality standard is under severe strain, as set out in this submission.

It is disingenuous in our view for governments to continue to profess their support for the important role that TAFE plays, while at the same time introducing policies and making budget decisions that have the very effect of undermining its ability to provide quality, affordable training to Australians of all backgrounds.

The pursuit of a competitive ‘training market’ has resulted in serious underinvestment in training by employers, skills shortages, reduced productivity and competitiveness, and a system in which short term demands are prioritised over longer term strategic needs, and narrow based skills over strong vocational education and training delivering robust, generic transferable skills and literacies. In our view, it has caused a number of the quality problems we see today, particularly through the proliferation of low quality training providers.

Notwithstanding that, successive governments in recent times have decided the operation of a competitive training market is the best way to manage the delivery of training

In this submission, we call for a fundamental rethink of the current approach to the organisation and delivery of VET. In support of that, we set out a number of other policy recommendations. These are designed to ensure stronger standards are in place to verify the quality of training providers entering and operating in the VET system, and ensure the ongoing viability of a dynamic and responsive public provider as the benchmark for quality VET across the sector.

Appendix 1

Extracts of evidence on transcript from the current Fair Work Commission Apprentice Review in relation to new and/or increased TAFE fees and charges

1. Evidence of Mr Paul Naylor, General Manager of the Master Plumbers Association of NSW (under cross-examination by Mr Kentish of the Communication, Electrical and Plumbing Union)

4 April 2013 at:

http://www.fwc.gov.au/documents/awardmod/review/AM201218&ors_040413.pdf

PN8929

No RTO has said to you that they're going to do that, though, I take it? That's speculation?—**No, it's not speculation. It comes from the fact that there has been change to some of the structures within the TAFE institutes in New South Wales, and in particular one institute that was never charged an administration or what we might call materials-type allowance in the past has all of a sudden introduced for 2013 such a charge for all apprentices.**

PN8930

That charge is over and above the charges that they otherwise charge apprentices. So your usual TAFE fees, is it?—**The normal enrolment fee is \$478 per annum, and this fee is \$200 per annum as an additional charge.**

PN8931

That's happened already before the award is changed?—Yes.

PN8932

PN8939

Again you say, "If the RTOs know that employers are paying for those materials they are likely to charge more than they would charge the apprentices as they perceive that the employer has a greater ability to pay," and your plumbing organisation says that the employer doesn't and the one says that it does or ---?

—Well, we made that statement on the basis that there is moves afoot to change the structure of the delivery of training in New South Wales as has occurred in both Victoria and Queensland in more recent times, and in doing that, we see it being open to much more a commercial process by the TAFE system itself, and in that obviously they're going to need to generate some income more than they do now, and in doing that the ideal place to do that is via a charge for the material costs, and that gives us great concern.

2. Evidence of Mr Nigel Muller, Manager of Auto Apprenticeships for the Victorian Automotive Chamber of Commerce (under cross-examination by Ms Weber of the Australian Manufacturing Workers Union)

4 April 2013 at:

http://www.fwc.gov.au/documents/awardmod/review/AM201218&ors_040413.pdf

PN8495

Does the group training scheme provide its own training, or is the training provided purely through the TAFEs that are identified in the exhibit to your affidavit?—They're not all the TAFEs. They're just an example. I think I deal with 11 RTOs across Victoria.

PN8496

11?—Yes. Private and public RTOs.

PN8497

Is it right that it's only - in the attachment A to your statement you have identified three of those are **Box Hill, Chisholm and** - I'm actually not sure off the top of my head what - - -?—Yes, it's **Kangan Institute**, the other one, yes.

PN8499

Of the 11 RTOs that you deal with, are they the only three that have changed their fees?—**No. They're the three biggest that have made the biggest jump in their fees. Yes, they're our three biggest partners.**

PN8500

You clarified just now that the change in the tuition fees, or the RTO fees for Chisholm is \$2.80 rather than \$3. I take it that you're referring to the tuition fees component?—Yes, sorry. Yes. The nominal hours.

PN8501

Did they increase the fees and then decrease them, or is that - - -?—**Yes. They used to be a lot lower. I think they were about \$1.75, and then they put it up to \$3, and then we spoke to them that that was a little bit of a price hike and it was unacceptable, and they've brought it back to \$2.80.**

PN8502

The tuition fee for the 2012 year is \$2.17, not \$1.75?—Hang on. Sorry, which one? For Box Hill was \$2.17, and Chisholm was \$1.47.

PN8503

Sorry?—Sorry, the top here. **So - and that's what they were in 2012, and because it's now uncontested, they can charge whatever they want, the fees just keep going up through the government cutbacks and so forth.**

3. Evidence of Mr Liam O'Hearn, CFMEU Organiser (under cross-examination by Mr Humphrey of the Housing Industry Association)

21 March 2013 at: <http://www.fwc.gov.au/documents/Transcripts/210313AM201218.htm>

PN5456

You've said that over recent years there's been an increase of charges for text books, materials, et cetera. What type of increase? What type of dollars are we talking about?—**Well, about \$500. If you were a full-time apprentice in the first year, your full TAFE fees have gone up \$500.**

**** LIAM O'HEARN XXN MR HUMPHREY

PN5457

In relation to the text books and materials component of that, are you aware of how much that might be?—That would be all in that.

PN5458

Included within the \$500 increase in fees?—Yes, as far as I'm aware.

PN5459

And yet you've said in the next sentence referring to, "If an apprentice has previously undertaken a publicly funded course, they are required to pay full fees which are many thousands of dollars per year." Now, I take it from that we're talking about apprentices that aren't eligible for concessional rate because they've already - - ?—Correct.

PN5460

- - - done some kind of certificate III or something like that?—**Yes. Stacking shelves at Safeways or something like that, or McDonald's. Yes, they've been lured into that during school and often they get a certificate III and then they go and try to do something that's going to benefit their life and there's no funding for it.**



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