

SOCIAL IMPACTS OF TAFE FUNDING CUTS ON MELBOURNE'S WEST



INTRODUCTION

This paper has been developed by Leadwest to inform the local governments of Melbourne's west and other interested parties of the potential social impacts of the Victorian Government's TAFE funding cuts on the communities of Melbourne's west.

The *Western Agenda - A Strategic Action Plan for Melbourne's West* focused on the importance of improving education and skills. Consequently, the proposed reduction in funding is of considerable significance to Melbourne's west.

The first strategic direction of the *Western Agenda* is:

1. Education and Skills

- Increasing educational opportunity in Melbourne's west with quality infrastructure and services.
- Improving educational retention rates and outcomes in the schools of Melbourne's west.
- Fostering development of skills that are required for the region's economy into the future.
- Achieving and maintaining a higher than average education and skills profile for the region as compared to Victoria and Australia.¹

SKILLS

Historically, in comparison with the general population of greater Melbourne and Victoria, the overall population of Melbourne's west has a lower level of Year 12 completion. This is particularly the case in Brimbank, Hobsons Bay, Melton and Wyndham.

Growth areas in Melbourne's west have higher levels of unqualified workers and lower levels of tertiary qualified workers.²

At Census 2006, 54.4% of the population in Melbourne's west had no qualification whereas the average across the Melbourne area without a qualification was 45.8%.

At Census 2011, this skills profile of the region had somewhat improved, with a reduction to 47% of the population in Melbourne's west with no qualification whereas the average across the Melbourne area without a qualification was 53%.

¹ *Western Agenda – Strategic Directions 2012-16*, Leadwest 2012, pp 27-28

² *Ibid*, p.22

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UNEMPLOYMENT

The unemployment rate in Melbourne's west as at March 2012 was 7.1%, well above the metropolitan Melbourne rate of 5.2%.

Considerably higher rates of unemployment occur in some of the region's local government areas, such as Brimbank (8.9%), Melton (8.5%), Wyndham (8.0%) and Maribyrnong (7.8%).

Within each of these local government areas, there is variation between small area labour markets.

As at March 2012, the unemployment rate in Brimbank-Sunshine was 11.6%, in Melton-Balance it was 10.1% and in Wyndham-West it was 8.5%.

The unemployment rates change over time, but the pattern of areas with higher relative rates of unemployment generally persists. The clear implication is the need to target opportunities for job readiness, skills development and employment to certain parts of Melbourne's west.³

Unemployment is particularly high amongst people born in non-English speaking countries at 10.6% within the region. Foundation training offered through Vocational Education and Training (VET) is a key enabler for this demographic to gain employment.

THE ROLE OF TAFE

Reflecting the skills profile of Melbourne's west, the communities of this region have looked to the public TAFE providers for tailored training to meet their needs, particularly for those individuals with special needs and low socio-economic status.

Key characteristics of Melbourne's west are:

- Lower English language and numeracy skills resulting in a major barrier to meaningful employment.
- New jobs being created by local industry beyond the capacity of low skilled households from within the region to fill, with a risk of a widening skills imbalance between residents and industry demand.
- A workforce that is highly exposed to economic downturn and high mortgage stress.

Melbourne's west has experienced the highest enrolment growth in Victoria at all qualification levels, reflecting the need for entry-level training to support access to employment, combined with strong demand from local industry for employees with higher-level skills.⁴

Victoria University delivered the largest number of government funded student contact hours of any TAFE provider in the state in 2011.

³ Ibid p.48

⁴ *Victorian Training Market Profiles 2011*: Western Melbourne DEECD (note: Western Region data provided by DEECD includes data from the CBD which is dominated by private RTO provision)

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CHANGES TO VICTORIAN GOVERNMENT TRAINING POLICY

- Cut in funding subsidies for training places (which affects all VET providers)
- Cut in block funding to TAFE providers to support activity and delivery for disadvantaged and special needs (affects only TAFE). This cut \$170 million from TAFEs.
- In the case of Victoria University, this amounted to approximately \$14 million in cuts, plus further cuts for youth and concession specific support.
- Student fees (which had previously been capped) now able to be increased by all VET providers.
- Private RTOs gaining greater overall share of training in the west (increasing concerns about usefulness of training for providing employment outcomes)

Until 2009, the Victorian Government purchased discreet packages of training from TAFEs and some private registered training organisations (RTOs) and the number of subsidized places were limited.

