# Submission to the House of Representatives Standing Committee on Education and Employment Inquiry into the role of TAFE in the economy and society

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## Executive summary

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TAFE Directors Australia (TDA) is the peak body for the 61 TAFE institutes (variously known as institutes, polytechnics and public providers).

TAFE institutes offer the bulk of accredited training across States and Territories. They are established and governed by legislation which requires that they meet the economic and social objectives of the government of the relevant jurisdiction – in many cases, what could be broadly termed 'community service obligations' - to support the respective governments' plans for economic development and to ensure the widest possible access to high quality training and education, particularly for members of identified equity groups.

At a time of considerable fluidity in the policies and frameworks governing the delivery of vocational education and training (VET) in Australia, TAFE Directors Australia (TDA) welcomes this Inquiry into TAFE as both timely and necessary.

**CONTEXT**

While there have been numerous inquiries, studies and reports over the past decade touching on various aspects of VET provision, including the role of TAFE, this Inquiry provides an opportunity to examine and test the extensive body of evidence adduced by such inquiries, and the assumptions underlying such evidence, against the actual experience of recent exercises in so-called 'skills reform'.

The initiative for this House of Representatives Standing Committee on Education and Employment Inquiry into TAFE came directly from the then Minister for Tertiary Education and Skills. Importantly, this Inquiry is to take place in the context of Commonwealth negotiations with several States where parties have been unable to agree 'transition arrangements' for TAFE under the terms of a National Partnership Agreement on Skills and Workforce Development (NPA) executed at a meeting of the Council of Australian Governments (COAG) in April 2012. This NPA between the Commonwealth and the States/Territories, entered into by the Prime Minister and First Ministers, was due to take effect from 2013-14, to establish a national entitlement to training, with the purpose of improving Australia's productivity, and widen workforce participation.

TDA considers that this Parliamentary Inquiry, with its wide ranging Terms of Reference, provides a vehicle not merely to examine and test issues associated with the NPA Agreement but, on a wider level, to make a real and valuable contribution to the formation of policy for the medium term by articulating the role of TAFE, as the

public provider network, in meeting the skill needs of Australian industry, of communities and of individual Australians.

**MARKET POSITION**

TAFE is dominant in apprenticeship and traineeship training, increasingly in specialist skill higher education qualifications, and its 1300 campus footprint supports training delivery for regional, rural and remote Australia. Importantly, TAFE executive staff and teachers continue to contribute leadership roles in their regional communities, and along with schools and similar professionals residing in these regions, account for important leadership within many community organisations.

TAFEs have been in competitive relationships for a number of years – with each other, with private providers and with other public providers, such as universities – so concepts such as "competition" and "contestability" are not new to TAFE. In broad terms across most jurisdictions, private training has focussed on low infrastructure ends of VET delivery, and many private RTOs offer courses directed at market segments accessing international students.

'Public V Private' market concepts for vocational education and training can sometimes ignore the fundamentals relating to structure and governance established by legislation in Australia for TAFE; state and territory legislation requires TAFE to DELIVER technical AND further education, AND in doing so not to ignore communities in that jurisdiction. In this broad legislative remit, the TAFE student cohort is characterised as being more socio-economically mixed, often with a higher level of 'blue collar', disadvantaged and disabled students, from a wide geographic reach including outer suburban, regional and remote communities.

Inevitably, the concentration on core skills qualification delivery by TAFE is also marked. For instance, data released in Victoria under the skills reform agenda illustrated increased market segment penetration by private colleges at an aggregate level, yet in core skills such as apprenticeships and skill shortage qualifications, the 14 Victorian TAFE Institutes remained the main delivery agent.

This is the context in which TAFE has emerged as one of Australia's most enduring post-school tertiary institutions. TAFE also plays a key part in Australia's engagement with Asia and has been sourced by regional governments and international donor agencies to support capacity building and curriculum for technical and vocational education.

In this submission, TDA describes in detail the underpinning role of TAFE in the national VET system, in providing comprehensive provision through a widely dispersed network of campuses and centres. By simply being in place, TAFE institutes ensure the availability of comprehensive training and education opportunities to meet the needs of industries, communities and individuals in hundreds of locations across Australia. Quite simply, TAFE has a scale and reach which is not now replicated by the private RTO sector, nor is it likely to be.

TDA has set out its own articulation of the role of TAFE which recognises, inter alia, that TAFEs:

1. Provide broad, accessible and quality vocational education to individual Australians and to businesses across the nation;
2. Act as a bulwark against market failure;
3. Contribute to local, state and national innovation and economic efficiency;
4. Provide strong and seamless pathways to further education and training.

These defining characteristics of TAFE are canvassed in this submission, in line with the Committee's Terms of Reference:

- *The development of skills in the Australian economy;*
- *The development of opportunities for Australians to improve themselves and increase their life and employment prospects;*
- *The delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment;*
- *The operation of a competitive training market;*
- *Those jurisdictions in which State Governments have announced funding decisions which may impact on their operation and viability.*

**National Charter for TAFE**

TDA's response to the Inquiry's terms of reference is shaped by the four principles set out in the TDA **National Charter for TAF**E (2012).

***The National Charter for TAFE***

***PRINCIPLE 1***

*Funding of public VET provides value-for-money and is sufficient for the comprehensive educational and training services necessary to achieve COAG goals.*

***PRINCIPLE 2***

*Quality criteria are substantially enhanced as the basis of value-for-money in public funding for a competitive VET system.*

***PRINCIPLE 3***

*Governance enables flexibility and responsiveness.*

***PRINCIPLE 4***

*Recognition of the innovation and leadership roles of TAFE, including its pivotal position in rural and regional Australia.*

**SCOTESE COAG**

The inaugural meeting of the COAG Standing Council on Tertiary Education, Skills and Employment (SCOTESE) in November 2011 set in train the current reform process. SCOTESE noted that new national agreements encapsulating market reform

> *. . . offer the opportunity to strengthen the Commonwealth-State partnership so that it can more effectively support the reform of the VET sector that is needed to increase participation and ensure training is responsive to the needs of industry and individuals in a changing economy.*

SCOTESE went on to specifically reiterate, "the importance of the key role of public providers of vocational education, including their delivery of high-cost technical training, encouraging participation of disadvantaged students and offering services in regional and remote areas." As set out in this submission, addressing the Committee's various terms of reference, TDA strongly endorses this statement by SCOTESE on the continuing key role of TAFE in the national tertiary training and education system.

At its meeting of 13 April 2012, at which Australian governments entered into the National Agreement for Skills and Workforce Development, COAG made a concomitant commitment to maintain the capacity of TAFE, in the context of market reforms:

> *…the development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities.*

However, in the circumstances and experiences of the past few years, such general statements appear to have been counterproductive and little more than the character of soothing platitudes.

**SHARED FUNDING**

The shared funding responsibilities for VET within the tertiary education environment means that it is not enough that TAFE's role is included in this latest national agreement. The issues arising for TAFE under both the former Howard Coalition government, and more recently under the Gillard Government , demonstrates that any articulation of TAFE's role must be embedded as **national policy** and therefore be given effect by Australian governments parties to such an agreement.

It is TDA's contention that the implementation of such national policy must actively recognise the role of TAFE as a condition of national funding. That is, some substantial portion of national funding must be linked to the actual implementation of the policy.

TDA further contends that such conditional funding is entirely reasonable, given the Commonwealth's contribution to the funding of TAFE, relative to the States and Territories, and endorsement of the role of TAFE/VET in pathway qualifications within the tertiary sector. This premise had been argued most recently by the Group of Eight in relation to ATAR scores, to raise the option of more equitable use of 'uncapped placed CSP' funding and instead channel such funding to support VET pathways.

This is not a policy direction favoured by TDA, but nevertheless illustrates wider concern in higher education about the preparedness of students moving into undergraduate/degree study.

Second, recent research undertaken by the National Centre for Vocational Education Research (NCVER) found, in a detailed review of indigenous higher education delivery, that 17% of Indigenous students admitted to higher education courses in the Northern Territory had previously undergone a higher level VET course, such as a certificate IV, diploma or advanced diploma[1].

As a result, TDA has made makes the following recommendations to the Committee against its Terms of Reference.

[1] NCVER, Indigenous education, indigenous students and the choice of pathways. Susan Bandias, Don Fuller, Steven Larkin (April 2013).

