The Hon. Sharon Bird MP, Shadow Minister for Vocational Education

[This speech is available at: http://www.sharonbird.com.au/speech_to_the_national_tafe_directors_conference]

Shadow Ministerial address

When I spoke to you last year the theme of your deliberations was “Vision 20-20”. I must say that your theme this year is quite a bit more intimidating: “Inspire”!

I see that your Chair, Stephen, has defined this in the conference invitation as:

“The conference is designed to motivate delegates to be more creative and to stimulate discussion on seeing the world differently with speakers who have been tasked to goad, provoke and energise delegates.”

Ok – no small brief then!

The former TAFE teacher in me did think that, without the “defined range of contexts”, I could pretty well guarantee my ability to “goad, provoke and energise” you. I could not however guarantee the relevance and reliability of such a contribution. So instead I will just aim to provide the knowledge, with I hope some degree of skill and leave the “attitude” completely up to you.

I note that your conference yesterday opened with a conversation between Peter Noonan and Pam Christie on what could be the great leap forward for Australia’s policy on skills and that it was introduced in the program with a quote asking policy makers to “be mindful of the sometimes enervating effect of constant changes and attempts to remake the VET system.”

I wasn’t able to join you yesterday but it sounds like we are discussing a “great leap forward” by “slow and steady increments.” Having been involved in this reform process, in one role or another, since I started TAFE teaching in 1989 I assure you I have great sympathy for this sentiment.

However, the immediate horizon does not appear to offer any short-term relief.

At present the sector has several current reviews underway:

1. In Victoria through the VET Funding Review led by Bruce Mackenzie
2. In NSW the Parliament’s Legislative Committee is conducting an inquiry into vocational education and training in NSW
3. The Senate Education and Employment Committee has a current inquiry into the operation, regulation and funding of private vocational education and training providers
4. The COAG review of a proposed federal government take-over of the VET sector.
I have often complained that the sector is treated like poor cousin in the education sector as it doesn’t often enough receive the focus and attention it deserves as an equal partner in the national education task with schools and universities. It now seems to be showered with attention and analysis and I welcome this and would like to share with you some of my own observations on these developments and explain Labor’s position, recently announced by Bill Shorten on National TAFE Day.

Over the last year the media has been full of stories documenting the serious issues in communities across our country with the closures of TAFEs, reductions in staffing, ever increasing course costs and unscrupulous private providers and brokers preying on vulnerable people – this must not be allowed to continue. TAFE must be backed by governments as it is critical to our future.

On National TAFE Day, Labor Leader Bill Shorten and I announced Labor’s plan to back TAFE into the future by developing a comprehensive National Priority Plan that defines the unique role of TAFE as our public provider and delivers on this by working with the states and territories to provide ongoing guaranteed TAFE funding.

We took this policy step because we are convinced that TAFE must remain an essential part of Australia’s skills and training sector as it plays a vital role in servicing our regions, industries in transition and disadvantaged groups.

As the Australian economy changes, the jobs of the future will change. Our trades will involve more technology-based skills and workers will need training in these skills to be more effective in the workplace and to remain competitive in the employment market. New trades and professions will emerge and require quality training programs and upskilling courses.

It is therefore absolutely critical that we invest in supporting our national asset – our public TAFE sector.

There are challenges in the way the vocational educational sector is funded which has led to the decline of the TAFE sector nationally. Over the last year it has become clear that there has been a failure in the market and we have seen the proliferation of opportunistic and sub-standard training providers costing the taxpayers and students millions of dollars.

This needs to stop.

Vocational students need to have access to good quality training but we need a better system in place to ensure TAFE’s viability and strength into the future.

Under Labor’s plan for TAFE, a Shorten Labor Government will work with Premiers and Chief Ministers on a comprehensive National Priority Plan that defines the unique role of TAFE and places it squarely as the public provider within the VET sector – as the cornerstone of our economy’s need to train and retrain its workforce and to deliver on improving the participation, productivity, innovation and growth efforts required for the nation.
We will work with the states and territories to rebalance the contestable and non-contestable funding model to ensure it delivers the outcomes that are intended. Labor believes there is a place for contestable funding but we must get the balance right.

The Abbott Government has been silent on TAFE and this gives me great concern in the current discussion about a federal takeover of the sector, even if States remain as the “owner” of the TAFE system.

TAFE is not just another RTO whose owner happens to be the taxpayer through the State and Territory governments.

It is, and must continue to be, part of the social and economic capital of the towns, suburbs, cities and regions it services.

It is our view that TAFE must remain an essential part of Australia’s skills and training sector as it has a broader social responsibility as a public provider to deliver government policies focused on servicing our regions, industries in transition and disadvantaged groups.

The skill needs of our economy will be challenged by digital disruption, the application of new advanced technologies, the emergence of new trades and professions, and the need for ongoing upskilling of the existing workforce. People will move more frequently between the VET and higher education sectors, indeed this relationship is already far more complex and non-linear. Whilst I acknowledge many in the private sector take great pride in doing this type of work too, I don’t believe it is viable to rely on the private sector to carry the costs or change their model to deliver government priorities.