In 2009, the previous Victorian Government introduced the Victorian Training Guarantee policy which guaranteed all eligible students access to government training subsidies.

The Victorian reforms not only uncapped funding, but also provided large numbers of private training providers with access to the system.

Under the Victorian Training Guarantee, government-funded delivery by TAFE providers grew 4% between 2008 and 2011.

Government funded delivery by private RTOs grew 310% between 2008 and 2011.

The number of private RTOs operating in the training market more than doubled in the same period. There were 201 in 2008. By 2011 there were 430 private RTOs.

So in the period of uncapped funding between 2008 and 2011, while Victorian public TAFE enrolments grew by just 4 per cent, private training providers – in many cases offering poor quality courses at minimal prices – grew enrolments by 308 per cent.

The cuts to TAFE have taken two forms:

1. The Victorian Government cut the subsidies to training places for all VET providers.
2. The Victorian Government also abolished the block funding it had previously provided to TAFE institutes, funding that supported particular learning activities, such as courses promoting social inclusion and courses for students with special needs, as well as other local social justice obligations.

Of the annual \$300 million funding, \$170 million was specifically provided to TAFEs as “Full Service Providers”. This included funding for community services obligations such as student services and facilities, statutory obligations and specific requirements as public entities.

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From 1 January 2013, the allocations for TAFE providers to continue the full service provider roles and functions will cease.⁵

In the case of Victoria University, the allocation for “Full Service Provider” block funding was approximately \$14 million.

Caps on the level of fees that students can be charged have also been removed.

As a result, the costs of education and training for students will also rise, as individual training organizations can now determine the level of fees they will charge.

In the case of TAFE providers, fees will be increased to enable the institutions to remain viable.

In summary, private RTO activity was responsible for the unsustainable pressure placed on the vocational budget, while TAFE is now bearing the brunt of the cuts.

As a result, thousands of people who need the system to find a decent job, up-skill or counter entrenched disadvantage are likely to suffer.⁶

While the Victorian Government has argued that they are substantially increasing its funding for vocational education, this is effectively an increase for private provision of training and a reduction in the public TAFE sector.

The funding is also targeted towards higher level qualifications in specific trade areas.

The major concern for Melbourne's west is the potential effect of this transfer of responsibility from public to private training in terms of overall skills development; and particularly for access to quality training for low skilled and less well informed groups within the population.

This has occurred in a wider context of Victorian Government funding reductions for the Victorian Certificate of Applied Learning (VCAL), abolition of the School Start Bonus, reductions to the education maintenance allowance for disadvantaged families, and removal of Koori specialists, literacy coaches, and regional support in schools.

These decisions not only erode public education, they hit the very people who are most at risk of not getting an education.⁷

⁵ Correspondence from David Williams, Executive Director VTA to Brimbank City Council Administrators, 4 June 2012

⁶ The Age, 23 Sept 2012

⁷ Ibid

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TRAINING IN MELBOURNE'S WESTERN REGION

In 2011 there were approximately 148,800 enrolments in vocational education and training courses in the Melbourne's western region, of which 136,300 (92%) were government-funded.⁸

Melbourne's west has been the largest government-funded VET region in metropolitan Melbourne, representing 35% of all metropolitan enrolments.

The region has also provided the strongest growth of government funded enrolments in metropolitan Melbourne, up by 54% (or 47,700 enrolments) since 2010.

Private RTOs accounted for the majority of the region's enrolment growth. They have been responsible for the largest growth in student numbers of any training market in Victoria, equating to a growth of 51% or 36,400 students.