# RECOMMENDATIONS

| Recommendation 1 | This recommendation relates, in particular, to TDA analysis and commentary in Sections 1, 4 and 5. |
|---|---|

**The role of TAFEs as quality-focussed comprehensive service providers needs to be formally articulated in a national funding agreement.**

| Recommendation 2 | This recommendation relates, in particular, to TDA analysis and commentary in Sections 1, 4 and 5. |
|---|---|

**Such a statement on the role of TAFE should be in National Partnership Agreements and/or other funding agreements.**

| Recommendation 3 | This recommendation relates, in particular, to TDA analysis and commentary in Sections 1, 4 and 5 |
|---|---|

**Implementing a national policy of sustaining the role of TAFE be made a condition of Commonwealth funding to the States/Territories.**

| Recommendation 4 | This recommendation relates, in particular, to TDA analysis and commentary in Section 4. |
|---|---|

**The Higher Education Provider Standards be revised to recognise 'polytechnic universities' as integrated tertiary education and training institutions.**

| Recommendation 5 | This recommendation relates, in particular, to TDA analysis and commentary in Sections 2 and 4. |
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**Commonwealth Supported Place be extended to students undertaking higher education programs in TAFE institutes.**

| Recommendation 6 | This recommendation relates, in particular, to TDA analysis and commentary in Section 4. |
|---|---|

**Streamlined international student visa arrangements, as apply in the university sector, be extended to the TAFE sector.**

| **Recommendation 7** | This recommendation relates, in particular, to TDA analysis and commentary in Section 5. |
|---|---|

**The evident decline in public investment warrants an increase in funding of the order suggested by the Australian Workforce and Productivity Agency (AWPA).**

| **Recommendation 8** | This recommendation relates to TDA analysis and commentary in Sections 1, 2, 3, 4 and 5. |
|---|---|

**A 'review of TAFE base funding' is necessary in order to establish the minimum funding required to sustain the public provider network in its role as a comprehensive service provider.**

| **Recommendation 9** | This recommendation relates, in particular, to TDA analysis and commentary in Sections 1 and 5. |
|---|---|

**This review examines the efficacy of current partnership arrangements in achieving the desired policy outcomes of increasing the stock and level of qualifications in the Australian workplace and improving national productivity.**

| **Recommendation 10** | This recommendation relates, in particular, to TDA analysis and commentary in Sections 1, 2, 3 and 5. |
|---|---|

**The funding of the comprehensive service provision role of TAFEs should be guaranteed, separate to contestable funding.**

## TERMS OF REFERENCE 1

## The role of TAFE in the development of skills in the Australian economy

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### TAFE exists to provide broad, accessible and quality vocational education to individual Australians and to businesses across the nation.

Public technical and further education providers (TAFEs) play a key role in supporting their students, industry and communities by contributing to the achievement of local and broader economic and social objectives. TAFEs also play an active role in supporting *planning* for local economic development, and in developing the knowledge and skills needed for innovation.

TDA acknowledges that, in strict public policy terms, the character of an institution delivering a qualification – public or private, TAFE or university, in which state or territory it is based– does not actually matter*, so long as what it is providing represents value in terms of both cost and quality.*

Against that acknowledgment, TDA observes that, being part of the public provider network, the meeting of defined community service obligations (CSOs), providing services to target groups and a requirement to deliver on Government priorities, are **legitimate expectations and activities** of the TAFE sector, in addition to meeting its primary vocational education and training purpose.

TAFEs are directly agents of government policy in acting to meet specified public policy objectives in workforce development and training in ways that private Registered Training Organisations (RTOs) are not[2]. As publicly owned and directed entities, TAFE institutes have at the core of their mission a commitment to 'community service', 'public service', 'the community good' - however expressed - which a private, for-profit entity, no matter how publicly-spirited it might be, simply does not. The *raison d'etre* of a private provider is return on equity (profit): to the extent that it delivers a community service, it is incidental to that purpose and it is delivered in expectation that it will contribute to profit.

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[2] Interestingly, the new constitutions of Victorian TAFEs, gazetted on 10 April 2013, provide that TAFEs "operate in accordance with the economic and social objectives and public sector management policy established from time to time by the Government of Victoria". See for example section 11 (1) (b) of **The Constitution of the Advance TAFE Order 2013**.

Any surplus generated by a TAFE institute is, by definition, reinvested in education and training and supports community service activities. The surpluses generated by higher margin TAFE activities cross subsidise lower margin activities, and thus help fund a range of community service obligations. To the extent that TAFE's capacity to generate surpluses in some areas of delivery is diminished, then the direct cost to government of funding such services will rise or the services will be diminished or, as is claimed by the Victorian Government, they will cease altogether[3].

In considering the place and role of TAFE, a central issue for the Committee is whether areas of likely market failure can be anticipated, in the sure knowledge that they will occur, or be allowed to actually emerge, with attendant economic inefficiency, budget costs and social damage.

> TDA submits that TAFE serves as a bulwark against such failure, simply by being "in place", but also through its capacity to anticipate and prepare for emerging needs.

This fundamental role of TAFE has been recognised in other recent public inquiries into aspects of the vocational education and training (VET) system.

For example, in its report on the VET workforce, the Productivity Commission observed that, if the market for VET services was to be left entirely to operate as a 'free market', it is likely that there would be a number of 'market failures', with outcomes being sub-optimal from a community-wide perspective. Government intervention that addresses such market failures in a cost-effective manner will therefore, all things being equal, enhance system efficiency[4].

This is particularly relevant to provision of VET in regional economies and for regional communities (see Section 3).

The Committee needs to consider the substantial public investment through public funding, grants and endowments (as well as student contributions through fees and charges) that has accumulated in Australia's public TAFE network. Over their many years of operation, TAFE institutes have developed capacity and understanding in the provision of training to meet the economic, social and cultural needs of their local communities, the scale of which existing and new private RTOs would be unable to match (or replace).

Typically, private RTOs are small scale providers in terms of their scope of delivery (that is, they generally provide only a small number of courses in a limited number of

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[3] Victorian Government, **Next Steps for Refocusing Vocational Training in Victoria – Supporting a Modern Workforce** (2013), p. 34.

[4] Productivity Commission, **Vocational Education and Training Workforce, Research Report**, (2011). Similar issues were canvassed in the **Victorian Essential Services Commission, VET Fee and Funding Review – Volume II: Technical Analysis**, (2011), p. 8.

areas) and in their enrolments. They simply lack the scale to replicate the depth and breadth of provision of TAFE institutes in most areas of high economic priority.

As the Australian Workplace Productivity Agency (AWPA) observed in its recent comprehensive report on workforce planning:

> *…TAFE institutes are the bedrock of the national VET system, offering vital programs in industry areas and geographical locations that other providers would find problematic. While many individual institutes have coped well with these new challenges, AWPA supports those authorities that have recognised TAFE's distinctive role and position in the national VET system and have funded it appropriately.*[5]

This is the view not only of a specialised Australian Government agency but is a view generally held in industry. Innes Willox (CEO of AiGroup) put it that:

> *[TAFE] has been, for a long time, a standard-bearer in the delivery of training and education… as deliverers for business of people who have the basics and beyond the basics, in terms of skills in crucial trades, and there are still chronic shortages of tradespeople around the country.*[6]

The views of industry leaders notwithstanding, the rationale for what seems a never-ending process of "skills reform" is the proposition that TAFE is remote from industry and unresponsive to industry needs.

In a study undertaken for TDA[7], VET policy analyst and commentator John Mitchell finds quite the contrary. His five case studies of TAFE institutes show how effectively TAFEs are in working with industry clients in meeting one or more key business and government goals, including increased productivity and improved global competitiveness, improving workforce flexibility, assisting staff build career pathways, and imparting skills for the new economy and regional growth.

Based on the evidence in the five case studies – which are part of the set of more than 80 case studies Mitchell has prepared since 2007 – and on the data collected from 25 TAFE Institutes using capability analysis tools from 2010-2012, the Mitchell report concludes that a high value can be placed on the existing human capital residing in TAFE Institutes. TAFEs have developed that capability over time and through extensive experience, and this demonstrable capability is a cause for optimism about the future impact of TAFE on Australian industry.

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[5] Australian Workplace Productivity Agency, **Future Focus: 2013 National Workforce Development Strategy** (2013), pp15-16.

[6] *Industry and TAFE harmed by VET reforms*, Campus Review, 23 July 2012.

[7] John Mitchell, **Reinventing Service Delivery – case studies of TAFE Institutes meeting industry needs and government goals** (2013).

Neither can there be any serious doubts as to the quality of TAFE provision.

