



# *Australian Education Union*

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14 March 2014

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Senate Education and Employment Committees  
House of Representatives  
PO Box 6100  
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Canberra ACT 2600

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Dear Sir or Madam,

**Re: AEU Submission to the Inquiry into Technical and Further Education (TAFE)  
in Australia**

Please find attached a submission from the AEU to the Inquiry into Technical and Further Education in Australia.

The AEU would be happy to expand on these and any other relevant matters to assist the Committee inquiry should it consider it appropriate to conduct further consultations.

Please contact me if you have any questions in relation to this submission.

Yours sincerely,

Pat Forward  
Federal TAFE Secretary



## **Australian Education Union**

### **Submission**

# **Inquiry into the role of Technical and Further Education (TAFE) in Australia**

**14 March 2014**

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Federal President

**Susan Hopgood**  
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The Australian Education Union (AEU) welcomes the opportunity to provide a written submission to the Senate Education and Employment References Committee Inquiry into technical and further education (TAFE) in Australia.

The AEU is an organisation of employees registered under the provisions of the Fair Work (Registered Organisations) Act 2009. It has approximately 190,000 members employed in government schools and public early childhood work locations, in TAFE and other public institutions of vocational education, in Adult Multicultural or Migrant Education Service centres and in Disability Services centres as teachers, school leaders, and education assistance and support workers.

This submission updates and supplements the submission made to the 2013 House of Representatives Standing Committee on Education and Employment Inquiry into the role of the TAFE system and its operation. The inquiries come at a crucial moment for the TAFE sector in Australia. A high quality and well-resourced public vocational education sector is critical to the future prosperity of an equitable Australian society and yet public vocational education institutions – TAFE colleges – are under increasing pressure, and in several states and territories, their future is in doubt.

The enormous pressure on TAFE colleges is a result of governments' pre-occupation with competition as the major policy driver in the sector, alongside unprecedented budget cuts by state and territory governments. Australia's internationally renowned TAFE system is the dominant provider of high quality vocational education, yet it has been systematically undermined in recent decades. While most policy makers acknowledge that TAFE needs to continue to play its pivotal role in society and the economy, and in the emerging tertiary education sector, its institutional capacity is being eroded. Furthermore, its crucial role in creating positive social and economic futures for citizens of all ages and in all regions of the nation is under threat.

In our submission to the 2013 House of Representatives Inquiry, the AEU provided substantial evidence of the significant changes which have negatively impacted on TAFE and the VET system over the last two decades. These changes continue to have

far-reaching consequences for the capability and sustainability of the public TAFE system. The AEU submission demonstrated that the Australian TAFE system – the pre-eminent public provider of vocational education in Australia – has suffered significantly with declining government funding for VET. This has resulted in a 25.7% decrease in per student contact hour funding between 1997 and 2009.<sup>1</sup> For over twenty years, the AEU has argued that unless State, Territory and Commonwealth governments seriously address this persistent underfunding and the arbitrary consequences of government policy to impose crude “per-hour” efficiency measures on TAFE, the long-term viability of TAFE colleges is at risk.

In this submission, the AEU will focus on:

- Updating information relating to the funding and resourcing of TAFE (Term of Reference 1 (c));
- Updating information about the impact of the competitive training market on TAFE around the country (Term of Reference 1 (b));
- Analysing the different mechanisms used by state governments to allocate funding, as a way of assessing the variable implementation of the market reforms required in the 2012 National Agreement on Skills and Workforce Development (2012 NASWD), and the National Partnership Agreement on Skills Reform.(Term of Reference 1 (e))

As well, this submission will raise issues around the ethics of the private VET sector’s re-organisation of its activities to exploit the easy access to government funding. Nowhere is this more apparent than in Victoria and South Australia. The impact of policy settings in the 2012 NASWD, enacted through the **Victorian Training Guarantee** and **Skills for All** have seen the proportion of government funding open to the private sector in these two states grow dramatically. In Victoria, the proportion of government funds available to the private sector for VET delivery increased from 22.52% in 2008 at the beginning of that state’s so-called “skills reform” process to

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<sup>1</sup> Michael Long, ‘TAFE Funding at the education targets (an update)’, *Centre for the Economics of Education and Training*, < <http://www.aeufederal.org.au/Publications/2011/CEETreport2011.pdf>> (accessed 12 March 2014)

71.31% in 2012.<sup>2</sup> In South Australia, which implemented its reforms in 2012, the increase in proportion of government funding allocated contestably went from 26.11% in 2011 to 74.44% in 2012.<sup>3</sup>

In its prospectus issued upon its listing on the stock exchange in December 2013, a large, newly-established private VET provider, **Vocation**, acknowledged the advantages that the demand driven system being implemented across the country presented to the private VET sector:

