



SENATE EMPLOYMENT, WORKPLACE RELATIONS,
SMALL BUSINESS AND EDUCATION
LEGISLATION COMMITTEE

**Consideration of the Provisions of the
Vocational Education and Training
Funding Amendment Bill 2000**

OCTOBER 2000

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CONTENTS

MEMBERS OF THE COMMITTEE	I
REPORT.....	1
The bill.....	1
Background	2
<i>Growth through efficiencies</i>	3
Issues raised in submissions.....	3
<i>The government's view</i>	6
Conclusion	7
Recommendation.....	7
MINORITY REPORT BY LABOR SENATORS.....	8
Summary	8
The effects of freezing VET funding.....	8
Predictions of future growth.....	9
The limits of 'growth through efficiencies'	10
The Commonwealth's approach to ANTA negotiations.....	12
Conclusion	14
Recommendation.....	15
AUSTRALIAN DEMOCRATS' COMMENTS	16
APPENDIX 1: SUBMISSIONS.....	17

REPORT

The bill

1.1 The *Vocational Education and Training Funding Act 1992* appropriates Commonwealth money to support the states' and territories' vocational education and training (VET) systems. The money is appropriated to the Australian National Training Authority (ANTA). ANTA distributes it to the states and territories, primarily on a population share basis, in accordance with the decisions of the ANTA Ministerial Council.

1.2 The Vocational Education and Training Funding Amendment Bill 2000 amends the amount currently appropriated for 2000 from \$918.352 million to \$931.415 million. This is in line with real prices movements reflected in Treasury indices. The bill also appropriates the same amount for 2001. This gives effect to the Commonwealth's commitment in the 1998-2000 ANTA Agreement to maintain funding in real terms to the end of 2000. It also reflects the Commonwealth's proposal, under an amended ANTA Agreement, to give the same amount in 2001.¹

1.3 The bill was introduced into the House of Representatives on 21 June 2000, debated on 15 and 16 August, and passed by the House on 16 August.² The Senate referred the bill to this Committee on 30 August 2000, on the recommendation of the Selection of Bills Committee. The Selection of Bills Committee noted as issues for consideration: 'This bill provides interim funding for one year only and thus the long term future and direction of the Australian National Training Authority Agreement are in question. Issues: future of the ANTA Agreement; demand in VET/TAFE and need for growth funding (which is not provided for in the bill).'³

1.4 The Committee advertised the inquiry on 9 September 2000 and received only seven submissions (see APPENDIX 1). This is probably explained by the fact that the issues involved have been well canvassed during the current inquiry into vocational education and training by the Senate Employment, Workplace Relations, Small Business and Education References Committee. Most of the parties who made submissions to the present inquiry also made submissions or gave evidence at hearings of the References Committee's inquiry earlier in 2000. In view of this the Committee decided not to hold a hearing.

1 Submission 2, Department of Education, Training and Youth Affairs, p.7

2 House of Representatives *Hansard*, 21 June 2000, p.1545; 15 August 2000, p.19016ff; 16 August 2000, p.19057ff, 19137ff

3 Senate *Hansard*, 30 August 2000, p.16957

Background

1.5 Publicly funded Vocational Education and Training is a State responsibility. The Commonwealth started contributing to VET costs with Commonwealth funding for TAFE in 1974. The Commonwealth contribution, as a proportion of total public VET funding, has generally increased since then. This increasing Commonwealth proportion plateaued in 1998: at that time, in the second ANTA Agreement (1998-2000), the Commonwealth committed to maintain its funding in real terms (without offering to increase it), while the states agreed to fund growth through efficiencies.⁴

1.6 The \$931 million at issue in the present bill is general VET funding support to the states and territories, mostly allocated on a population share basis.⁵ As well, the Commonwealth provides other significant support for VET:

- Funding of New Apprenticeship employer incentives: estimated at \$369 million in 2000-2001.
- Funding of New Apprenticeship Centres to support and encourage New Apprenticeships: \$63 million in 2000-2001.
- Several other programs supporting aspects of New Apprenticeships: \$41.6 million in 2000-2001.⁶
- Funding to ANTA for national programs: \$42.7 million in 2000-2001. National programs support Group Training Schemes, Training Package development, equity and innovation projects, and industry training advisory bodies (ITABs).
- Funding of ANTA's operating costs: \$10.8 million in 2000-2001.
- Funding of the Australian Student Traineeship Foundation to support VET in schools: \$20.6 million in 2000-2001.⁷

1.7 These items, together with the general VET funding, total \$1.479 billion (\$931 million plus \$548 million) in 2000-2001.