The Standing Council on Tertiary Education, Skills and Employment tasked the National Skills Standard Council (NSSC) to undertake a review of the standards for the regulation of VET focusing on issues of quality. Following extensive consultations, the review found that

> *. . . damage to the reputation of training and nationally recognised qualifications represents a significant threat to Australia's prosperity and growth because of the impact of poor quality qualifications on the functioning of the labour market, and the impact on Australia's education export market, both on and offshore.*

It has proposed the introduction of a more stringent VET provider registration system, the Australian Vocational Qualifications System. [8] The issue was neatly framed by NSSC chair John Dawkins:

> *I think we can assume an employer looking at qualifications from a TAFE or some of the better private providers would not have a question about the quality of that qualification. The question is, what about the others?*[9]

To the extent that there is any crisis of confidence in the quality of VET provision in Australia, it's not with the quality of TAFE provision. All the evidence indicates that what TAFE does, it does very well. TAFE also plays a key part in Australia's engagement with Asia and has been sourced by regional governments and international donor agencies to support capacity building and curriculum for technical and vocational education.

TAFE in Australia has enjoyed a 10-year mentoring role for China's public technical colleges and polytechnics. This cooperation has netted Australia considerable public dividends, with many China colleges operating collaborative curriculum and wider cooperation agreements with Australian TAFE Institutes. This offshore transnational education has seen 45,000 Chinese students enrol within China in a TAFE delivered Australian qualification course each year, with this number increasing[10]. A key benefit for a Chinese student undertake such a TAFE course is that, along with inculcating English language skills, it contributes to improved work-ready skills and employment options – to the extent that Chinese TAFE graduates with a TAFE qualification experience improved employability, whereas traditional Chinese university graduate have reportedly experienced increased difficulty in finding jobs within the first year of graduation.

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[8] National Skills Standards Council, **Improving vocational education and training – the case for a new system**, 2013.

[9] Quoted **in New training 'system' could spark college exodus**, The Australian, 12 March 2013

[10] AEI data (2012).DIISRTE website)

More recently, ahead of the Australian Indonesia IA-CEPA Agreement, Australian Education International (DIISRTE) initiated funding, along with the Indonesian Ministry of Education, for a three-year bilateral agreement which will see Australian TAFE Institutes mentor Indonesia polytechnics, effective May 2013.

Under an intergovernmental Memorandum of Understanding between Mongolia and Australia, signed between Prime Ministers in Parliament House, Canberra, in 2012, the Mongolia Ministry of Education entered into a Memorandum of Understanding with TAFE Directors Australia to mentor vocational education policy, as related to infrastructure and mining and resource industry skills development. TDA has had a senior executive working in Ulu Bataan throughout 2012-13.

TDA submits that the role of TAFE can be articulated as:

1. Providing quality assured, vocationally oriented training and education to meet the skills needs of business and industry, thereby contributing to **improved productivity and community welfare** (this Section);
2. Insulating the economy from **skills market failures,** by ensuring the availability of skills training across all industry sectors and throughout the relevant jurisdiction, and by developing training programs to meet emerging needs (this Section);
3. Contributing to local, state and national **innovation and economic efficiency** through developing practical approaches to improving industrial and business processes and practices (this Section and Section 3);
4. Ensuring **reasonable access** for all Australians to relatively comprehensive training and education opportunities, for the benefit of both economic development and personal development (see Section 2);
5. Providing strong, credible and seamless **pathways** from one level of training and education to another (see Section 2);
6. Contributing to Australia's engagement with Asia and economic development through the region.

TDA submits that Australian governments needs to articulate the role of the public provider, in appropriate terms as proposed, in the next intergovernmental resourcing agreement for the sector

TDA submits that funding of the comprehensive service provision role of TAFEs must be guaranteed, separate to contestable funding (see Section 5).[11]

[11] This was recommended in Skills Australia, **Skills for prosperity—a roadmap for VET** (2011), pp73-75.

**The skills needs of the Australian economy**

. . . . . .

Apart from identifying apparent aggregate needs and trends, we cannot predict with any great degree of certainty or accuracy future needs in specific occupations. However, we can say with absolute certainty that the demand for skills, particularly higher-level skills, will continue to grow.

Higher-level skills formation in the future will be characterised by two factors:

First, about 70% of the Australians who will form the workforce in 10 years' time are already working.

Second, some of the jobs of the near future (10 to 15 years) do not yet exist and others will have changed beyond recognition. The practical implications are that, with an accelerating rate of knowledge creation and technology development and diffusion through society and the economy, there will be greater demands on enterprises to adapt and for individuals to upskill or reskill entirely.

AWPA projects that the growth in industry demand for total qualifications held will require additional completions of at least 3% per annum (under high growth scenarios modelled by AWPA rising to about 4%), with growth strongest at higher qualification levels, including postgraduate, undergraduate and diploma/advanced diploma levels (AQF levels 5 to 9).

Industry demand for Certificate III and IV qualifications is projected to grow between 2.8 and 4.0 % in higher growth scenarios, while the demand for Certificates I and II shows more modest growth.[12]

Nevertheless, the completion of lower level qualifications provides a pathway to further education and training and has profound social as well as economic ramifications, with people aged 25–64 holding a post-school qualification being nearly 20% more likely to be in the labour force than those without a such a qualification.[13] And as noted above, the NCVER research (Bandias, Fuller Larkin, April 2013) demonstrated major linkages between pathways completions with higher education enrolments for indigenous students.

[12] AWPA, **Future Focus**, p.44.
[13] AWPA, **Future Focus**, p.43.

## TERMS OF REFERENCE 2

**The role of TAFE in the development of opportunities for Australians to improve themselves and increase their life and employment prospects**

. . . . . .

### TAFE provides training and education enabling individuals to productively participate in the workforce and lifelong opportunities and pathways to further education and training, enhancing their productivity and life opportunities.

As has been well-documented, education and training underpin the development of a highly skilled, innovative community; a critical enabling factor for social, cultural and economic growth in Australia.

TAFE institutes play an obvious and fundamentally important role in technical training, which is well understood. Despite the emergence of private RTOs in trades training, TAFE institutes remain the primary providers of trade training.

Yet that is not TAFE's only role.

For the individual, undertaking education and training confirms personal benefits in the tangible form of income and in the less tangible form of contributing to understanding and the capacity to participate in society and the economy. As observed by the UK academic David Wilson:

> *… (all educational achievement) is a positional good. Its benefits are not only economic (as in the so-called 'graduate premium' of lifetime earnings), but also relate to broader aspects of health, happiness, community security and democratic tolerance … The disbenefits of not learning are correspondingly huge.*[14]

In the creation of Australia's TAFE sector in the mid-70s, it was envisaged that the sector would be active in further education, with the name Technical *and Further Education* encapsulating that role. TAFE's interdependent purposes were – and, TDA suggests, remain – to "prepare people for work, develop the individual and provide second chance education".[15]

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[14] David Watson, **Universities and civic engagement: a critique and prospectus** *(2007)*, p.9.

[15] Leesa Wheelahan, **The fractured social settlement in VET in Australia** *(2012)*.

In fact, some 80% of education and training undertaken by TAFE institutes is in areas other than trades training, with some 50% of completions in the areas of business, community services, tourism and hospitality retail and training and education.

Such training and education is of benefit to industry and the community in three main ways, as suggested above.

**First**, it adds to the stock of skills and capability in the workforce, thereby enhancing productivity and efficiency in key sectors of the economy. It also increases workforce participation with recent research showing that completing a VET qualification assists around 98% of students who want a job after training (and 99.9% of students who want to go on to further study)[16].

**Second**, it contributes to community welfare through the generally positive social impact of increased education attainments and by training para-professionals and trained workers in areas of existing shortage and growing need, such as health care and aged care.

**Third**, it provides a "second chance education opportunity" – a ladder of opportunity - for people to undertake higher learning, which has previously either not been available to them or has not been taken up, for one reason or another.

Public policy, as expressed through the Australian Qualifications Framework (AQF), explicitly supports

- the development and maintenance of pathways which provide access to qualifications and assist people to move easily and readily between different education and training sectors and between those sectors and the labour market; and
- individuals' lifelong learning goals by providing the basis for individuals to progress through education and training and gain recognition for their prior learning and experiences.

That is, *every* qualification descriptor in the AQF, with the exception of the doctoral degree, requires as an outcome, in addition to competency and work readiness, that graduates will have knowledge and skills they need both for work *and for further study*.

A significant challenge for governments is to create structures that can cater for the needs of mature-aged students and students who have not had conventional pathways to tertiary education. In these respects, TAFE is an increasingly important pathway to further training and/or higher education and TAFEs.