*Victoria and South Australia have transitioned to a demand-driven funding model, and a number of other states and territories have signalled an intention to make a similar transition during 2014 and 2015. A demand driven funding model will allow private VET providers to compete more effectively with Technical and Further Education Institutes (“TAFE institutes”).<sup>4</sup>*

This rapid and significant increase in the availability of government funding for a range of private VET colleges has increased the complexity and contradictions in the Australian VET sector:

*There are currently about 5300 VET institutions. This includes 62 technical and further education institutes (TAFEs) which are the public providers of VET, and about 4300 private providers. The remainder are a combination of schools, universities and community education providers and they are mostly very small. About 66% of students in VET in 2011 studied in TAFE and other government providers. However, this includes fee for service students who study in TAFE, and if only publicly funded students are counted, then 59.6% studied in TAFE in 2011, 33% in private providers and 7.4% in adult and community education providers (NCVER 2012a: Table 11) . The biggest 100 providers (or 1.9% of all providers) in VET delivered 81% of teaching in 2011. Australia has had to construct a VET system and associated regulatory*

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<sup>2</sup> SCRGSP 2014, Report on Government Services 2014, vol B, Childcare, education and training, Table 5A.8, Productivity Commission, Canberra

<sup>3</sup> Ibid.

<sup>4</sup> Vocation, *Prospectus*, 2013, ([www.vocation.com.au](http://www.vocation.com.au)) <accessed 6 December 2013>, p7

*and quality assurance frameworks to police 98% of providers that deliver less than 20% of all teaching because it believes in the primacy of the market.<sup>5</sup>*

Private providers in the VET sector are allowed to operate as for-profit institutions, unlike their counterparts in the schools sector. In the VET sector, close to 5,000 private, for-profit VET providers are now operating in a regulatory environment that is, at best, immature. Notwithstanding that, they have increasing access to government VET funding - in 2012 more than \$1.4b of government funding went to private VET providers<sup>6</sup>. The remarkable expansion of the VET “market” has taken place very quickly: between 2008 and 2012, expenditure on payments to non-TAFE (private) providers increased by \$944.9m, or 207.5%.<sup>7</sup> More than \$1.4b of government funding was paid to non-TAFE (largely private) providers in 2012.

This shows that once governments make profit, rather than the delivery of vocational education to students the focus of the sector, more regulation, not less is required. This is needed to identify and discipline those providers who seek to “rort” or “game” the system. The rapid expansion of the private VET market via the shift to so-called demand-led funding has had a huge impact on the sector. In 2012, Skills Australia said:

*Skills Australia has supported the introduction of demand-led funding but considers that it should have been delayed until effective quality assurance and external validation of assessment is in place. It is also recommended that governments will need to guard against over- or under-supply through caps on student enrolments and incentives based on occupations in need, such as specialised occupations. The impact of demand-led funding on the supply of skills needs to be monitored to ensure that individuals are gaining useful education and skills and that industry is able to recruit the skilled workers it needs.<sup>8</sup>*

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<sup>5</sup> Leesa Wheelahan, *The differing dynamics underpinning markets in tertiary education in Australia and the impact on equity and social inclusion*, World Education Research Association Forum, Sydney, 6 December 2012

<sup>6</sup> NCVET 2013, *Australian vocational education and training statistics: financial information 2012*, NCVET, Adelaide, p 10

<sup>7</sup> Ibid.

<sup>8</sup> AWP, *Future focus- Australia's skills and workforce development needs: Discussion Paper*, 2012, p72

In this new environment, the activities of unscrupulous private providers damage the reputation of the whole sector. They damage not only the private sector but the trust that society has in the quality and usefulness of vocational qualifications overall. As a result, more and more regulation is required to discipline the ballooning private sector. All the evidence from the newly-established national VET regulator, the Australian Skills Quality Authority (ASQA) is that this regulation is essential to protect students, the public and employers from the activities of unscrupulous private providers. Yet early indications from the new Federal Coalition Government indicate a shift will be away from the regulation necessary to protect students in this highly volatile environment, towards lifting the so-called “burden” of regulation and encouraging the market to operate freely.

The traditional users of the TAFE system will be hit hardest by such a move. These include working class students, retrenched and displaced workers, unemployed people, those from disadvantaged backgrounds, students with disabilities, and Aboriginal and Torres Strait Islander communities. The onus will increasingly be on these potential students who will be expected to make choices, and pay increasingly higher fees for courses in a “buyer beware” market context. The decisions made by this generation of young people will have an impact on them for the rest of their lives; they will be indebted for qualifications which may be of uncertain quality, and/or limited labour market usefulness. Significant questions also exist about the quality of information available to these prospective students who now are now required, as “consumers” to make informed choices in this rapidly expanding, and poorly regulated private market.