1.8 When expenditure on literacy and numeracy are added, total Commonwealth commitment of VET funding rises to \$1.7 billion in 2000-2001. The Department of

4 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 110, Australian Education Union, vol.6, p.1624,1743

5 The \$931 million includes funding for national projects: \$23.7 million. There are national projects in the areas of statistics, research and evaluation, system development, quality assurance, communication and information, and professional development.

6 New Apprenticeship Implementation: \$14.0 million; New Apprenticeship Workforce Development: \$8.9 million; New Apprenticeship Access Program: \$18.7 million.

7 The Hon. D Kemp MP, Minister for Education, Training and Youth Affairs, *Portfolio Budget Statements 2000-2001 - Education, Training and Youth Affairs portfolio - budget related paper no. 1.5*, pp.30, 121,143-4

Employment, Training and Youth Affairs (DETYA) estimates that the states and territories will spend about \$2.3 billion on VET in 2000.⁸

Growth through efficiencies

1.9 The original 1992 ANTA Agreement between the states and the Commonwealth provided increased funding for the VET sector. Funding had two components: a set level base funding and per capita growth-based funding. The period 1991 to 1996 heralded a considerable increase in Commonwealth funding to VET. The Commonwealth provided an additional \$100m in TAFE recurrent funding in the *One Nation* Economic Statement of November 1991 and agreed to provide growth funds on a continuing basis of \$70m annually. Growth funds were provided in the 1993-95 triennium and continued by the Coalition government in 1996 and 1997. At the time of the 1996 Review of the first ANTA Agreement, the Commonwealth was contributing 28 percent of recurrent funding compared to 17 percent in 1991.

1.10 Under the 1998-2000 ANTA Agreement growth funding was discontinued and states and territories were required to achieve 'growth through efficiencies' in return for Commonwealth funding being maintained (but not increased) in real terms. The means of calculating efficiencies are in an *Agreed Framework for Growth Derived from Efficiencies* endorsed by the ANTA Ministerial Council in November 1997. The *Agreed Framework* establishes growth as the principal objective and establishes the activity measures of actual annual hours curriculum (AHC) and student enrolments as the basis for assessing planned growth. Changes in planned unit costs are the basis for measuring planned improvements in efficiency. An increase in efficiency is either an increase in outputs for the same level of inputs, or a reduction in the inputs required to produce a given level of outputs.

1.11 The states and territories have improved or will improve efficiency by about 6.9 per cent in 2000 over the 1997 level, on average, although performance is uneven across the states and territories. In 2000, states and territories are collectively planning to deliver cumulative growth of 20.9 million adjusted annual hours curriculum (equating to approximately 160,000 additional student places) above the revised planned 1997 level, the agreed base for assessing growth.⁹

Issues raised in submissions

1.12 The main claim raised in submissions was that 'growth through efficiencies' has run its course, and that no further economies are possible without reducing the quality of training. For example, the South Australian Vocational Education, Employment and Training Board pointed to the significant economies that South Australia has made: from 1998 to 1999 training delivery increased from 21.6 million

8 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 68, Department of Employment, Training and Youth Affairs, vol.3, p.761

9 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 68, Department of Employment, Training and Youth Affairs, vol.3, p.761

hours to 24.5 million hours, while costs were reduced by 13 per cent by means such as rationalising programs, expanding contestable funding, and lowering per head overhead costs. In the Board's view 'the growth through efficiency policy pursued in the current ANTA Agreement 1998 to 2000 is not sustainable...'

...There are no further efficiencies to be gained if quality is to be maintained... Now that efficiency has been effectively addressed, it is time to make a shift in emphasis to other elements of the system - including the quality and consistency of Training Packages.¹⁰

1.13 Similarly, the New South Wales Department of Education and Training described the efficiencies it has achieved, and argued that the growth through efficiencies policy 'has placed pressure on the vocational education and training system.' It argued that the capped Commonwealth general VET funding represents a loss to the states and territories of \$420 million since 1998, compared with what they would have received under the previous growth funding policy. It noted that an April 2000 report for the ANTA Chief Executive Officers estimates a growth in demand for VET of somewhere up to 5.7 per cent per year to 2005.¹¹