Whilst private and not-for-profit provides will often be responsive it is only TAFE that can be directed by Government and this needs to be part of the available resources to government.

As I indicated, over the last year it has become clear that the market is not best equipped to effectively deliver the outcomes governments, employers and students need.

The fundamentals of an effective market are clearly missing and no amount of regulation, as important as it is, will change this. Labor believes the market must find stability through a predominant public provider, complemented by a quality private sector.

Labor is firmly committed to a strong TAFE sector.

We understand how critically important TAFE is to so many students, communities, industries and businesses. It is a national asset and we must work across all levels of government to ensure its future.

This brings me to the significant debate occurring around the Federation Reform process and the current consideration of a new arrangement of responsibilities. Public comments by the Minister and Assistant Minister seem to indicate a live willingness to consider a federal takeover.

Who pays, how much should they pay, who decides what’s offered and how quality is maintained – who funds, regulates and delivers vocational education and training in Australia are some of the significant and important questions facing us as a nation.
In our federal system of government one of the perennial debates that occur is around service delivery sectors that are required to respond to two government levels of funders, regulators and policy-setters – our vocational education and training system is no stranger to this debate.

The sector is large, diverse and complex, particularly in comparison to its cousins – the school and university sectors. It is often poorly understood and too often neglected because of this complexity. Federal Labor in government renewed the national focus on the sector because we understood its critical role in increasing workforce participation and enhancing national productivity.

The Reform of the Federation White Paper on the Roles and Responsibilities in education was released just before Christmas last year by the Prime Minister’s Department. It raises a concern that most jurisdictions reduced, or at best, maintained their level of VET expenditure in real terms between 2003/4 to 2012/13. However, the Commonwealth had increased its contribution in real terms by an average 1.6% per annum over the same period.

The focus for Labor during this time was two-fold. Firstly to create a national entitlement to a qualification up to a Certificate III level through the national partnerships with States and, secondly, to increase skills development of the existing workforce in partnership with employers through the co-investment programs.

We also understood the importance of using expert research to ensure the best advice was provided on the national skills task and to then provide better information to students and industry. The Australian Workforce and Productivity Agency (AWPA) was formed to bring key players across industry, unions and community together to provide this expert advice on existing skills needs and emerging skills opportunities and challenges. The work required in scanning the needs of individual industry sectors and developing training packages in response was tasked to Industry Skills Councils who formed representative boards of employers and unions from the sector. Even within industries there is significant diversity of views between stakeholders – between small and large employers, between city and rural based companies, between production and service delivery divisions as just a sample. The ISCs worked to ensure, as much as possible, that their responses provided a balanced approach between these various demands. As AWPA has been abolished and the ISCs have been de-funded by the Abbott Government the result is a significant narrowing its sources of advice to government.

The White Paper did outline a series of important questions that deserve well-researched and well-considered responses. I have already argued that we should reject the Commission of Audit’s recommendation that the Commonwealth Government abandon the VET field. The White Paper took a step back from that position. It didn’t make any specific recommendation but it does ask whether the States and Territories could better coordinate for national consistency as required without the Commonwealth’s involvement. This would only deliver a failure to address, not only current skills challenges for the nation, but also to provide effective analysis and response to future and emerging pressures and opportunities.

The White Paper also opens discussions about the funding model and its comparison with the university sector and the issue of student cost burdens. These are important areas for serious consideration. Getting the balance right, however, is not only about the funding mix between different levels of government and between government and students and employers. It must
also address the interaction between funding sources and the impact on the quality and relevance of the training provided. This is why Senator Kim Carr and I requested the Auditor-General to investigate the use of VET FEE-HELP to date and we welcome his advice that it will be considered in the work schedule this year. No proposals to extend the program should even be considered before such serious review occurs. There is ample reported evidence of students being enrolled in inappropriate courses and being given misleading information on their debt already available as unscrupulous providers seek to profit from the funding system.

The work of the national regulator, ASQA, has been critically important in exposing many of these practices across the sector and it was a good decision by the previous Minister, Ian Macfarlane, to retain and increase support to the regulator. The current Minister, Simon Birmingham, has worked to see the National Standards strengthened and extended to capture more of the sub-contracted activity. But it would be a serious mistake for the government to ignore the clear need to understand and respond to the link to funding availability. As students in VET shoulder more of the cost for their education and training by utilising VET FEE-HELP it is a serious concern to protect them from shonky and misleading activity.

Many other serious questions are facing us, not all are canvassed in the White Paper: issues regarding quantity as opposed to quality in measuring program success, completion rates and workplace relevance, pathways and lifelong skills development are just some of the more pressing debates occurring in the sector.

The White Paper makes the point that our system, overall, is strong and well-regarded internationally. It should be acknowledged that much of that quality and reputation has flowed from the strength and stability of our public provider – the TAFE system. It provides the benchmark and ballast for the sector but has been under too much attack and we risk the loss of this important public asset if all governments don’t act to stem the decline and to rebuild the public provider.