As the reforms required in the 2012 NASWD are implemented across the country, many of these students will be enticed into using their once-only entitlement to a government subsidised VET qualification from private providers of uncertain quality. If they waste this so-called “entitlement”, they will subsequently be required to pay full-fees for any further qualifications. Course fees have already increased dramatically, becoming prohibitive for many. This acts as a disincentive to enrol in courses of study which are often crucial for individuals, and the economy. In one example, a TAFE college is now charging close to \$28,000 for an Advanced Diploma in the graphic arts, where an

undergraduate degree at a university in a similar discipline would cost the same student less than half that amount of money.<sup>9</sup>

The implementation of income contingent loans, or VET FEE HELP, in the sector has not been properly evaluated, nor properly scrutinised. As one of the conditions of the 2012 NASWD, all jurisdictions are now implementing VET FEE HELP for Diplomas and Advanced Diplomas, and for some Certificate IV qualifications. It appears that there is no limit on the amount of money a provider can charge an individual for a qualification. In some cases very little information is made available to individual students upon enrolment that they are signing up for a debt which will likely follow them through their lives. Some private providers are encouraging prospective students to enrol in qualifications they have no hope of successfully completing, assuring them they will never have to pay for them because their incomes will never be high enough. As if to add to the widely held perception that VET is a poor cousin to the Higher Education sector, students in VET are also required to pay an additional 20% administration fee for the “privilege” of incurring debt – a requirement which does not exist in Higher Education.

The AEU’s 2013 submission to the House of Representatives Inquiry into TAFE provided evidence of how successive Commonwealth Government policies of increased competition for government funding in vocational education, combined with an associated policy shift to increase the proportion of funds derived directly from students in vocational education have contributed to increased levels of student debt, and hardship for both students and their families. In addition, in an environment where a number of key manufacturing sectors are being shut down, it is unclear how governments’ policies of forcing people to pay full fees for qualifications at the same level or below the ones they currently hold is going to impact on the capacity of individuals to retrain and transition into new industries. This has traditionally been the role of a supportive and cohesive TAFE sector, which has assisted many hundreds of thousands of workers for decades to both cope and adapt when they become retrenched, and then retrain into new industry areas and new jobs.

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<sup>9</sup> See Submission to Inquiry from Bill Dudley, ACT

### *The growth and re-organisation of the private VET sector*

The strategy of increasing contestable VET funding in Victoria through the **Victorian Training Guarantee** achieved its desired (albeit dubious) aim, of unprecedented growth in private VET provision. Subsequent cuts to VET funding were directed at the public sector, damaging and undermining TAFE colleges, just as powerful private providers were consolidating their infrastructure through the profits made with public funds. These private for-profit providers have now turned their sights to interstate VET markets.

**Vocation** began trading in the Australian Stock Exchange on December 9, 2013. **Vocation** is an amalgamation of three private VET providers, AVANA, BAWM and CSIA and in 2013, 89% of **Vocation**'s enrolments were in Victoria. **Vocation** sees its primary sources of revenue into the future to be '*Commonwealth, state and territory government funding schemes, fee-for-service training fees, and fees earned from outsourced managed services to training organisations, technology solutions, consulting and related activities.*'<sup>10</sup> According to its prospectus, **Vocation** generated approximately 80% of its 2013 financial year consolidated revenue from Commonwealth, state and territory government funding schemes.<sup>11</sup> In stark contrast, over the last ten years, most TAFE colleges in Australia have been forced through government underfunding to become increasingly reliant on fee-for-service and other non-government revenue. The AEU finds this profiteering from public funding highly inappropriate. Even ACCI has questioned the funding model:

*In ACCI, we're all about saying the market can dictate, but at the end of the day the public funding element of it (VET reform) changes the market dynamics. In economic terms, it (public funding) distorts the market and can incentivise providers to head down and follow the money trail, rather than what the customer wants. Free enterprise is one thing, but free enterprise with public money is quite different again. (Jenny Lambert, ACCI, 2012<sup>12</sup>)*

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<sup>10</sup> Vocation, *Prospectus*, 2013, p. 6

<sup>11</sup> Ibid.

<sup>12</sup> Mitchell, J "From Unease to alarm: escalating concerns about the model of 'VET reform' and cutbacks to TAFE", *John Mitchell and Associates*, October 2012

The Victorian Government's strategy of opening up their VET funding to competition from private providers, whilst at the same time, initially at least, increasing that funding unduly advantaged private providers. Private providers cherry-picked low cost, high volume industry areas, like personal fitness, 'gaming' the system of available funding. Government funding has underwritten a massive growth of large private providers who have in turn used their Victorian experience to position themselves to move into interstate markets as every state and territory in Australia implements the market reforms in the 2012 NASWD.

Meanwhile, punitive and damaging cuts have undermined the capacity of TAFE colleges to successfully compete for funding and resources in this increasingly deregulated market. In many states, funding cuts to TAFE have preceded the implementation of 2012 NASWD reforms, weakening and diminishing the capacity of the public system. State government budget cuts to TAFE in Victoria were quickly followed by budget cuts to TAFE in NSW, South Australia and Queensland, as these states moved to position their own TAFE institutes to meet the conditions of the then newly signed 2012 NASWD. Following the lead of Victoria, these jurisdictions have sought to "grow" the private VET sector at the expense of the public TAFE system.