Private RTOs operating in Melbourne's west have the highest share of the government-funded training market in Victoria.

TAFE and ACE provider share in Melbourne's west is already the lowest in Victoria, accounting for 33% and 7% of the local training market respectively.⁹

Victoria University is the major TAFE provider in Melbourne's west, but Kangan TAFE also provides courses in the region through a campus in Moonee Ponds. Kangan TAFE courses were dropped at the Moonee Ponds and Essendon campuses as a result of the TAFE cuts, including the Diploma of Leisure and Health, Diploma of Practice Management, Certificate II in Retail, Certificate III in Retail and Certificate IV in Printing and Graphic Arts).

Cuts in TAFE funding will also impact on the expansion proposals of other TAFE providers moving into Melbourne's west. Both Gordon TAFE and the University of Ballarat had been potentially seeking to expand their delivery through new bases in Melbourne's west, which would have provided more TAFE training options and coverage, particularly in the north and southwest parts of the region. These plans for expansion will now not proceed under the TAFE funding cuts that have been announced.

⁸ *Victorian Training Market Profiles 2011: Western Melbourne*, DEECD (note: also includes CBD data)

⁹ *Ibid*

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IMPACT ON VICTORIA UNIVERSITY AS A TAFE PROVIDER

- Total reduction in TAFE funding through Victoria University now projected to be in the vicinity of \$40 million.
- Loss of funding as a percentage of TAFE greater in Melbourne's west than in other regions.
- TAFE delivery to support the needs of disadvantaged and lower skilled population results in even less funding under the Victorian Government's new subsidy arrangements.

The multi-sectoral Victoria University has been contributing to educational participation and pathways and to the economic and community capital of the west of Melbourne for nearly 100 years.

Following the initial announcement by the Victorian Government of its budget cuts earlier this year, Victoria University undertook preliminary modelling for 2013 and, based on 2011 delivery, indicated an approximate reduction in government funding of \$32 million.

Further modelling undertaken in August following course viability analysis showed a further \$7.4 million reduction in funding, bringing the total reduction in funding to over \$40 million.

The cuts to Victoria University's funding, along with cuts to funding for Swinburne University, represents the largest funding reduction for any TAFE provider in Victoria.

Victoria University is particularly affected by the Victorian Government funding cuts because:

- Approximately 50% of Victoria University's TAFE students are eligible for concession fees; and
- Victoria University delivered the largest number of government-funded TAFE student contact hours in the state in 2011.

The estimated loss represents over 25% of Victoria University's TAFE revenue and one third of state government funding.

The loss of TAFE funding is greater in Melbourne's western region than in other regions, partly due to demographic factors in Melbourne's west. With lower skill levels and higher levels of early school-leaving, there is less delivery of government training that will continue to be highly subsidised (e.g. apprenticeships) compared to other regions, and greater delivery of courses in fields such as retail, hospitality, and sports that attract the lowest subsidies.

The Victorian Government has categorised courses into bands that attract differential funding. Category A courses receive the highest subsidy per training-hour and courses in Band E receiving the lowest subsidy. **Victoria University's band profile is not consistent with the TAFE average** across Victoria.

The highest subsidised training-level, Band A (e.g. apprenticeships) represents 32% of the average TAFE delivery; however, at Victoria University it represents only 15%.

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At the lowest subsidised level, band E (e.g. many sports, retail, and hospitality qualifications), Victoria University delivers 11% of training, whereas the average TAFE only delivers 6%.

The Victorian Training Market Report for the fourth quarter of 2011, developed by Skills Victoria, provided critical information regarding Melbourne's western region, including population profile, employment, industries and details of the labour market. The report highlighted the huge population growth and estimated employment growth, along with the key characteristics of low language and numeracy skills providing barriers to employment.

LOSS OF TAFE SPECIFIC "BLOCK FUNDING"

- Risk of community undertaking more training, but training which leads to poorer employment outcomes.
- Loss of support services required to assist disadvantaged groups to remain engaged in training.