Without additional resources for vocational education and training the Australian economy and the skills base of the workforce will suffer. This increase in demand cannot continue to be met through State-based efficiencies without significant cuts to quality, staffing and teaching resources. The only other way to deal with the increase in demand is to turn young people away from training, creating unacceptable waiting lists and damaging the economic development of Australia.¹²

1.14 It should be noted that the April 2000 report on future growth is stated to be a 'draft', and its methodology and assumptions are debated. DETYA, quoted in the report, suggests a growth rate of up to 2.8 per cent per year. The report was mentioned at a hearing of this Committee on budget estimates on 31 May 2000. At that time ANTA commented: '...there is clearly a view from ANTA that there will be some level of increased demand [but] it is not a precise science.'¹³ DETYA stressed that an estimate of future demand does not necessarily lead to a clear conclusion about future funding needs:

In relation to that figure of \$26-odd million [an estimate of the cost of a 1 per cent increase in participation in publicly funded VET], I think it is important to say that it is no more than a fairly crude division of the total amount of money spent on VET by 100. It does not really go to, for

10 Submission 3, South Australian Vocational Education, Employment and Training Board, p.10-11

11 National Resourcing Working Group, *Future Demand for Vocational Education and Training - draft final report*, report for ANTA CEOs, April 2000. The report suggests annual growth in demand of somewhere between 2.8 per cent and 5.7 per cent, depending on what factors are included.

12 Submission 4, New South Wales Department of Education and Training, p.14-16

13 Ms M Scollay (ANTA), Consideration of Budget Estimates, Senate EWRSBE Legislation Committee, *Hansard*, 31 May 2000, p.220

example, what particular areas you would expect to see growth in in the future and whether they are comparatively more expensive or less expensive than the average. I would not put a huge amount of store on it.¹⁴

1.15 The government advises that work is continuing in this area.¹⁵

1.16 To return to the evidence of this inquiry: the Australian Education Union argued that the Commonwealth contribution to VET operating revenue fell from \$947.2 million in 1997 to \$828.2 million in 1999. 'As a percentage of total VET operating expenditure, the Commonwealth contribution has declined from 25 per cent in 1997 to 22.1 per cent in 1999.'¹⁶ However, it should be noted that these figures do not account for the significant Commonwealth contributions to VET other than through general operating grants, as noted in paragraph 1.6 - in particular, the Commonwealth support to New Apprenticeships through employer incentives and New Apprenticeship Centres. As well, it should be noted that the NCVET financial data referred to include a range of State expenditures that are not within the scope of the ANTA Agreement, so they do not show the proportional contribution of the Commonwealth to VET delivery. In fact, funds appropriated by the Commonwealth under the Agreement have not declined over the period.

1.17 TAFE Directors Australia argued that the scope for further efficiencies is very limited and the continued loss of growth funding will have a widespread detrimental effect on TAFE operations. 'The emphasis on the bottom line and efficiency has resulted in a loss of quality.'¹⁷

1.18 By contrast, ANTA argues that that growth and efficiencies achieved during the present ANTA Agreement are a substantial achievement.¹⁸ ANTA believes that no correlation has been shown between the growth through efficiencies policy and declining quality of training:

There is no lowest state benchmark in relation to growth through efficiency. If you actually draw some sort of relationship between the growth in particular jurisdictions and, for example, the satisfaction expressed by employers, there is quite a neat relationship between systems such as in WA, South Australia and Queensland and their growth and increasing employer satisfaction.¹⁹

14 Mr R Manns (DETYA), Consideration of Budget Estimates, Senate ERWSBE Legislation Committee, *Hansard*, 31 May 2000, p.214

15 The Hon. P Worth, House of Representative *Hansard*, 16 August 2000, p.19107

16 Submission 6, Australian Education Union, p.28

17 Submission 7, TAFE Directors Australia, p.48

18 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 107, Australian National Training Authority, vol.5, p.1477

19 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Mr C Eccles (Australian National Training Authority), *Hansard*, 17 March 2000, p.109

The government's view

1.19 According to the Minister, Dr Kemp, the bill reflects the Commonwealth's proposal to the states and territories to maintain funding in real terms for a further three years, subject to finalising a satisfactory amended ANTA agreement. The Minister stresses the achievements of the present ANTA Agreement (1998-2000) in increasing access to VET:

In the three years of the current agreement, 1998 to 2000, there has been a significant expansion of the vocational education and training sector. State and territory ministers have estimated that, by the end of this year, there will be an additional 160,000 training places provided nationally over the planned 1997 level. In 1999 alone it is estimated that well over 1.5 million Australians participated in formal vocational education and training. This is a splendid achievement.... I have every confidence that the agreement for the next three years will maintain this solid underpinning and will build on the substantial achievements of its predecessor.²⁰

1.20 The government generally stresses its commitment to maintaining the quality of publicly-funded VET:

The [Commonwealth Minister's] proposal [under an amended ANTA Agreement] also involves enhanced accountability arrangements for achieving the outcomes of agreed reforms. The focus of the proposed new arrangements would be on quality assurance and flexibility in training delivery. The recently established National Training Quality Council would be responsible for monitoring and reporting on the implementation of the National Training Framework and it is expected that it would assist the ANTA Board in reporting to the Ministerial Council on the performance of States and Territories. The proposal for an amended ANTA Agreement would replace the current 'growth through efficiencies' requirement with a broad commitment to ongoing efficiency improvement.²¹

1.21 The 'National Training Quality Council' referred to was agreed by the ANTA Ministerial Council on 30 June 2000. It will be able to provide independent advice to ANTA on registration and auditing of VET providers. The Commonwealth Minister for Education, Dr Kemp, describes it as 'an independent "Quality Council" to produce a report card on the quality assurance arrangements that are put in place by the States and Territories.'²²

20 The Hon. D Kemp, second reading speech for *Vocational Education and Training Funding Amendment Bill 2000*, House of Representatives *Hansard*, 21 June 2000, p.17805

21 Submission 2, Department of Education, Training and Youth Affairs, p.7

22 Minutes of ANTA Ministerial Council meeting 30 June 2000, item 4B. The Hon. D Kemp, *Kemp warns states on training reforms*, media release 10 July 2000

Conclusion

1.22 The 'growth through efficiencies' policy of the 1998-2000 ANTA Agreement has undoubtedly been successful. As noted in paragraph 1.11, the states and territories have or will improve efficiency by about 6.9 per cent in 2000 over the 1997 level, on average. The value for money which taxpayers are receiving for their public VET expenditure has improved significantly.

1.23 At the same time, the Commonwealth has shown its commitment to maintaining the quality of publicly funded VET by the initiatives taken at the 30 June ANTA Ministerial Council meeting in relation to the National Training Quality Council.

1.24 What further efficiencies are possible, and how much future growth should be expected, are matters now under discussion between the Commonwealth and the States in context of negotiating the next ANTA Agreement. The present bill does not pre-empt these negotiations. It simply maintains the *status quo*, in accordance with the Commonwealth's previous promises, to give funding certainty to the states and territories. As DETYA commented:

The point that the minister made at the open part of the session [ANTA meeting 30 June 2000] ...was that the Commonwealth was offering an assurance of real-terms funding for the three years ahead. The states now know that they have got that, and that gives a remarkable degree of planning assurance. I think the minister posed the question: how many state treasuries would offer a similar assurance in terms of three years ahead?²³

Recommendation

The Committee recommends that the bill should be passed.

Senator John Tierney

Chair

23 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Mr C Walters (DETYA), *Hansard*, Canberra, 5 July 2000, p.844

MINORITY REPORT BY LABOR SENATORS

Summary

1.25 The Vocational Education and Training Funding Amendment Bill 2000 leaves a gaping hole in funding for vocational education and training (VET). It maintains the Commonwealth's policy of slow starvation for the national VET system. It ignores the need to fund growth in the VET system - growth which the Commonwealth itself predicts and is encouraging. It seems to assume that future growth can be funded by 'efficiencies' - which has all too often become a euphemism for cost-cutting - in the same way as it has been over the last three years - although, not surprisingly, the minister's second reading speech makes no clear statement on this point.

1.26 In view of the scale of the need, this hope is totally unrealistic. Growth through efficiencies has run its course: future growth will need serious increases in funding. The Commonwealth must accept its share of the duty of funding growth in the national VET system. The Commonwealth must abandon its current freeze on general VET funding and reinstate its share of growth funding. This Government has both reduced the base funding for vocational education and training in real terms, and withdrawn from the former Government's commitment to fund \$70 million per annum for growth.

1.27 The underlying issue is that if Australia wants to become a highly skilled nation, it will have to increase its expenditure on vocational education and training. There are no quick fixes.