[16] NCVER, **The value of completing a VET qualification** *(2012).*

Providing such pathways is a vital role of TAFE institutes, in addition to its training mission, and makes its own contribution to economic capacity and to providing further education opportunities for Australians. As a number of studies have shown, lower level qualifications are losing value as a 'positional good', as access to higher level qualifications become more readily accessible.

At a minimum completion of Year 12 or an *equivalent vocational qualification* is vital to underpin the notion of lifelong learning. Year 12 completion adds significant value to an individual's working capacity. Increased literacy and numeracy skills, as well as more tangible engagement with concepts and ideas and increased awareness of self-learning, are valued highly by prospective employers. The point is starkly illustrated by data presented in the recent AWPA report.[17]

Labour force participation of persons aged 15–64 with and without non-school qualifications, Australia, 2012

| | In labour force (%) | | | |
|---|---|---|---|---|
| **Non-school qualifications** | **Year 10** | **Year 11** | **Year 12** | **Total** |
| **With non-school qualification** | 84.1 | 86.3 | 87.2 | 86.5 |
| **Without non-school qualification** | 61.6 | 69.8 | 76.1 | 68.9 |

Source: Unpublished data from ABS, *Education and work, Australia, 2012*, cat. no. 6227.0, ABS, Canberra.

But as AWPA stresses, a lower level qualification has real currency in setting an individual on an education and training pathway:

> *Certificate I and II qualifications are very important to workforce participation and are a pathway to higher level qualifications, particularly for those from disadvantaged backgrounds.[7] Employment rates for people who left school after completing Year 10 or below, but have completed a Certificate I or II, are around 10 percentage points higher than for people who do not have a post-school qualification.[18]*

Research commissioned by the NCVER supports this proposition:

> *The benefits of completing a certificate I or II qualification are strongest amongst the most disadvantaged learners within the pool of certificate I and II graduates…lower-level qualifications offer distinctive benefits to young males*

[17] AWPA, **Future Focus**, p.70.
[18] AWPA, **Future Focus**, p.55.

*and females, provided they do not have an alternative viable pathway into higher study or training.*[19]

A recent report by the Centre for Policy Development[20] indicates that the TAFE sector provides a greater share of the benefits, for industry, the community and the individual, as against other providers:

- TAFE serves a disproportionate share of students with disabilities;
- TAFE is the main training provider outside metropolitan areas;
- TAFE provides more training towards skills in shortage; and ,
- TAFE provides costly training such as mining and construction skills, while private providers can 'skim off' cheaper and more profitable courses, at the expense of the taxpayer.

The report points out that competitive funding arrangements raise problems for the TAFE financial model as competitors gravitate towards cheap training, leaving TAFEs with the more expensive courses and their per student costs increase. Its analysis of Victoria's open training market found that TAFEs have between 78% and 98% of market share in the expensive areas of mining, telecommunications, utilities and construction. Private training providers dominate trade, administration and safety.

Recent NCVER research also shows that 17% of Indigenous students admitted to higher education courses in the Northern Territory had previously undergone a higher level VET course, such as a certificate IV, diploma or advanced diploma.[21]

In recent years, TAFE institutes throughout Australia have had a small but growing role in the delivery of higher education qualifications. This in no way derogates from TAFE's distinctive mission but both supplements and complements it. Nor does it directly consume funding provided or resources provided for VET activity, except to the extent that it involves the use of (often underutilised) TAFE facilities.

The delivery of higher education in TAFE is in line with developments in other Anglosphone countries such as the United States of America and Canada (through Community Colleges), the United Kingdom (through Further Education Colleges) and New Zealand (through Polytechnics), and also in Hong Kong. In Australia, higher

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[19] Damian Oliver, **Lower level qualifications as a stepping stone for young people**, NCVER, 2012. It shows that the primary benefit of a lower level qualification is as a *stepping stone* to further training and education, such as an apprenticeship, traineeship or other higher level qualifications otherwise the benefit dissipates. See also H.Buddelmaeyer, F.Leung and R.Scutella, **Educating oneself out of social exclusion**, NCVER, 2012.

[20] C.Stone, **Valuing skills: why vocational training matters** (2012).

[21] NCVER., Susan Bandias, Don Fuller, Steven Larkin, **Indigenous education, indigenous students and the choice of pathways** (April 2013).

education delivered directly by TAFE institutes is currently provided on a full fee basis.

Higher education in TAFE, with its focus on applied learning and strong components of workplace integrated learning, adds to the attractiveness of the TAFE offer and therefore overall TAFE viability. It provides students from a 'non-traditional' higher education background with strong student engagement through adaptable and flexible programs with multiple entry and exit points, supportive teaching methods and smaller class sizes.

Research currently being undertaken by TDA describes how TAFE meets the needs of learners who are not, for a range of reasons, able to go to university. Studies of students across Australia who have completed a higher education qualification at TAFE demonstrate the applied nature of the learning, the supportive learning environments, the direct links TAFE has with work and industry and the value of pathways from vocational to higher education.

Delivery of higher education also creates an additional and potentially valuable revenue stream.

Both factors – attractiveness and revenue - contribute to maintaining the sustainability of TAFE and in ensuring a capable public provider, in the context of the policy objective of opening the VET market to greater competition.

The sustainability of the TAFE sector is a critical consideration for the Committee.

A number of tertiary sector analysts have postulated that moving into higher education delivery is not only a rational and reasonable evolution of TAFE but necessary to its sustainability. According to the NCVER demand for qualifications at AQF 5-6 level (Diploma and Advanced Diploma) has begun to decline:

> *Diplomas from the vocational education and training sector are rapidly losing their currency in a labour market looking for ever higher qualifications which risks a narrowing of the VET sector's appeal. The diploma and advanced diploma are under threat. There is nothing wrong with these qualifications, but they lead to lower level jobs than in earlier generations.* [22]

Notably, many non-TAFE RTOs operate across both the VET and higher education sectors and the majority of Australian universities have their own RTOs and/or affiliations with RTOs.

The evolution of integrated tertiary providers, often referred to as polytechnic institutes, based on existing TAFE institutes and providing qualifications from AQF

[22] T.Karmel, **Skills deepening: pushing VET into the "deep end"?** (2011)

levels 1 through 7, is an established fact in the Australian tertiary landscape. In Section 4, TDA makes the case that such institutes should be funded on the same basis as universities for higher education delivery.

Such institutes can also encompass provision of applied teaching and learning and training at the upper secondary level. The Victorian network of 'Technical Education Centres', for example, provides an alternative pathway for vocationally based education for students who have completed Year 10 and turned 16 years of age.[23] The growing demand of industry for a greater focus on Trades and other training programs and pre-apprenticeship models also supports the provision by TAFE of alternative models of full time study for students at years 11 and 12. The delivery of VET in secondary schools should be noted as being important and well supported by TAFE Institutes.

TDA submits that neither the funding framework nor the regulatory framework has kept pace with the evolution of TAFEs as integrated tertiary providers and its role in contributing to the 'positional good' of education and training. There is a strong case for the recognition of a polytechnic type institution within the Australian tertiary system as a welcome diversification in:

- further broadening choice for students;
- strengthening the capacity and reach of the system, particularly in regional areas;
- helping address critical skills shortages in the Australian economy; and,
- supporting inclusion of students in tertiary education from disadvantaged backgrounds.

To this end, the current Higher Education Provider Standards should be revised to allow for a 'polytechnic university', however described, which would be funded for teaching and learning on the same basis as comprehensive universities - that is through a public subsidy (Commonwealth Supported Places) and a student contribution funded by way of HECS-HELP.

[23] See **Holmesglen Vocational College.** RMIT, through its TAFE division, is the largest single provider of the Victorian Year 12 VCE and VCAL.

**Adapting to lifelong learning**

. . . . . .

> *The effort of all governments working together on reform, underpinned by clear goals of what needs to be achieved in these areas, is critical to ensuring that all Australians have access to the* ***quality education, training and support they need to be equipped for a life of success in learning and employment****'.*[24]

AWPA points to the challenge posed by the fact that a very large number of Australians of working age whose contribution to productivity is limited by their low levels of proficiency in language, literacy and numeracy (LLN) skills. At the same time, that industry demand for higher level skills is growing strongly with up to 50% of Australians have been assessed as having literacy and/or numeracy scores below the minimum standard needed to manage the complex demands of life and work. This is an alarmingly, if surprisingly, high level but has been confirmed in survey after survey of Australian LLN skills.[25]

As AWPA puts it:

> *This is not a marginal issue. It is a huge challenge for mainstream Australia and it is constraining individual opportunity and economic development. Building LLN skills will be critical to increasing labour force participation and transitioning to a more productive, higher skilled economy. People require LLN support for differing reasons. Key cohorts include older workers looking to update or refresh their skills, people from culturally and linguistically diverse backgrounds, and people who left secondary school early and are looking to upskill.* [26]

People with fundamental literacy and numeracy deficits find it difficult, if not impossible, to obtain higher level qualifications and are far more likely to be not participating in the labour force.