This Senate Inquiry into TAFE represents an important opportunity to re-evaluate the 2012 NASWD, the so-called demand driven system which has been implemented in several states and territories, and the impact that these policies are having on TAFE and the private sector.

### ***The TAFE system in Australia***

The public TAFE system in Australia is the trusted, reliable and highly regarded provider of quality vocational education. TAFE plays a number of important roles in cities and in regional and rural areas providing pathways into work, further study and active participation in society. More people attend TAFE than go to university in Australia. NCVER's "Student Outcomes: Australian vocational education & training statistics" showed that in 2013:

- Nationally, 87.5% of TAFE graduates surveyed indicated that they were employed or in further study after training;

- 60.2% of all TAFE graduates indicated they had improved their employment circumstances after completing their course;
- 83% of TAFE graduates surveyed nationally indicated they fully or partly achieved their main reason for doing the training; and
- 88.4% of TAFE graduates surveyed nationally indicated that they were satisfied with the overall quality of their completed training. The satisfaction levels across students undertaking training with different objectives were very similar – satisfied with teaching (90.4%), satisfied with assessment (89.9%), satisfied with generic skills and learning experiences (79.8%)<sup>13</sup>

In 2012, there were 62 TAFE institutions in Australia, providing vocational education and training at 1,139 locations across the country<sup>14</sup>. The TAFE system has an extensive reach and footprint in regional and rural areas across the whole continent. For decades, it has been the trusted provider of vocational education and training to individuals, communities and small and large business. The state by state breakdown is:

**Table 1: Number of TAFE institutes and campus**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
TAFE institutes	11	18	14	11	3	2	1	2	62
TAFE locations	133	164	379	125	43	47	7	241	1139

### ***Funding of TAFE***

In 2011, the Centre for the Economics of Education and Training (CEET) produced *TAFE Funding and the Education Targets* (an update)<sup>15</sup>. This report provided information up to 2009, which showed that government recurrent expenditure per hour of training declined by 15.4% between 2004 and 2009 – part of a longer term trend that saw funding per student contact hour in VET decline by about 25.7% from 1997. The CEET Report update made the point that government funding for TAFE had declined both because of the decline in recurrent public VET expenditure and because of the shift

<sup>13</sup> NCVER 2013, *Australian vocational education and training statistics: student outcomes 2013*, NCVER, Adelaide, pg 10

<sup>14</sup> *Report on Government Services 2014*

<sup>15</sup> Michael Long, 'TAFE Funding at the education targets (an update)', *Centre for the Economics of Education and Training*, < <http://www.aeufederal.org.au/Publications/2011/CEETreport2011.pdf>> (accessed 12 March 2014)

of government recurrent expenditure away from the TAFE sector. The report goes on to say that:

*If both expenditure per hour and TAFE's share of that expenditure had been maintained, even at 2004 levels TAFE funding would have been about \$974m (or 19.9%) greater in 2009 than it actually was.<sup>16</sup>*

The evidence provided in this submission shows that the shift in government funding away from TAFE has accelerated since 2009, and both the Australian Workforce and Productivity Agency's (AWPA) recent Future Focus 2013 National Workforce Development Strategy, and the 2014 Report on Government Services show that the decline in recurrent public VET expenditure has continued.

AWPA argues in its report that expenditure per annual hour decreased by 14% between 2006 and 2010. They go on to say that this downward trend in funding per student contact hour in VET needs to be investigated "in relation to quality"<sup>17</sup>. AWPA notes that all jurisdictions except South Australia and the Northern Territory have reduced VET budgets for 2012 – 13, and then say:

*The danger in coming years, if the Commonwealth, states and territories continue to tighten their budgets, is that there may be ongoing use of the somewhat blunt instrument of reducing funding per student contact hour to meet growth targets, rather than the more positive and creative approaches to sustainability and growth. For while increased efficiency is to be applauded and encouraged, the extent of the reduction in expenditure per student annual hour on VET raises questions about the ongoing quality of VET teaching and delivery, especially when compared to the per student hour rate trends in the school and higher education sectors.<sup>18</sup>*

Table 2, on the next page, from Future Focus shows that despite its importance as a critical tier of the Australian education system, the rate of Commonwealth and State government recurrent funding per full time student for vocational education and training

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<sup>16</sup> Ibid

<sup>17</sup> AWPA *Future Focus 2013 National Workforce Development Strategy*, Canberra, p130

<sup>18</sup> AWPA Op. Cit., p130

has dramatically fallen since 1999 compared to the primary, secondary and higher education sectors. Indeed the VET sector is the only education sector to have experienced an overall decline in funding during this period as the table below indicates:

**Table 2: Commonwealth and state government recurrent expenditure, funding per full-time equivalent student (schools and higher education) and per annual hour (VET) indexed to 1999 (1999=100)<sup>19</sup>**

	Primary government schools <sup>20</sup>	Secondary government schools <sup>21</sup>	Vocational Education and Training <sup>22</sup>	Higher Education <sup>23</sup>
1999	100	100	100	100
2000	108	103	94	99
2001	113	105	89	92
2002	113	108	92	89
2003	117	113	94	89
2004	124	117	94	93
2005	124	118	91	101
2006	127	116	89	102
2007	128	116	86	102
2008	129	115	82	103
2009	128	115	80	99
2010	130	122	75	108
2011	131	120	75	103

*In this table, indexed figures are based on schools, higher education and VET data which has been estimated using the ABS Chain Price Deflator for GDP at 2010-11 prices. More weight can be given to differences in the growth rates than to comparisons at a point in time.*

The Productivity Commission's 2014 Report of Government Services (Vocational Education and Training) shows that the decline in funding per annual hour has continued.

<sup>19</sup> AWP A Op. Cit., p131

<sup>20</sup> Source: Schools Average Government School Recurrent Costs data. Note that in DEEWR publications for schools the final data for a given year is the financial year data for the previous year. Includes state and territory expenses.

<sup>21</sup> Ibid

<sup>22</sup> Source: VET Government Recurrent Expenditure per annual hour sourced from Productivity Commission, *Report on government services*, Table 5A.19. Includes state, territory and Commonwealth government expenditure.

<sup>23</sup> Source: Based on published and unpublished higher education data from the Department of Industry, Innovation, Science, research and Tertiary Education. Operating Grant and Commonwealth Grant Scheme funding only. Excludes student contributions, HELP expenses, research funding, other Commonwealth higher education and state and territory government funding. From 2008 to 2011 universities were funded for target places plus over-enrolment above the target funding of up to 5 per cent in 2008-2009 and 10 per cent in 2010-2011. A number of universities enrolled above the over-enrolment limit, particularly in 2009, 2010 and 2011, and received only the student contribution for those places. For 2008 and 2009, funding for over-enrolments was paid in the following year. From 2010, over enrolments were paid in the actual year. CGS funding for 2010 includes funding for 2009 and 2010 over-enrolments.

**Table 3: Government real recurrent expenditure per annual hour (2012 dollars)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Aust
2003	16.31	14.39	19.48	18.88	19.37	18.39	19.40	32.42	17.02
2004	16.92	14.27	19.42	17.86	19.29	17.74	18.41	30.82	17.03
2005	14.97	14.98	18.64	18.36	18.12	18.31	20.20	30.95	16.43
2006	15.10	14.72	16.89	17.16	18.75	17.87	18.79	29.20	16.01
2007	14.43	13.56	18.24	15.86	17.46	17.41	18.89	28.46	15.42
2008	13.67	13.36	18.02	14.27	15.60	16.43	19.39	30.30	14.78
2009	13.21	12.58	18.10	14.62	15.52	16.90	17.46	27.63	14.41
2010	12.83	11.68	15.94	14.10	14.62	17.72	17.98	27.14	13.58
2011	12.76	11.34	15.06	16.91	14.09	16.83	16.74	28.90	13.45
2012	12.65	10.62	15.98	14.99	10.57	14.17	18.29	26.09	12.62
Change 2011-2012 %	-0.84	-6.40	6.12	-11.34	-24.98	-15.78	9.24	-9.73	-6.19
Change 2008-2012 %	-7.46	-20.54	-11.31	5.01	-32.25	-13.73	-5.69	-13.91	-14.61
Change 2003-2012 %	-22.44	-26.21	-17.98	-20.59	-45.43	-22.93	-5.69	-19.52	-25.83

While the 2014 Report of Government Services confirms the downward trend in VET and TAFE funding, there are some standout issues in this year’s report that bear emphasis here. The national investment into vocational education continues to plummet – down 6.19% between 2011 – 2012, but down by more than 14% since 2008. In the eleven years since 2003, national investment in TAFE has dropped by 26%, in stark contrast with trends in schools and university funding (see Table 2).<sup>24</sup> Investment in education in the schools and university sector is crucially important, but why have governments not invested in the same way in the TAFE system?

The Productivity Commission says that ‘*Government recurrent expenditure per annual hour needs to be interpreted carefully because low or decreasing unit costs do not necessarily reflect a lessening of quality.*’<sup>25</sup> In all other sectors of education, it is understood that declining funding rates per student must have a negative impact on quality. Yet, in VET, decreased funding is seen as a virtue to be rewarded, a great achievement and a sign of ever-increasing efficiency. In Higher Education and in other

<sup>24</sup> Report on Government Services 2014, Table 5A.19

<sup>25</sup> Ibid.

education sectors, competition is about quality, and funding is linked to quality. Competition in VET is primarily about price – this must change.