1.28 The national vocational education and training reform agenda, which has been pursued through the ANTA framework, has traditionally been seen as a joint Commonwealth-State project. Under Dr Kemp's administration, the relationship has instead been characterised by a top-down approach driven by the Commonwealth. The vocational education system is showing increasing signs of stress as a result of these new policy directions. Concerns about growing skill shortages and declining quality of training delivery and assessment are widespread.

The effects of freezing VET funding

1.29 The bill provides Commonwealth general funding support for state and territory VET authorities. It increases funding for 2000 and 2001 from \$918 million each year, as previously enacted, to \$931 million. This simply represents the increase of the Consumer Price Index since the figure of \$918 million was enacted.

1.30 In real terms the bill freezes Commonwealth general funding support for VET at the 1998 level for the fourth year in a row. The 1998 figure was itself the outcome of cuts in previous budgets.

1.31 Yet during this time participation in VET has grown strongly. In 1999 nearly 1.8 million people participated in publicly funded VET - an increase of about 7.3 per cent since 1998, and an increase of 374,000 (29.4 per cent) since 1995.²⁴

1.32 The result of capped funding at a time of growing participation has been predictable. Unit costs have been forced down. For cash-strapped state training authorities, the cheapest tender price becomes the dominant consideration. The quality of training has fallen, as the Schofield Reports in Queensland, Tasmania and Victoria have shown. The rate of non-completion of apprenticeships and traineeships has increased alarmingly.

Predictions of future growth

1.33 These serious problems have been abundantly documented in the evidence of the current Senate ERWSBE References Committee inquiry into the VET system. The Commonwealth has yet to develop a serious policy response to these issues. The growth in demand for VET, above and beyond normal population growth, is predicted to continue. The reasons for this include the greater demand for VET prompted by the extension of recognised, structured, entry-level training to areas where previous there was little or none; the growing need for upskilling during this period of rapid technological change; and increasing labour mobility.

1.34 The government's own estimate, in an April 2000 report to the Chief Executive Officers of the Australian National Training Authority, suggests growth of 2.8 per cent a year until 2005.²⁵ Other estimates in the same report range up to 5.7 per cent a year, depending on how the various factors are weighted. Even the lowest figure implies a very significant increase in public VET costs. For example, using 2.8 per cent per year growth, and an approximate figure of \$26.64 million for each per cent of increase (as suggested in the report), suggests a cost about \$500 million greater in the fifth year than in the base year. This is a 14 per cent increase on the planned public VET expenditure of \$3.6 billion in 2000.²⁶

1.35 In fact most state training authorities support a growth rate in the high range. This is a reasonable and prudent approach given the predicted take-up of Training Packages, ANTA's current Marketing Strategy to increase the profile of VET, and the Commonwealth's own efforts to promote New Apprenticeships. A growth rate in the

24 National Centre for Vocational Education Research, *Statistics 1999 at a Glance*

25 National Resourcing Working Group, *Future Demand for Vocational Education and Training - draft final report*, report for ANTA Chief Executive Officers, April 2000.

26 Assumes increase of 2.8% per year simple. Assumes 1% growth = \$26.64 million funding requirement. Assumes 70% of students attend for one year, 15% for two years and 15% for three years. First year's funding requirement = 2.8 x \$26.64 million = \$78.12 million in the first year; plus \$23.44 million in the second year and \$11.72 million in the third year. Total in the fifth year, including carried over costs of more-than-one-year training started in previous years: \$496.03 million. Running total over five years: \$1,409.79 million.

high range would suggest a funding requirement of up to \$1 billion more in the fifth year than in the base year.

1.36 This bill ignores the obvious need to fund this growth.

The limits of ‘growth through efficiencies’

1.37 The growth of the last few years was funded by what the Coalition government cynically called ‘growth through efficiencies’: the Commonwealth refused to take its share of funding growth, but instead demanded that the states should accommodate growing numbers of VET students through efficiency gains. In response the states have reduced unit costs. No doubt some of the efficiencies have been worthwhile. But there is strong evidence in the current Senate References Committee VET inquiry that, overall, funding cuts are reducing the quality of training. Many submissions were concerned that ‘efficiencies’ have been gained at the expense of reduced service quality, particularly in the TAFE system. Both Labor and non-Labor state governments gave convincing evidence that ‘growth through efficiencies’ has run its course, and little more is possible. The states have cut the fat, and are now into the bone.