In this context, the notion that effectively providing 'lifelong learning' opportunities for the workforce is not merely a slogan but the key to Australia remaining competitive and maintaining and enhancing community prosperity. Lifelong learning is underpinned by the ease of access to and ability to move through flexible, integrated primary, secondary, tertiary and further systems of education.

The median age of new entrants into tertiary education is steadily rising and the expectations of these students are different to the expectations of younger students. In addition, the modern workforce is becoming increasingly more flexible, mobile and innovative. All education and training sectors must adapt to meet the fluctuating needs of the average worker throughout their working life.

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[24] COAG **Communique**, 3 July 2008.

[25] See for example Australian Bureau of Statistics, **Programme for the International Assessment of Adult Competencies, Australia, 2011-2012** (2013).

[26] AWPA, **Future Focus**, p.81.

Lifelong learning encompasses the development of skills that that an individual can use to enhance productivity for business but it is more than a *skills growth* model where the focus is on building the skills of the workforce in order to create a more successful economy. It encompasses *personal development* (with the focus on building the capacity of an individual to achieve self-fulfilment in all areas of life, supplementing the search for greater efficiency) and *social learning* in which the role of education is to promote economic growth on an equitable basis.

According to a report by the Allen Consulting Group, the strength of TAFE is that it employs all three approaches to lifelong learning 'rather than concentrating on just one or two as other providers of vocational training and education tend to do'.[27] Fundamentally, older workers and early school leavers are looking for:

- short, specifically targeted pathways and modular learning;
- 'bite sized' programs;
- flexible, user-friendly services;
- open access;
- recognition of unique learning strategies;
- improved marketing to employers;
- recognition of prior learning; and,
- off-campus delivery.

These are all areas in which TAFE has long established, demonstrated capability, which indicates that a strong TAFE sector will be critical to meeting the future skills needs of a contemporary 'knowledge economy' such as Australia's.

[27] Allen Consulting Group, *The complete package: the value of TAFE NSW* (2006), p.iv.

## TERMS OF REFERENCE 3

**The role of TAFE in the delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment**

. . . . . .

### TAFE can ameliorate social and economic disadvantage in education and training simply by being in place as a comprehensive provider and providing a degree of accessibility to persons of limited mobility and/or resources.

Based on the performance of Australian students in international assessments, such as the OECD Program for International Student Assessment (PISA), Australian school systems, despite growing concerns about recent results[28], perform relatively well.[29] International benchmarking also demonstrates that Australia has relatively high levels of educational attainment compared to the higher performing OECD countries. In Victoria, 52% of surveyed Year 12 or equivalent Victorian school leavers from 2011 were enrolled in university, with 77.5% of in some form of education and training.[30]

Nevertheless, there are discrete cohorts within the population where underperformance indicates what might be termed 'education disadvantage', which ultimately serves as a barrier to further training and higher education. Of particular concern is the concentration of apparent disadvantage among Indigenous students and students of low socio-economic status (SES) background, including regional and rural residents. Geographic disadvantage manifests in forms of:

- concentration of low SES families in particular locations;
- remote location; and,
- small communities.

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[28] The results of the 2011 Trends in International Mathematics and Science Study (TIMSS) and the Progress in International Reading Literacy Study (PIRLS) shows Australian student performance in both areas has flatlined over the past few decades, with some disturbing results. In TIMMS 37% of Australian students failed to achieve the proficiency standard expected in Year 8 mathematics and 24% of Year 4 students failed to achieve the minimum standard in reading. Wernert, K, et al., 2012, **Highlights from TIMSS & PIRLS 2011 from Australia's perspective**, Australian Council for Educational Research, Melbourne.

[29] Michael Barber and Mona Mourshed, **How the World's Best-Performing School Systems Come Out On Top**, McKinsey & Company 2007.

[30] Rothman, Sheldon and Underwood, Catherine, **The On Track Survey 2012 : the destinations of school leavers in Victoria : statewide report** (2012), p.6.

Location has labour market implications, which in turn affects family income and SES, which in its turn affects the likely education attainments of children of families in particular locations. In a study of 'community adversity and resilience', which mapped relative social advantage and disadvantage, it was concluded that:

> *… where people live dramatically affects the diversity of job opportunities with respect to industry participation and skills, and it can affect labour market participation and engagement. Place does matter.*[31]

One of the many strengths of TAFE is its geographical reach. With over 60 public TAFE institutes in Australia, there are over 1300 TAFE campuses and centres in Australia, with hundreds located in regional and rural areas.

All TAFEs have staff working with schools to support better outcomes for students, and they work with local communities to develop programs and support for disadvantaged students. As set out in detail in Section 2, TAFEs provide pathways to higher education and to the professions, and in doing so, support Australia's need for highly educated workforce and social mobility. They provide courses that meet local economic or social needs even when it isn't necessarily good business sense to do so.

These TAFE activities are critical, given that there is an appreciable gap in participation and attainment levels between the populations of metropolitan areas, and the populations of regional and rural Australia. In its submission to the Productivity Commission, the NSW Department of Education and Training illustrated the role of public TAFEs in the context of 'thin markets', where the actual or potential number of learners is too small, relative to the cost of delivery, to sustain efficient provision[32]:

> *[Technical and Further Education] services are available across the State, placing TAFE NSW in a unique position to support the longer term strategic objectives of Government in relation to economic, industry and community development. It is this strategic role that further distinguishes TAFE NSW from other providers [focused] primarily on returns to stakeholders. For example, in relation to:*
>
> - *regional development — TAFE NSW does not avoid thin markets although the cost of delivery in newly developing or relatively remote areas is significant; and*

[31] Jack Keating and Stephen Lamb, **Public education and public purposes: School quality, sectors and place**, *IARTV Seminar Series 138* , p.6.

[32] The Productivity Commission noted (p.64) that, while generally associated with relatively sparsely populated regional areas, urban areas with a high proportion of low socio-economic status households might be similarly not well catered for.

- *industry development — requiring substantial infrastructure investment in areas where enrolment numbers may be unpredictable.*[33]

Conversely, the Commission noted, the private VET sector is regarded by many as not engaging sufficiently with thin markets. Western Australia's Polytechnic West, for example, argued that "private providers are notorious for selecting delivery areas that are high profile and high return, leaving the less profitable (i.e. thin markets) to [public providers]."

It needs to be understood that the contribution of TAFE to regional economies is not solely in the form of providing skilled and knowledgeable workers for local industry needs but in the direct employment opportunities it provides and in the economic activity it generates. So a campus contraction or closure has a cascading effect:

- in reducing education and training opportunities across-the-board;
- in direct job losses; and,
- in loss of regional income and indirect job losses.

The contraction of TAFE in regional areas negatively affects not only further education and training provision at AQF levels 1-6 (certificate 1 through to advanced diploma) but higher education provision at AQF levels 6-7 (associate degree and degree). [34]

A growing body of literature has pointed to the need to address population decline in regional areas. As the population across the whole of Australia ages, the presence of a strong youth demographic is essential to reinvigorate and regenerate communities. One of the challenges associated with this need is that traditionally, rural and regional communities have often seen their young people move away to pursue education and job opportunities elsewhere.

[33] Productivity Commission, p.65.
[34] See P.Whitely, ***Stop short-changing regional areas***, Campus Review, 15 April 2013.

The Warragul Citizen

Covering Baw Baw in print and online since 2011

**Twenty jobs could go in GippsTAFE cuts**[35]

1 June 2012 | Cuts to TAFE funding will see jobs lost and courses slashed at GippsTAFE Warragul, and could pull over $1 million from the local economy.

GippsTAFE CEO Dr Peter Whitley told *The Warragul Citizen* the institute expects to lose between 35 and 70 staff because of the cuts, including between 10 and 15 at its Warragul campus.

Baw Baw Shire Council modelling indicates a loss of 10 jobs in the local education sector could also see three supporting jobs go and cost the local economy $903,000.

If GippsTAFE is forced to cut 15 jobs, the council says five supporting jobs will be lost at a cost to the local economy of $1.354 million.

Dr Whitley said reduced course subsidies will see some courses cut.

"In Warragul, courses such as the community pharmacy will be cut, the businesses administration will be cut… we are talking that the diploma in business will be cut, [along with] the diploma in human management [and] the diploma in event management," Dr Whitley said.