There has been a huge increase in low-cost, high volume courses. This is because the market settings that governments have put in place are designed to encourage the growth of private providers in the sector because the logic of market design is to encourage competition. Low-cost, high volume courses are the ones that make most profit – but they also lead rapidly and inevitably to cost blow-outs, as experiences in Victoria and South Australia have shown. Governments respond by cutting funding, as the Victorian government notoriously did in 2012, cutting \$1.2b from TAFE budgets – even though it was in private provision where the sharpest growth in low-cost, high volume courses had occurred. This isn't rational, but it does 'improve' so-called VET indicators of participation rates and qualification completions. These measures are too blunt to give real insight into the VET system's outcomes.

At the very least, the Productivity Commission reports should be accompanied by an examination of the **type** of outcomes that are achieved and the **quality** of qualifications.

***The impact of the competitive training market on TAFE around the country (Term of Reference 1 (b))***

Table 4, below, shows that while the Federal Government has increased its funding from 2008 to 2012 by \$51.3m, its share of funding has fallen by 4%. More seriously though, the funds allocated competitively have increased from \$1023.4m in 2008 to \$2564.5m in 2012. This is an increase of \$1541.1m or 150.59%. The percentage allocated competitively increased from 21% in 2008 to 32% in 2012, an increase of 21 percentage points. Most of this increase was from 2009 to 2012, an increase of \$1405.9m or 121.34% and the share allocated competitively increased by 19 percentage points.

**Table 4: Allocation of government real funds for VET (2012 dollars)<sup>26</sup>**

	Federal recurrent	State/Ter Recurrent	C'wealth Admin	Total gov't recurrent	Open comp. tender	L'td Comp tender	User Choice	Total Comp	%govt funds comp
2012	1258.4 20.81%	4333.4 71.65%	428.9 7.09%	6047.7 100%	1532.9	23.1	1008.4	2564.5	42.40
2011	1292.8 22.08%	4031.6 68.84%	531.8 9.08%	5856.3 100%	1258.6	24.9	1020.5	2303.9	39.34
2010	1262.7 23.93%	3605.2 68.32%	409.1 7.75%	5276.9 100%	675.3	20.9	995.2	1691.4	32.05
2009	1229.8 24.21%	3492.4 68.75%	357.9 7.05%	5080 100%	171.8	20.6	966.3	1158.6	22.81
2008	1207.1 24.83%	3553.5 73.09%	101.1 2.08%	4861.7 100%	84.7	21.3	917.4	1023.4	21.05

The NCVER 2013 Financial Information shows that payments to non-TAFE providers in Victoria increased from \$298m in 2011 to \$804m in 2012. Despite the massive increase in funding to private providers (it has almost tripled since 2007), TAFE institutes are bearing the brunt of an estimated \$400m cut annually. Payments to private providers also increased sharply in South Australia, from \$50.1m in 2011 to \$81m in 2012. Governments have more than tripled their funding of private training since 2008, catapulting TAFE institutes in Victoria towards minority provider status. Government funding of non-TAFE training providers grew from about \$455.5m in 2008 to \$1.4b in 2012.<sup>27</sup>

Victoria and South Australia have now implemented a fully competitive entitlement system in vocational education. NSW announced its response to consultations held towards the end of 2011 around its **Smart and Skilled** strategy. The NSW government will fully implement **Smart and Skilled** at the beginning of 2015.

Four states (Victoria, New South Wales, SA and Queensland) made further cuts to TAFE budgets during 2013. The NSW government has already announced a \$1.7b cut to education in NSW, which included an estimated \$80m cut to TAFE. This follows the \$54m reduction to the state training budget in June 2012. In NSW there will be a loss of 800 jobs in TAFE, as course delivery is “rationalised” within institutes. Some courses will be cut altogether if other providers can deliver them more “effectively” or are seen as more appropriate providers. There will be a reduction of procurement spending across

<sup>26</sup> Report on Government Services 2014, Table 5A.8

<sup>27</sup> NCVER 2013, *Australian vocational education and training statistics: financial information 2012*, NCVER, Adelaide

TAFE. The Queensland State Budget included a \$79m budget cut to TAFE, and an estimated a cut of about \$50m to capital works. There have been an estimated 100 permanent job losses in Queensland TAFE over the last year. The WA and SA governments continue to implement budget cuts to their TAFE institutes.