1.38 For example, the Victorian Office of Post Compulsory Education and Training mentioned Australia’s poor performance in OECD comparisons of the qualifications profile of its population, and argued that the Commonwealth must take some responsibility for funding an increase in participation.²⁷

In the last few years Victoria has been able to achieve very significant growth in apprenticeships and traineeships, but it has been at the expense of some of these [quality] issues that Schofield has talked about.... we cannot have quality and growth in a national system without additional resources. From our point of view we have no interest in nationally consistent mediocrity.²⁸

1.39 The New South Wales government said that ‘the flawed approach of “growth through efficiencies’ has focused attention on reducing costs rather than achieving quality and equity.’²⁹

The Commonwealth principle of ‘growth through efficiencies under the present ANTA Agreement has had a negative impact upon the national vocational education and training system.... The key indicator of success under the policy is the reduction in unit costs. Other measures, such as

27 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 119, Government of Victoria, vol.7 p.1893

28 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Ms M Sussex (Office of Post Compulsory Education, Training and Employment [Vic]), *Hansard*, Canberra, 4 July 2000, p.744

29 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 139, Department of Education and Training [NSW], vol.9, p.2416,2418-9

quality, ease and cost of access, or participation by disadvantaged groups, are not considered by the Commonwealth to be relevant.³⁰

1.40 Dr Wood (South Australian government) said that the rate of efficiency gain in South Australia has slowed down: ‘The curve is starting to flatten out.’³¹ The Western Australian government said: ‘there is a limit to the efficiencies that can be made without affecting the quality of training. There is some evidence that this limit is approaching.’³² Many other submissions felt strongly that lower unit costs have been detrimental to quality, and growth through efficiencies must be abandoned.

1.41 Even ANTA - usually quick to support the Commonwealth government’s line - admitted:

All States and Territories consider that if growth in New Apprenticeships were to continue at current rates, current funding arrangements would be unsustainable and they would expect to have difficulties resourcing future demand for New Apprenticeships.³³

1.42 What makes this situation particularly aggravating for the states is that most of the growth in demand for VET is caused by growth in apprenticeships and traineeships. This growth has been promoted aggressively by the Commonwealth through New Apprenticeship Centres and employer incentives. However the states are still obliged to fund the apprentice or trainee’s training. As long as the states continue to treat new entrant New Apprentice training as an entitlement, the Commonwealth-promoted growth in New Apprenticeships calls on their VET budget outside their control, and effectively forces them to divert resources from the public TAFE system. As the Victorian government said:

States and Territories are committed to fund all apprentices and trainees who are attracted to the system by Commonwealth initiatives. Where the Commonwealth succeeds in increasing numbers, the impacts on State and Territory budgets can be significant... If demand for apprenticeships and traineeships continues to grow, State and Commonwealth governments will need to reconsider the appropriate level of funding for TAFE to ensure that other priorities continue to be met.³⁴

30 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 139, Department of Education and Training [NSW], vol.9, p.2416,2438

31 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Dr G Wood (Department of Education, Training and Employment [South Australia]), *Hansard*, 16 May 2000, p.581

32 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 114, Ministry of the Premier and Cabinet [Western Australia], vol.6, p.1825

33 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 107, Australian National Training Authority, vol.5, p.1458

34 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 119, Government of Victoria, vol.7, p.1899,1901

1.43 The Tasmanian government argued similarly that pressures on State budgets were largely caused by Commonwealth policies promoting New Apprenticeships:

Traineeship demand has been stimulated by Commonwealth policy directions, and further stimulated by national marketing of New Apprenticeships. Demand cannot be met within existing resources.³⁵

1.44 Submissions to this inquiry confirm the evidence of the other inquiry. The New South Wales Department of Education and Training argued that ‘without additional resources for vocational education and training the Australian economy and the skills base of the workforce will suffer...

...This increase in demand cannot continue to be met through State-based efficiencies without significant cuts to quality, staffing and teaching resources.³⁶

1.45 TAFE Directors Australia argued that the scope for further efficiencies is very limited and the continued loss of growth funding will have a widespread detrimental effect on TAFE operations. ‘The emphasis on the bottom line and efficiency has resulted in a loss of quality.’³⁷ The South Australian Vocational Education, Employment and Training Board argued that further growth through efficiencies is not sustainable:

There are no further efficiencies to be gained if quality is to be maintained... Now that efficiency has been effectively addressed, it is time to make a shift in emphasis to other elements of the system - including the quality and consistency of Training Packages.³⁸

1.46 The message from the states is loud and clear: growth through efficiency policies have been pursued at the expense of quality. Dr Kemp refuses to hear the message.