Victoria's Department of Education and Early Childhood Development (DEECD) reports that Western Melbourne's private RTOs already have the highest share of the government funded training market in Victoria, accounting for 59% of enrolments in Melbourne's west. Within the region, the TAFE and ACE provider market share is the lowest in Victoria, accounting for 33% and 7% of the local training market respectively.¹⁰

As noted by Peter Dawkins, Victoria University's Vice Chancellor, the value of qualifications and the training provided to achieve them depends on "an informed market".¹¹ Without support and assistance to make informed choices, populations with lower-level skills and those from non English speaking backgrounds (e.g. migrants, refugees, early school leavers) are more likely to be unfamiliar with the education and training system, are more likely to use low value and poor quality training.

Those low skilled participants who have increasingly accessed training by private RTOs are reported to have often found that they are issued qualifications with minimal training, which provides little value in increasing their capacity to subsequently obtain employment.

Victoria University has historically provided educational support programs, such as additional language, literacy and numeracy support programs, in order to encourage those in the low-skilled demographic to access appropriate training at entry level. Victoria University had been able to subsidise these courses and students, but given the Victorian Government's TAFE funding cuts it will no longer be able to do so.

Student support services such as counselling, and ESL support are also likely to be cut or significantly scaled back. Communities in Melbourne's west are more likely to need support mechanisms than

¹⁰ Victorian Training Market Profiles 2011: Western Melbourne, DEECD

¹¹ Peter Dawkins, Financial Review, 6 July 2012

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those from more affluent areas with better knowledge of and experience in using the local education and training system.

A higher percentage of the population in low socio-economic areas, such as Brimbank, are unlikely to follow conventional educational pathways, lack knowledge of the training system and need to explore and familiarise themselves with options and choices.

The long-term ramification of the abolition of block funding is increased likelihood of declining levels of employability, due to lack of skills and qualifications (with associated health and mental health costs to government and the community).

The TAFE system has emphasised the idea of developing skills 'pathways' (with a focus on building skills that will deliver long term outcomes for individuals). Whilst a similar service is provided by some of the community-based RTO organisations, such as the Brotherhood of St Laurence or Mission Australia, there is little incentive for commercial private providers to do the same. Commercial private providers are only reimbursed for delivery of certificates, not for supporting the building of education and employment pathways.

IMPACT ON VICTORIA UNIVERSITY COURSES AND QUALIFICATIONS

In addition to the funding cuts already announced, Victoria University is predicting a further 12% downturn in government funded enrolments in 2013.

As documented in the Victoria University Transition Plan, which was submitted to the Victorian Government's Panel, analysis by Victoria University has determined that due to the budget cuts the following courses and areas of study are no longer viable:

COURSES CEASED

All Certificates at Levels I and II (with the exception of English, VET in Schools, VCE and VCAL for senior secondary students, academic support and pre-apprenticeships).

Victoria University is working with community providers, (e.g. Learn Local providers) to support transfer of non-viable low AQF VET and Further Education Certificates to the community sector (see following section).

Course areas that are being discontinued (i.e. no enrolments after 1 July 2012) are:

- **Events and Tourism:** All delivery ceased, with Victoria University transitioning any continuing students to other TAFE providers.
- **Animal Studies and Veterinary Nursing:** All delivery ceased, with Victoria University transitioning any continuing students to Northern Melbourne Institute of TAFE.
- **Boatbuilding:** All delivery ceased, with current apprentices being supported to complete their qualification and no new enrolments taken. Victoria University is currently assisting the Boating Industry Association of Victoria with a proposal to deliver apprentice training in boatbuilding.

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COURSES REDUCED

Course areas that are being significantly reduced are:

- **Sports and Fitness**
- **Hospitality**
- **Business and Financial Services**
- **Industry and skills training**

The VET courses in these program areas will be replaced by fee-for-service delivery and/or higher education qualifications. This will mean decreasing Government subsidised enrolments and increasing fee for service enrolments (which is likely to price prospective low income students out of the market).