"In some instances the fees will have risen by between three and four fold, and therefore the cost of doing the course will be out of reach of some of the people in our community."

"Some of these courses are linked to diploma-type courses, and that obviously means that some of those diplomas will not run and therefore the pathway to University study is also going to be jeopardised."

[35] *Twenty jobs could go in Warragul GippsTAFE funding cuts*, The Warragul Citizen, 1 June 2012.

Providing broad and equivalent opportunities to regional communities, particularly to youth, is a primary means to counter this negative trend. In 2004 the Victorian Parliament's Education and Training Committee conducted the *Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria*. The Committee found that where students are able to study in their local region, they are more likely to remain in that region to seek employment.

The Victorian Regional Higher Education Working Party similarly found that a:

> *….regional university presence could be a significant factor in retaining young people in rural and regional areas.*[36]

The distributed TAFE network throughout regional Australia makes TAFEs attractive potential partners for universities. Initiatives such as the University of Ballarat's Menzies Alliance bring the opportunity of higher education to communities which have previously lacked reasonable access to it.

To the extent that the capacity and presence of regional TAFE institutes are diminished by a variety of funding changes[37] and by predatory practices of private RTOs – as they evidently have been in Victoria and may well be in Queensland and other jurisdictions – then so are education and training opportunities, from AQF level 1 through to AQF level 7, diminished for regional communities.

In recent years, Regional Development Australia (RDA) has researched factors contributing to dynamic and growth patterns in regional areas[38]. In 2011-12, RDA Mid North Coast staged a series of conferences, with international researchers providing evidence on these trends, and in particular, the pivotal role tertiary education plays in sustaining growth. This includes the contribution of TAFE to regional leadership and maintenance of community fabric that technical and further education plays, not restricted to the direct contribution of education and training provided by TAFE institutes, but to local government, business development, community and sporting groups. [39]

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[36] Victorian Parliament - Education and Training Committee, *Report of the Inquiry into the Impact of the High Levels of Unmet Demand for Places in Higher Education Institutions on Victoria,* p.6.

[37] Such changes include direct funding cuts, as has occurred in most jurisdictions,

[38] Please note that TDA has a Regional Development Policy, 'TAFE Strategic Leadership Role in regional Australia', available on the TDA website www.tda.edu.au/cb_pages/files/tda-regional-paper_pdffinal.pdf

[39] RDA Mid North Coast, Proceedings of the Conference (2011 – Finish and UK research), and 2012 (Conference - Port Macquarie). Ref www.rdamidnorthcoast.org.au

As set out in Sections 1 and 5, TDA submits that TAFEs need to be financially maintained as comprehensive service providers in order to ensure reasonable access by Australians in regional, rural and outer urban areas to training and education opportunities.

## TERMS OF REFERENCE 4

**The operation of a competitive training market**

. . . . . .

**A competitive training environment requires a robust regulatory framework to ensure quality and a funding framework that ensures equity of treatment.**

While TDA submits that TAFE institutes should receive specific funding in respect of their public character and community service activities, such as full service provision, TDA acknowledges that all other government funding will become fully contestable as jurisdictions implement the National Partnership Agreement of April 2012.

TDA points out that the TAFE sector has not been insulated from competition for many years: apart from TAFEs, there are nearly 5000 other registered training organisations which all, in one way or another, already compete with TAFE.

However, the contestability of funding is likely to see the entry of a significant number of additional providers, servicing a growing body of students and trainees, as envisaged by the National Partnership Agreement.

TDA puts it to the Committee that in system that is undergoing such expansion, it is important to pay particular attention to the maintenance of quality provision. Students need to be assured that they will hold a robust and credible qualification at the end of their studies. Similarly, employers need to be assured that the graduates they employ have the knowledge, understanding and skills traditionally associated with the particular qualification.

Accordingly, TDA puts it to the Committee that in a competitive environment, the expectations of public providers and private providers seeking public funding should be broadly similar.

These expectations could include, for example:

- the demonstrated ability to deliver **quality assured training**, consistent with the specifications of particular National Training Packages and consistent with the requirements of the Australian Qualifications Framework for the level of qualification;
- r**esponsiveness** to contemporary and emerging skills needs of business and industry, the community and individuals;

- **value for money** – that is , delivery of qualifications to the requisite standard;
- **capacity** – including expertise, facilities and balance sheet – to meet a suitable range of industry, community and individual needs.

It is in this context that TDA strongly endorses the National Skills Standard Council's proposals to strengthen the regulatory framework, with the introduction of a new *Australian Vocational Qualifications System* setting a higher bar for a training provider to be awarded the privilege of a license to issue vocational qualifications, with all providers meeting the same standards no matter their sector or regulator.[40]

TDA has outlined above the number of ways in which individual TAFE institutes are collaborating with universities to extend higher education opportunities, particularly in regional and outer urban areas.

Nevertheless, TAFEs and universities also compete head-to-head in a number of areas.

This competition is particularly intense at the AQF 5 and 6 levels (Diploma and Advanced Diploma/Associate Degree), which was mainly the province of the TAFE sector until the progressive uncapping of university places from 2009-2012 when universities moved heavily into that space as they increased[41] student load. Offers of university places increased by 16.4% over the period 2009 to 2012.

It is also the case that a number of universities have established their own RTOs to deliver foundation and pathway programs (at AQF 3/4 levels – Certificate III/IV) or have entered into arrangements with private RTOs to deliver such programs.

The increasingly substantial capacity of TAFEs in higher education delivery means that many TAFEs and universities now directly or indirectly compete[42] from AQF levels 3/4 through to AQF level 7.

However, in stark contrast to the increasingly even terms in which both private RTOs and universities compete with TAFE institutes, current funding and regulatory frameworks markedly disadvantage TAFEs in education markets, both domestic and international, as against universities.

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[40] National Skills Standards Council, **Improving vocational education and training – the case for a new system**, 2013.

[41] DIISRTE, **Undergraduate Applications, Offers and Acceptances 2012**, p16

[42] Where a TAFE or TAFEs enter into third party arrangements with a particular university or universities, this obviously represents increased competition for other universities.

The most evident concerns funding arrangements in higher education, as noted above (Section 2), where TAFE institutes are denied access to Commonwealth Supported Places – that is, a public subsidy towards the cost to an individual of undertaking a higher education course. That an individual has to pay the full fee for a higher education course at a TAFE obviously places TAFE at a cost disadvantage to a university, despite TAFEs having generally lower cost structures. It stifles innovation and flexibility in constraining the emergence of new, more directly industry relevant higher courses and a new style of integrated (or comprehensive) tertiary provider, with a strong orientation towards teaching and scholarship (the 'polytechnic university', however described).

It also significantly disadvantages students undertaking unsubsidised higher education at a TAFE institute, many of whom have had an unconventional pathway to higher education and whose learning needs are best catered for in a TAFE setting, as against students undertaking subsidised higher education at a university.

> TDA submits that there is no justification for continuing this inequitable and anachronistic policy.[43]

TAFE is further disadvantaged by differential – that is discriminatory – treatment in a number of other areas.

**Chief among these is the preferential treatment received by universities in visa processing arrangements, as against TAFE.**

In 2009, education was Australia's third largest export industry, estimated to be generating $18 billion in revenue and 188,000 direct jobs. But this strongly growing sector began to unwind in 2010, buffeted by a combination of factors, such as a rising Australian dollar, the rise of competitor countries and negative publicity concerning student safety and welfare and college closures in the private sector.

> A key factor has been changes to migration rules and regulations, which have particularly impacted the VET sector, including TAFE.

In the calendar year 2011, there were 426,748 international students studying in Australia compared with 468,694 in 2010 (a 9% reduction) and 491,176 in 2009. International student and related spending increased from $14.8 billion in 2007-08 to a peak of $18.1 billion in 2009-10. There has since been a downward trend in International student revenue, with reported revenue in the 2011-12 financial year of $14.7 billion, a reduction of about 19% from the peak[44].

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[43] See D.Bradley et al, **Review of Australian Higher Education: Final Report** (2008), pp.157-158.

[44] Deloitte Access Economic, **The economic contribution of international students**, commissioned by the Australian Council of Private Education and Training (2013).

This decline in international revenue has fallen squarely on the VET sector and had a marked impact on the budgets of a number of TAFE institutes and their ability to, for example, supplement public funding to cross-subsidise certain programs, provide low demand but economically valuable programs and invest in infrastructure.