The Commonwealth’s approach to ANTA negotiations

1.47 Labor senators regret the authoritarian and unco-operative approach to Commonwealth-State VET planning taken by Minister Kemp. We have mentioned the problems created for the states by the way the Commonwealth has promoted New Apprenticeships aggressively without regard to state priorities or the impact on state budgets. As the Victorian government said:

[There is a need for] improvements to Commonwealth-State cooperation...
An area requiring particular attention is the impact of Commonwealth

35 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 83, Government of Tasmania, vol.4, p.1076

36 Submission 4, New South Wales Department of Education and Training, p.14-16

37 Submission 7, TAFE Directors Australia, p.48

38 Submission 3, South Australian Vocational Education, Employment and Training Board, p.10-11

attempts to increase apprentice and trainee numbers, where these are not targeted to priority areas or backed up by additional funding for training.... It is vital that Commonwealth initiatives are targeted to areas of national priority, and their impact discussed with States and Territories before implementation.³⁹

1.48 Dr Kemp ambushed the June ANTA Ministerial Council meeting in a bid to pre-empt the Senate References Committee Inquiry into the quality of vocational education. He imposed a rebranding of the National Training Framework Committee as the National Training Quality Council. This bill has to be seen in the context of the current impasse in negotiations with the States over the new ANTA Agreement.

1.49 Ms Sussex (Victorian government) said that the states had put forward an alternative to the Commonwealth offer, but this was 'rejected out of hand':

The states put forward a proposition as an alternative to the Commonwealth offer which had been made on budget night. That new proposition encompassed a commitment to a national system of high quality, a new agreement which related to a forward view—not based on agreement to agreement negotiations but a truly national system—but underpinned by additional resourcing, the dimension of which was subject to negotiation. That proposed agreement was rejected out of hand by the Commonwealth.⁴⁰

1.50 Mr Noonan (Queensland government) said:

There is a range of scenarios in that paper [April 2000 ANTA paper on future growth], all of which point to the need for growth in vocational education and training over the next few years. I think what then has to happen is that there has to be a sensible negotiation about how that level of growth might be accommodated.⁴¹

1.51 This bill does not contribute to sensible inter-governmental negotiation. Obviously this bill needs to be brought forward to provide an appropriation for next year. The underlying issue is that the matter is being considered far too late. Commonwealth VET funding should be budgeted on a rolling triennium, in a similar way to higher education funding. Negotiations should relate to a year far enough out so that the negotiations can actually be completed sensibly, on good information, without being pre-empted by the deadline for next year's appropriation. Year by year funding gives no security for planning and confirms the status of VET as the cinderella of the education system.

39 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Submission 119, Government of Victoria, vol.7, p.1901,2

40 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Ms M Sussex (Victorian Office of Post Compulsory Education, Training and Employment), *Hansard*, Canberra, 4 July 2000, p.752

41 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Mr P Noonan (Qld Department of Employment, Training and Industrial Relations), *Hansard*, 5 July 2000, p.789

Recommendation

Commonwealth VET funding should be budgeted on a rolling triennium.

Conclusion

1.52 There is every reason to suppose that demand for VET will continue to grow, for reasons including the needs of the higher skilled economy; the growing tendency for career change and the need to improve skill formation amongst the workforce.

1.53 Labor Senators believe it is unreasonable to expect that the predicted growth can be accommodated by further efficiencies without a real increase in funding. The fact that the states have achieved significant efficiencies over the last three years does not mean that they can continue to do so - logically it ought to mean the opposite, as 'the curve starts to flatten out', as it was put.⁴² The states themselves (supported by submissions from TAFE managers) gave convincing evidence that 'growth through efficiencies' has run its course, and little more is possible.

1.54 Supporters of present policies often refer to positive figures shown in surveys of employers' satisfaction with VET. However these are far from a complete measure of quality - not least because the satisfaction of employers of apprentices and trainees may well be influenced by the fact that they are receiving Commonwealth incentives. Against these surveys must be set the serious concerns about declining quality raised in the References Committee VET inquiry in many submissions from all sides - including industry groups and some private RTOs.