**Table 5: Progress of reforms**

Jurisdiction	Title	Stage of Reform	Recurrent funds allocated contestably 2012 <sup>28</sup>	Proportion of funding to non-TAFE providers 2012 <sup>29</sup>
ACT		Commenced	22.42%	5.57%
NSW	Smart and Skilled	Implement 2015	28.83%	6.90%
NT		Commenced 2013	18.25%	8.31%
Qld	Qld Training Guarantee	July 2014 Fully implement	27.60%	15.48%
SA	Skills for All	Fully implemented 2012	74.44%	15.61%
Tas	Training Services	Entitlement and ICLS 2014	33.81%	6.82%
Vic	Victorian Training Guarantee	Fully implemented 2010	71.31%	30.11%
WA	Future Skills WA	January 2014	29.68%	15.52%

Though the NSW and Queensland governments have approached the implementation of market reforms in their states differently than the Victorian government, although the impact of the reforms is likely to be the same. They have anticipated their reform process by slashing TAFE funds **before** they implement market reforms. For these two state governments, cutting TAFE budgets, and attempting to implement industrial reforms before they change the underlying architecture of the system is clearly an attempt to position TAFE institutes as just another “provider” in an undifferentiated market. In both Queensland and NSW, throughout 2012 institutes undertook “downsizing” of their workforces. In Queensland, an estimated 150 permanent TAFE teachers lost their jobs. In NSW, whilst the government has set a target of 800 jobs in TAFE over the next four years, it is clear that the number of actual job losses will exceed this target, especially when the large number of casual teachers is factored in.

<sup>28</sup> Report on Government Services 2014, Table 5A.8

<sup>29</sup> NCVER 2013, *Australian vocational education and training statistics: financial information 2012*, NCVER, Adelaide, p10

Though Queensland and NSW have been keen to rhetorically distance themselves from the worst aspects of the TAFE “reforms” in Victoria, both governments have likewise committed themselves to an open market for VET funding through an entitlement system.

At the end of 2013, the South Australian and Victorian governments made further significant funding cuts to their TAFE sectors. This was despite the South Australian government claiming that its policy settings were different than Victoria, and that it intended to support the public system. In a mirror of what had happened in Victoria in 2012, South Australia reached its target of 100,000 additional enrolments three years ahead of schedule, while cutting an estimated \$83m from TAFE - or about 45% of its budget. Students in hundreds of courses faced fee increases that now see them paying between 50% and 80% of the full cost. Government recurrent expenditure per hour plummeted in South Australia, decreasing by nearly 24.98% between 2011 and 2012. In Victoria, funding recurrent expenditure per hour has been on a consistent downward decline for almost two decades, declining by 6.4% between 2011 and 2012, and by 26.21% between 2003 and 2012.<sup>30</sup> In November 2013, the Victorian government announced another round of cuts to a range of courses, including adult literacy and numeracy, and a range of ESL and youth re-engagement programs. The impact of these cuts on TAFE colleges was estimated to be in the order of \$27m.

In December, 2013 reports<sup>31</sup> released by Australian Skills Quality Authority (ASQA) revealed shortcomings in safety and welfare training across the country, and concerns about the advertising practices of a number of private RTOs. ASQA found problems with three-quarters of the colleges audited over training for the construction white card, an occupational safety ticket required by workers on all building sites. ASQA also found problems with 87% of colleges examined over aged-care training, with about one-third teaching a nominally one-year certificate in 16 weeks or less. Dozens of colleges face further regulatory action and could lose their registration after failing to resolve ASQA's concerns, despite being given a month to do so. The reviews also uncovered widespread

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<sup>30</sup> Report on Government Services 2014, Table 5A.19

<sup>31</sup> ASQA ‘Training for aged and community care in Australia’, 2013 and ‘Marketing and Advertising practices of Australia’s registered training organisations’, 2013

marketing issues, with one in eight colleges offering outdated courses and one in 12 involved in ‘*misleading advertising*’.

Key messages from ASQA in the review of the advertising and marketing practices of RTOs included:

- Marketing practices of up to half registered training organisations are potentially misleading to consumers;
- Some marketing is also a breach of the national standards governing registered training organisations; and
- Organisations that are not registered training organisations are acting as brokers, with such arrangements potentially misleading consumers;

### ***Conclusion***

In March 2013, the AEU received this message from a TAFE supporter:

*My father who is 78 went to TAFE to learn his skill in electrical. I still have his certificate! I went to TAFE to learn as a young teenager and then came back as an adult to continue to learn more. My partner went to TAFE to learn to be a mechanic and is now a teacher teaching others his much loved skill. My son went to TAFE to learn to be an air conditioning mechanic and loves his job. My daughter went to TAFE to become a Childcare Worker and commented often how good her teachers were. I would always recommend TAFE to anyone looking to learn lifelong skills. TAFE provides so much for all our communities, it provides an environment that is well structured, safe, has quality checks and balances, provides established and knowledgeable teachers with good teaching skills and ethics as well as a passion to pass on what they know. To cut TAFE down at the knees opens the skilled work force into having to settle with substandard educational delivery by ‘pop up’ private providers. What does that mean to the quality of the next generation of*

*workers? TAFE is in a class of education on its own, that's why it's been here and stable for so long. Long live TAFE.*

This comment is a typical expression of the high regard in which TAFE is held, and the crucial role that it plays in the lives of individuals and communities and the contribution it makes to society and the economy. In Australia, imposing market principles on the organisation of the VET sector is resulting in the privatisation of TAFE. The current circumstances in which TAFE finds itself across the country is not the story of inefficient public providers killed off by more savvy streamlined private competitors. The real story of the closure of buildings and the retrenchment of teachers who have dedicated their lives to the profession is the shutdown of a vision or an idea of public vocational education.