Demand for Australian higher education places continued to grow during the global financial crisis with the sector gaining an additional 15,500 students (or 7%) between 2009 and 2011. In contrast, the VET (and ELICOS) sectors declined sharply, by around one third, since 2009. This decline ensured the international education market, in total, declined by around 7% per annum since 2009.

There is no sign of that steep downward trajectory abating. Holmesglen Institute reported a decline of 34% in international student numbers in 2012, which translates into a loss of revenue of in excess of $10 million.[45]

The Knight Review[46] of student visas recognised the deleterious impact that declining international revenue would have on university financing (even though university international student numbers have more than held up). Knight observed that, without the prop of international revenue, universities would have to either reduce their level of research or reduce their level of services to Australian students, most likely both. The only way to avoid such reductions would be for Australian taxpayers to "makeup the shortfall".[47]

As a result of the Knight Review, under new rules introduced for universities in April 2012, international applicants are treated as 'low risk', making visa processing faster and easier by reducing the amount of money they need in order to demonstrate that they have the financial capacity to live and work in Australia, and eliminating the need for them to sit language tests for visa purposes.

The same measured approach has not been extended to the reputable, quality assured public TAFE sector – although a number of VET providers, including 16 TAFEs, can have limited access to the streamlined arrangements through 'business partnerships' with universities. It is not at all clear to TDA why the Commonwealth perceives a high risk in accrediting TAFEs in their own right but a 'low risk' when TAFEs partner with universities.

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[45] Holmesglen Institute, **Annual Report 2012**, p.43 (2013). Holmesglen's revenue from onshore delivery to international students halved from $40 million in 2009 to $20 million in 2012. While an increase in offshore delivery partly compensated for this decrease, the same benefits do not accrue to the Australian economy.
[46] M.Knight, **Strategic Review of The Student Visa Program: Report** (2011).
[47] **Shining Knight to the rescue**, The Scan, 29 January 2012.

The public policy justifications for treating universities in this preferential way include:

- Quality is high right across the entire Australian university sector;
- Because there are only 39 universities, the university sector is much easier to monitor and regulate;
- The university sector is very stable;
- Australian taxpayers have a huge financial stake in Australian universities.

TDA contends that *exactly* the same considerations apply to the TAFE sector, for example:

- While there have been evident quality issues in the VET as a whole, TAFE provision is of a demonstrably high standard;
- While there are more than 5000 VET providers in Australia, there are only 60 TAFE institutes;
- While a number of private RTOs have collapsed in recent years, TAFEs have proved as stable as universities;
- Like universities, TAFEs are public sector entities in which taxpayers have a huge financial stake.

A recent report by the International Education Advisory Council supported extending streamlined visa processing to high quality non-university providers, consistent with the COAG Agreement

> *…to expedite the implementation of the revised framework for low immigration risk providers so that they are able to have access to streamlined student visa assessments in the second half of 2012.*[48]

However, the Council expressed reluctance to 'make many significant recommendations on the VET sector, as the sector is currently undergoing significant change and institutional adjustment. In addition, state and territories have different approaches to the international marketing of VET'. The Council suggested that the initial work agenda of the newly established Ministerial Coordinating Council on International Education (MCCIE) should be a further analysis of the VET market.

TDA strongly endorses this proposition, with a view to such analysis providing the basis to *quickly* progress consideration of extending streamlined visa processing arrangements to the TAFE sector.

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[48] **Australia – Educating Globally: Advice from the International Education Advisory Council** (February 2013), p.57.

**TDA considers that other Commonwealth funding programs discriminate against or fail to recognise the value of the public TAFE sector.**

For example, a Commonwealth policy induced change to competitive arrangements in the public university sector – demand driven funding which opened up 39 public universities to greater competition *between themselves* – warranted structural adjustment funding of nearly $400 million.[49]

Yet a Commonwealth policy induced change opening up Australia's 61 TAFE institutes to greater competition from nearly 5000 RTOs (including universities) attracted not a single cent in adjustment funding from the Commonwealth.

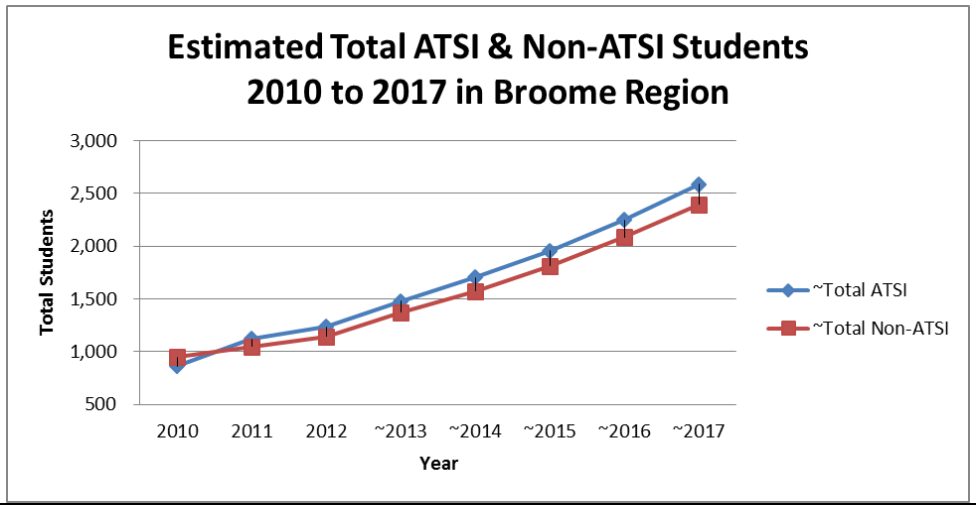
The Education Investment Fund (EIF) was announced in the 2008-09 Budget as a major component of the government's Education Revolution. The role of the EIF was said to "to build a modern, productive, internationally competitive Australian economy by supporting world-leading, strategically-focused infrastructure investments that will transform Australian *tertiary education* and research".[50]

The experience of the Kimberley Training Institute is instructive as to how the role of a TAFE is critical to regional tertiary delivery in ways that university and private RTOs are not.

***Kimberley Training Institute***

. . . . . .

Western Australia's Kimberley Training Institute (KTI), headquartered in Broome, is the fastest growing state training provider (TAFE) in Australia with growth of 56% over the last three years and set for 16% growth again this year. KTI services a region of 424,500 square kilometres, has six campuses, and has a total student population of over 5,000 students, with 57% being Aboriginal.




[49] Program details are set out on the DIISRTE website, **Structural Adjustment Fund**.

[50] See DIISRTE website for details, **Education Investment Fund**.

KTI made an application under the Education Investment Fund (EIF) Regional Priorities round and was unsuccessful, despite the evidence of growth and demand outlined above. As with most regional TAFEs, there is not a university sector to speak of in the Kimberley; the demand for training is largely vocational as that is where the majority of jobs are. Yet, all the EIF funding went to universities.

Vocational training is the main stay for **all** tertiary education in this area with over 50% of KTI's delivery aligned to skills shortage areas. However, the training infrastructure in these shortage areas is inadequate. While the State Government (DTWD) has made a substantial investment in workshops at Broome, Derby and Halls Creek, KTI does not have student facilities, a hospitality area, an Aboriginal Centre, corporate services or adequate administrative facilities.

While KTI's EIF application lines up with the Regional Development Australia - Kimberley's Regional Plan and other key regional strategic documents, its application does not seem have been awarded the weight it deserved. Without the necessary funding of TAFE, learners in the Kimberley region will be further disadvantaged and regional economic and social prosperity put at risk.

TAFE governance has been on the reform agenda for a number of years, with TDA successfully arguing that granting greater operational autonomy to TAFEs, free of the strictures of traditional public service style governance models, would enhance the capacity of TAFE under competition models, and is therefore a necessary accompaniment to the introduction of contestability of funding.

All states and territory jurisdictions have now legislated or propose to legislate for changed governance to public provider (TAFE) institutes, with a statutory governance model the preferred arrangement. This single factor of 'VET reform' change crystallises a key recommendation of this TDA submission and demonstrates the wider imperative that TAFE governance must stand outside state/territory departments of education and training and that nominated performance and payment to TAFE for delivery requires special articulation under future shared federal/jurisdiction funding agreements.