1.55 This Committee has already considered this matter once, in its 1997 inquiry into Vocational Education and Training Funding Amendment Bill 1997 (which put into effect the 'growth through efficiencies' policy in the present ANTA Agreement). At that time Labor and Australian Democrats senators expressed concern about the way the Commonwealth was imposing this policy without any real knowledge of what a likely or desirable rate of growth in VET was, and without any knowledge about the ability of the states to find efficiencies.⁴³

1.56 Labor senators regret to have to report that three years later, even after all the serious concerns raised by all types of stakeholders in submissions to the current Reference Committee VET inquiry in the first half of this year, the same thing is happening again. The Commonwealth proposes to continue its cap on Commonwealth general funding for VET - without any clear picture of what the future demand for VET will be; without any knowledge of the states' ability to find further efficiencies;

42 Senate ERWSBE References Committee, Vocational Education and Training inquiry, Dr G Wood (Department of Education, Training and Employment [South Australia]), *Hansard*, 16 May 2000, p.581

43 Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, *Consideration of Legislation Referred to the Committee - Vocational Education and Training Funding Amendment Bill 1997*, pp.26-27

and without any knowledge of what the effect of this will be on the quality of VET outcomes. The Commonwealth is refusing to reinstate urgently-needed growth funding.

1.57 New Apprenticeships have contributed substantially to the current growth in demand for publicly funded VET. There was ample evidence of the pressure that this growth puts on State VET budgets - since, so far, the States have felt honour bound to give new entrant apprentices and trainees access to publicly funded training on an entitlement basis.

1.58 The underlying issue is that if Australia wants to become a highly skilled nation, it will have to increase its expenditure on vocational education and training.

Recommendation

In light of the strong growth in VET participation associated with New Apprenticeships promoted by the Commonwealth, resulting funding pressures on state/territory VET systems, and the limits of 'growth through efficiencies', the Commonwealth should abandon its current policy on funding and negotiate a new ANTA Agreement with the states that recognises shared responsibility with the Commonwealth for growth funding.

Recognising the intransigence of Dr Kemp on these issues, Labor Senators call upon the Senate to support a second reading amendment in the following terms:

"At the end of the motion, add 'but the Senate,

(a) notes that:

- (i) the broadest possible access to quality training opportunities is a vital part of Australia becoming a Knowledge Nation;**
- (ii) demand for vocational education and training is likely to increase by at least 2.8% a year over the next four years; and**

(b) condemns the Government for:

- (i) failing to provide any funding to support this growth;**
- (ii) failing to negotiate a fair and reasonable new ANTA Agreement with the States and Territories; and**
- (iii) pursuing policies which damage the quality of training and put at risk the nation's skills base."**

**Senator Kim Carr
Labor Senator for Victoria**

**Senator Trish Crossin
Labor Senator for the Northern Territory**

AUSTRALIAN DEMOCRATS' COMMENTS

Senator Stott Despoja

1. The Australian Democrats endorse the body of evidence presented in the Minority Report of Labor Senators, and endorse the following recommendation of that Report:

In light of the strong growth in the VET participation associated by New Apprenticeships promoted by the Commonwealth, resulting funding pressures on State/Territory VET systems, and the limits of 'growth through efficiencies', the Commonwealth should abandon its current policy on funding and negotiate a new ANTA Agreement with the States that recognises shared responsibility with the Commonwealth for growth funding.

2. The Australian Democrats will move the following second reading amendment:

That the Senate:

(1) Notes that:

(a) If Australia is to develop and maintain the new skills to become competitive in the emerging global knowledge economy, it must have a well-resourced education, training and research base;

(b) The growth through efficiencies policy implemented by the Federal Government has reduced the capacity of vocational education and training system to meet Australia's current and future training needs; and

(2) Calls on the Government to increase funding to the vocational education and training system to redress the deficiencies it has allowed to develop.

Senator Natasha Stott Despoja

12 October 2000

APPENDIX 1: SUBMISSIONS

SUBMISSION FROM	No.
Ms Carol O'Donnell, GLEBE, NSW	1
Department of Education, Training and Youth Affairs, CANBERRA ACT	2
SA Vocational Education, Employment and Training Board (VEET), ADELAIDE, SA	3
NSW Department of Education and Training, SYDNEY, NSW	4
Mr Edward McCartin, MOUNT PLEASANT, NSW	5
Australian Education Union (AEU), SOUTH MELBOURNE, VIC	6
TAFE Directors Australia, DEAKIN WEST, ACT	7