Victoria University will also increase tuition fees for courses attracting a lower government subsidy rate.

ENTRY LEVEL COURSES (CERTIFICATE I AND II)

- Proposed transfer of appropriate foundation courses at Certificate I and II level from Victoria University to community providers.
- Victoria University proposes to build pathways to allow students access to higher qualifications at Victoria University after completing foundation qualifications.
- Creates a more fragmented system with access to fewer supports.
- Sources of information for prospective students?
- Impacts up to 9,000 people in Melbourne's west.

Non-accredited and foundation courses are an important pathway for unskilled adults and young people to commence education and training that may subsequently lead to higher levels of skills development.

Victoria University is proposing to transfer qualifications that would be more appropriately delivered by Learn Local providers at low AQF VET and Further Education certificates (predominantly at Certificate I and II) to the community sector.

Current estimates are that there is 9,000 foundation or entry-level learners in Melbourne's western region.

Victoria University has a long history of providing high quality non-accredited and foundation courses to students in the Melbourne's west and has been the largest provider of adult, community and further education (ACFE) courses in the region.

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Victoria University has planned for less direct delivery of ACFE courses over several years, with the intention of replacing this with support for the growth of Learn Local provision through adult community and further education providers in Melbourne's west.

The Victorian Government's fees and funding changes make Victoria University's direct delivery of ACFE courses less viable. Victoria University is engaging directly with Learn Local providers to explore partnership models that will enable a high level of training to be maintained in Melbourne's west.

Victoria University intends to build pathways allowing students to build their foundation skills with community sector providers and then a pathway to Victoria University to complete higher level qualifications.

Victoria University will maintain a small number of foundation courses to ensure the enable the continued delivery of language literacy and numeracy support.

However, the impact of a transfer of most of these foundation level Certificate and non-accredited courses to Local Learning providers is that the system of course provision becomes more fragmented and complex for the community to access and understand.

It implies that additional information and support services will be required to inform and advise individuals about the location, relevance and likely outcomes from available courses.

SERVICES FOR EARLY SCHOOL LEAVERS

- Services for early school leavers, such as the Youth Strategy, are retained but reduced by 38% (with some key initiatives discontinued).
- No incentive for private RTOs to provide equivalent support services

Victoria University has developed a Youth Strategy which aims to improve outcomes for early school leavers, particularly those from Melbourne's west. It gives priority to the needs of young people aged 15-19 who have not yet completed year 12 or an equivalent qualification.

Annual targets to increase course completions and attainment for those without Year 12 qualifications underpin Victoria University's Youth Strategy. There are approximately 3,500 current enrolments at Victoria University in the 15-19 year old age group.

Training delivered under Victoria University's Youth Strategy provides disengaged groups of young people, such as African youth who may be in contact with the police, with an opportunity based around their areas of interest to re-engage and take better pathways. These courses are not necessarily in skills shortage areas, but in other fields that are relevant to the disengaged young people. However, under the Victorian Government's new policy settings, TAFEs are now not funded to operate in this arena.

Victoria University's Youth Strategy also provides for initiatives such as individual learning plans and youth work support.

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The existing 2012 budget has been used to support a number of initiatives, including the development of individualised learning plans for students, which forces young people to think about things like appropriate course selection, career outcomes, and required support to achieve success. Victoria University's Youth Team is also responsible for developing innovative approaches to youth friendly curriculum.

Both education programs and support services have been deployed to support young people without Year 12 attainment to aspire to, access, participate in and achieve qualifications that enhance their future potential for employment and/or transition to higher level qualifications.

There has been a particular focus on the importance of courses at Certificate Level III or higher, including literacy and numeracy skills development at that Certificate Level to ensure young people are prepared for ongoing work or further studies.

Victoria University's Youth Team has been successfully piloting a *Trade Experience* course, which is a combined pre-apprenticeship and VCAL qualification designed to assist young people gain a vocational outcome while achieving vital language, literacy and numeracy skills for life success.