Our private sector, both for profit and not-for profit, needs to be comprised of providers dedicated to quality delivery, student-focussed and employer relevant training. The shonky providers feed off and diminish all quality providers and exploit the hopes and aspirations of the students. We must not only weed them out, we also need to understand the systemic interaction between policy, funding and regulation and how they can give rise to perverse outcomes that carry a heavy cost for individuals, employers and the nation.

The White Paper poses some of the questions facing the sector but it still doesn’t come to grips with the complexity of the inter-relationships between all these factors.

In July we saw the release of the Mitchell Institute’s paper, “Feasibility and design of a tertiary education entitlement in Australia”, written by Dr Timothy Higgins and Prof Bruce Chapman. It expands on the earlier report, “Financing tertiary education in Australia – the reform imperative and rethinking student entitlements”, by Prof Peter Noonan and Sarah Pilcher. These reports follow up on the issues raised in the Reform of the Federation White Paper and I note the Institute is well represented in your conference program.

The Noonan/Pilcher paper, released in February this year, proposed one foundational aspect of the VET matrix should be “a fairer and simpler financing framework, across the different levels of government and tertiary education, that supports a tertiary education student entitlement for young Australians.” The proposal would see an entitlement for Australians
aged between 18-24 and would be composed of a combination of public subsidies (by State/Territory and/or Commonwealth governments) and a student contribution through an income contingent loan.

The report considers three funding models and indicates a preference for the third option which separates responsibility between the levels of government based on the level of qualification, however, it also proposes that the Commonwealth make income contingent loans available for all qualification above (and including) Certificate III level.

Echoing the concerns I have expressed about the White Paper proposals, the Noonan/Pilcher report outlines ten specific factors that would need to be considered in setting public subsidies. These factors are just as relevant to the provision of income contingent loans as a complementary avenue of funding, particularly as many students accessing these loans are increasingly enrolled in training that does not carry a government subsidy.

The Higgins/Chapman report explores the potential cost of the extension of income contingent loans to Certificate III and IV level courses based on the measurement of the subsidy ratios that would be created given the lower graduating incomes (indeed often lifetime earnings of graduates, particularly women).

The report specifically outlines a range of risks in this model which include the “potential for intentional income manipulation in order to avoid repayments, generous loan conditions that might influence student choices and/or course providers charging excessive fees and providing poor education services”.

There can be no doubt that significant public media reporting, findings of the national regulator (ASQA) and the Victorian regulator (VRQA) give enough evidence of significant distortion of training provision as recruiters and providers manipulate student choices based on funding options with little if any regard for student capacity, course appropriateness or job market relevance.

It is this behaviour that has seen so many examples of students with very large VET FEE-HELP debts with poor quality qualifications not well-regarded in the industry sector or, even worse, no qualification at all.

While the two Mitchell Institute reports are valuable and important to the national discussion of the VET sector I do not believe that it is wise to further such considerations without a full and evidence-based understanding of the current state of use of VET FEE-HELP. Given its massive growth over recent years, in particular by the private sector, it should not be extended further without this level of rigour in assessing its growth and impact on outcomes.

Both Mitchell Institute reviews envisage a model where government subsidy comprises part of the funding model and it is true on evidence to date that such an arrangement, with a tie to course cost controls, can act as a break on unsustainable growth in the use of ICLs. However, it appears that a significant number of providers have bypassed this by moving into the full fee paying space where it is clear that course costs have skyrocketed and the evidence would appear to prove that the students in this market are not price sensitive as they are not well-informed on the value of the course, the reality of the debt they are undertaking or the alternatives available from the “competition”.
This is one of the reasons that Labor believes that a strong and dominant public provider is essential in the sector to provide the benchmark for quality and cost. Although there is real concern about the increased cost of TAFE courses in various states, they still provide an important comparison point that would not be available if public provision was not available in particular regions or for particular industry sectors. Many of the submissions to the Senate inquiry have used examples of exorbitant costs being charged in the private sector in comparison to TAFE courses.

It is also most important that a better consideration of the impacts of funding mechanisms on the quality of VET provision occurs before decisions are made on complete restructuring of the arrangements in this sector. Federal government changes over recent months to standards and regulation are welcome but a more sophisticated analysis of the market is necessary and must consider the movement between government and non-government subsidised training that can result from the decision to move more funding responsibility to the student.

Whilst taxpayer funding of subsidies of all types in the sector is critical for ensuring the outcomes of training match both the individual’s aspirations and the national skill needs, I would argue there is an equal responsibility on government to ensure students undertaking full fee-paying options using both upfront payments and income contingent loans are also able to meet their aspirations. This part of the market also has a direct impact on the national skills task.

These two reports from the Mitchell Institute are welcome and important contributions to the debate. They certainly provoke debate but it is my strong view that more evidence-based analysis is critical before we move to any further significant structural change.

For this reason I welcome the fact that the federal government has continued the implementation of the Unique Student Identifier as it will enable a much more indepth and nuanced understanding of the sector.

I thank you for the opportunity to join you again this year and look forward to the outcomes of your deliberations – especially as we are likely to face a federal election before you gather again next year.