With marketisation of TAFE, vocational education has been made into a commodity that can be bought and sold just like anything else. In this new world of the VET market, students who want it should pay for it. If they can't pay for it now, they should get a loan and pay for it when they can afford it. In this vision of VET, RTOs can make a profit from selling a product and so the customer, the student, the consumer of the standardized item, is just the means to make a profit. There is no evidence that this model of the delivery of education is more efficient or more effective than public provision through the TAFE system. Private for-profit providers waste government funding, expend significant sums of money on marketing and advertising, and cut corners to maximise profit. Profit, not high quality delivery becomes the focus of the business.

A more coherent vision of public vocational education exists in the kind of expectations that people ordinarily have of TAFE as an institution of public education, and in the practices of the institutes themselves. In this perspective TAFE, like hospitals, the justice system, art galleries, museums and libraries and other educational institutions like schools and universities, exists as public institutions serving the public good. TAFE is complex because it is home to a multiplicity of missions, groups and educational and social practices.

TAFE supports people to become members of particular trades and paraprofessional groups; it enables people to gain entry into the professions. It is a place for adult learners to learn to read and write and for others to learn English. And it is this complexity that makes for its richness and great institutional value. The public institution of TAFE is not just modern branding; it goes to the heart of how teachers see themselves, and students, and vice versa. It is what it means when a tradesman says he wants to become a trade teacher because he wants to ‘give back’; or what it means for English language teachers to share a moments pride when finding out a former student is now doing a university degree. It is when a panel beating teacher says that he sees his job as helping students who start the course believing they are not smart enough to do it – and then discover through learning, that they do. It is when unemployed or retrenched workers find ways of overcoming the tragedy of their circumstances, in this ever-changing economy, and develop the skills and the confidence to re-engage in society.

This is not “feel good” stuff disassociated from the tough world of work. It is an ethos that so pervades the ordinary practices of TAFE that, like the air we breathe, it is just taken for granted. This is the ethos that enables teachers to see students not just as they are at the moment, but how they can become as they work their way through courses. It is also what enables students to see what they are doing as “real stuff”, because they are taught by experts from the fields the students want to enter: barristers turned law teachers teaching the foundations of criminal law; welfare professionals turned community service teachers discussing the issues of child abuse with prospective welfare workers; nurses turned nursing teachers teaching prospective nurses the signs of an imminent heart attack.

In 2013, AWPA recommend that the Australian Government commission a review of funding in the VET sector to determine an appropriate price for the delivery of high quality VET. In making this recommendation, AWPA said:

*... TAFE institutes remain the bedrock of the national VET system, offering vital programs in industry areas and geographical locations that many other providers find challenging... AWPA supports those authorities that have recognised TAFE’s distinctive role and position in the national VET system and have funded it appropriately. There are great risks if the balance tips*

*beyond efficiency to cuts in quality and services for the diverse student cohort and geographical localities often provided by TAFE.*<sup>32</sup>

All governments, federal, state and territory, must heed the warnings coming from employers, community groups, students and teachers and undertake an urgent review of funding and resourcing of TAFE across the country. They must commit to ensuring a viable future for the highly regarded, world class Australian TAFE system.

Governments are responsible to the communities who elect them for the ongoing viability of the TAFE system. Unless immediate action is taken, TAFE as we know it will simply not survive.

### ***Recommendations***

The AEU fully endorses and supports the ACTU's 2013 submission to the House of Representatives Inquiry into the role of TAFE and calls on governments and all those with an interest and a stake in the performance of the national TAFE 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:

- A complete and rigorous examination of the real costs of the provision of high quality vocational education, including skills for work, adult literacy and numeracy and crucial supporting knowledge and theory;
- Identifying and guaranteeing the level of funding required for the public TAFE system, based on a funding model that supports a strong and increased funding base for capital works, maintenance, infrastructure, and equipment. This funding model must properly recognise 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.

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<sup>32</sup> AWPA *Future Focus 2013 National Workforce Development Strategy*, Canberra, p.131

- A full and immediate reversal of TAFE funding cuts across the country, but particularly in Victoria, NSW, Queensland and South Australia.
- A commitment by the Federal Government to properly scrutinise the implementation of the National Partnership funding agreements to ensure that Commonwealth funding does not flow to any state or territory, 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 vocational education, 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 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.