Under the new funding arrangements, with the 1.3 youth weighting applying from new individual course rankings and applicable to a narrower cohort, the budget for Victoria University's Youth Strategy will now be reduced by 38%, resulting in a reduction of services.

Despite the loss of a large percentage of funding for youth support, Victoria University proposes to retain the fundamentals of its Youth Strategy to support the youth cohort through a streamlined approach, but the dramatic drop in funding means that some key initiatives will need to discontinue.

Victoria University's Youth Strategy services that are discontinued in TAFE are highly unlikely to be replaced by equivalent support through private RTOs (with no government funding provided for social justice or social inclusion activity).

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IMPACT ON SCHOOL STUDENTS

- VET in Schools units will be more expensive (cost increases between 17% - 54%)
- Increases average around 30% for 2013.
- Access to courses may decrease as staffing cuts in TAFE (20% teaching staff. reduction) may result in lack of capacity for TAFE delivery of some units.
- Potential for private RTOs to pick up some of this market, but quality concerns exist.

Many secondary school students and their families across Melbourne's western region will be negatively affected by the Victorian Government's TAFE cuts.

Students in years 10, 11 and 12 who wish to do either a VET in Schools program, or a VCAL program – which requires that some VET subjects be included – will certainly be affected.

The number of school students and families affected will be large. In the Brimbank and Melton local government areas, there were 2,874 school students enrolled in VET in 2011, and a further 1,029 enrolled in VCAL (which requires that they also must do a VET subject).

These students (approximately 3,900) and their families would all be impacted by any reduction in access to VET in Schools and any increase in costs.

COST TO FAMILIES FOR VET IN SCHOOLS PROGRAMS

There will be a general increase to the costs of VET in Schools courses of around 30%.

TAFEs, such as Victoria University, had previously subsidised delivery of these programs from other courses. The loss of other courses will make VET in Schools courses more expensive.

Victoria University reports that all existing VET in Schools course tuition fees will increase next year from between 17% to 54% above 2012 fee levels.

In 13 out of the 28 courses offered at Victoria University, course costs will increase by more than 25%.

This includes price rises of more than \$300 for units in Business Services, \$400 for courses in Hair and Beauty, \$500 for pre-apprenticeship cabinet making, and \$600 per unit in both Plumbing and Electrical.

Some families will struggle to meet these costs, with the likelihood that some will decide not to participate in VET programs.

Total costs for units range from \$1,200 - \$2,200. While schools can meet these costs, in some cases they do not have the budget to do so, and will pass these costs on to families.

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Access to VET in Schools programs also looms as a major issue for students in the schools of Melbourne's western region. The impact will be two-fold.

1. Reduced levels of TAFE staff employed at Victoria University and other TAFE Institutes will result in a lack of trained teachers capable of delivering VET programs for school students. For example, there will be 20% teaching staff reduction at Victoria University.
2. Cessation of delivery of courses leading to Certificate I and II qualifications will have longer term consequences, disrupting the student pathway to Certificate IV and Diploma level courses. Pulling the rug out of lower level certificates will potentially undermine the pathway for some young people into the trades.

To deliver VET programs to date, schools have generally used the TAFE system. This is due to the stability of TAFEs, and their capacity to subsidise school programs from other sources.

Victoria University, like other TAFE providers across Victoria, indicate a need to discontinue activities or apply full-fee recovery for activities that are currently cross-subsidised by government-funded enrolments.

At Victoria University this has led to increased fees for VET in Schools programs based on full cost recovery and the inability to 'underwrite' the Trade Training Centres currently planned for construction in Werribee and Melton.

ACCESS TO VET IN SCHOOLS PROGRAMS

Campus closures will restrict access to VET in Schools and VCAL programs.

For those who can afford and can access VET in Schools programs, Victoria University provides guaranteed places to VET in School students enrolled with Victoria University who successfully complete year 12 and their VETIS qualification (currently approximately 1,000 students).