The *Final Report of the NSW Commission of Audit on Government Expenditure* concluded that

> *…the cost structure of TAFE and its ability to raise commercial revenues must be put on a basis to compete more directly with private providers…In any model where TAFE is required to compete on broadly similar terms to private*

*providers, Institute Directors will need greater autonomy to make decisions based on changing conditions in their local markets.*[51]

The Commission specifically recommended to the NSW Government that legal autonomy for TAFE be considered as a matter of priority, and that in particular:

- TAFE Institutes be established as separate corporate entities, reporting to the TAFE Commission, which would retain responsibility for overall coordination of TAFE policy;
- the government provide TAFE Institute Directors with greater autonomy over the management of TAFE Institutes, including for financial and staff management; and
- TAFE Institute Directors be given greater autonomy over the hiring and remuneration of staff, to acquire necessary management and training capabilities required in a competitive VET market.[52]

The Queensland Skills and Training Taskforce Report advised along broadly consistent lines and the Queensland Government has now introduced legislation to create a new TAFE Queensland as an independent statutory body to manage Queensland's 13 TAFE institutes from 1 July 2013.

The Victorian Government has recently reconstituted the boards of its 14 standalone TAFEs with the avowed focus of making them more 'commercially oriented', although amendments to the foundation legislation of Victoria's TAFE institutes arguably have diminished their overall autonomy, with the removal, for example, of a number of explicit stated commercial powers.

The current Western Australian Government legislated in its first term to create TAFE Institutes as statutory authorities, enabling them, for example, to adopt their own develop their own distinctive and locally appropriate approaches to meeting specific industry and community training and education needs..

In 1987 the ACT government legislated for the Canberra Institute of Technology (CIT) to operate as a Territory authority. CIT has a council by the name of Canberra Institute of Technology Advisory Council to advise the director. The staff are employed under the Public Sector Management Act 1994 and the council does not appoint the Chief Executive.

However, the ACT government has acknowledged as part of the National Partnership Agreement on Skills Reform the principle of more independence for CIT so that CIT

[51] **Final Report of the NSW Commission of Audit on Government Expenditure** (2012), pp.83-84.

[52] **Final Report of the NSW Commission of Audit on Government Expenditure**, p.85.

can respond more effectively in an openly competitive tertiary education environment.

In South Australia, a new TAFE statutory authority was created by legislation late last year encompassing within a single entity the State's three TAFE Institutes.

Following a review of governance arrangements, the Tasmanian Government is preparing legislation for 'TasTAFE" to be created as a statutory authority, from 1 July 2013.

> TDA submits that students undertaking higher education in TAFE should attract the same subsidy ("Commonwealth Supported Places") as students undertaking higher education at universities.
>
> Other discriminatory public policy practices, particularly in respect of international student visa arrangements, need to be removed.
>
> TDA strongly endorses initiatives to provide TAFES with the autonomy necessary to operate in the emerging competitive VET market.

## A new concept in tertiary delivery, and case for funding reform

***Case studies in TAFE collaborations***

The Australian Government approved Structural Adjustment Fund (SAF) support for a collaborative partnership - the ***Menzies Alliance*** - between UB and six regional TAFE Institutes. SAF funds of $24.8M were approved, with provision for the new consortia to access Commonwealth Supported Places, as well as State government funding totalling f $3M. The 'Menzies Alliance' partnership has indicated it will seek to provide:

- delivery of an extended range of HE programs across the affiliation to take advantage of the availability of Australian Government funding for CSPs;
- delivery of TAFE-sourced VET programs across regional distributive networks, representing a new model of VET delivery that sources training programs from within the partnership; and
- delivery of cost savings and economies through the provision of shared business services.

By accrediting TAFE certificates, diplomas, advanced diplomas, and work experience as the first and second years respectively of three-year UB degrees, the partnership has opened a previously untapped market of 32,000 regional Victorians who now have access to HE opportunities through UB's partner TAFE Institutes.

UB modelling based on a two-year pilot program (2008-10) and conservative uptake of 5% per annum, anticipates an increased load of at least 1,600 Victorian regional HE students by 2016. Five UB degree programs are now being taught through TAFE Institute partners, with an additional seven programs planned or under consideration for 2013-14. The University is proposing that its TAFE Institute partners formally affiliate with UB for the purposes of educational, organisational and financial sustainability. This affiliation will enable participating Institutes to exploit collectively educational and financial opportunities, especially around VET delivery, unavailable to individual members.

The Menzies Affiliation is one of the more recent new concepts in Australian post-secondary education. In contributing directly to the resilience, vitality, and sustainability of regional and rural communities, the Affiliation offers a regional education solution to the challenges now confronting regional tertiary education providers. It utilises the multi-sector resources, skills and experience located in member Institutes. As a multi-sector collective, the Menzies Affiliation can offer courses and programs for:

- students in years 11 and 12 of secondary school;
- students enrolling in certificate and diploma qualifications in technical and further education;
- students enrolling in higher education undergraduate and postgraduate degrees, diploma and certificate qualifications, and research higher degrees; and
- students (and industries) seeking opportunities for award and non-award courses in continuing professional development, further and adult education.

## TERMS OF REFERENCE 5

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

. . . . . .

**Funding for TAFE must be sufficient to enable TAFE to efficiently meet its purposes as the public provider and should be guaranteed in national funding agreements.**

In TDA's view, the purposes of TAFE include:

- Providing high quality training and education across a breadth of areas relevant to industry and community needs; and
- Maintaining a network across Australia to ensure reasonable access for all Australians to relatively comprehensive training and education opportunities.

In line with the second point, any funding model needs to allow for institutional diversity and the different costs institutions face and opportunities available to them. This includes recognising the higher costs facing regional institutes as against metro institutes and their more limited ability to tap alternative income streams.

An effective funding model must also support medium term sustainability in accommodating economic, budget and labour force change and volatility, smoothing troughs as well as allowing peaks. Institutes need a reasonable degree of certainty as to their funding to enable orderly planning and flexibility to meet changing industry and community needs and indeed to account for the impact of technology on their delivery and operations.

We have, in Australia eight different funding models, with each jurisdiction taking its own approach towards introducing greater contestability. Victoria's model for VET is radical in that it allows virtually no distinctive role for TAFE in relation to private providers and therefore funds public and private providers on the same basis. As a result, the TAFE share of Victorian public VET funding has declined from 66% in 2008 to 45% in 2012. As has been well-documented, Victoria's virtual 'open access' to funding, compounded by the sudden removal of $300 million a year in funding

(about 25% of its public funding), has resulted in severe dislocation of the whole Victorian training system. This has resulted in:

- A blow out in the Victorian training budget to unsustainable levels (about 50% over estimates);
- A degradation of an important public asset (the public TAFE system) and thereby diminished capacity of the training system;
- A proliferation of private provision in areas of low economic priority; and
- The debasing of the Victorian VET qualification system, with many qualifications being delivered in the private sector on the basis of scant actual training ('tick and flick'), so that VET qualifications in Victoria delivered outside the public TAFE system over the past couple of years are questionable.

This appears to be in flagrant breach of both the spirit and the letter of the National Partnership Agreement which requires signatories in support of the development and implementation of strategies which enable public providers to operate effectively in an environment of greater competition.[53]

While other jurisdictions have moved in a more measured and orderly way towards contestability to avoid the type of dislocation that occurred in Victoria, the undoubted challenge that contestability presents to the TAFE sector has been intensified by funding cuts or changed pricing models in other jurisdictions, notably in New South Wales and Queensland[54]. Such cuts add to an alarming long term decline in overall VET funding, relative to other education sectors and per student.

AWPA's Future Focus report notes that, between 2006 and 2010, government real recurrent expenditure on VET increased by 10% but expenditure per student annual hour actually *decreased* by 14% during the same period. Somewhat more alarmingly, the agency finds that while recurrent funding since 1999 has increased 31% for public primary schools and 20% for secondary schools, and remained steady for the university sector, it has fallen 25% for vocational education and training (Table 1).

[53] **National agreement for skills and workforce development** (2012) paragraph 25(d).

[54] The New South Wales government is cutting $80 million and 800 teaching jobs from TAFE, while increasing student fees by 9.5% and the Queensland government has cut $78.8 million from training, tertiary education and employment. According to AWPA there have been cuts in 2012-13 all jurisdictions except SA and NT.

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).

Table 1: REF - AWPA Future Focus: 2013 National Workforce Development (page 131)

| Year | Primary government schoolsa | Secondary government schoolsa | Vocational education and trainingb | Higher educationc |
|---|---|---|---|---|
| **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 |

AWPA's conclusion is compelling: there is a tipping point at which funding cuts must compromise the quality of provision.

> *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 more positive and creative approaches to achieving 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.*[55]

[55] AWPA, pp130-131

Arguably, as suggested by the comments of NSSC chair John Dawkins cited above, that tipping point as already been reached and "skills reform" is not so much about ensuring efficiency and effectiveness but budget bottom lines – that is, cost cutting.

With respect to VET sector funding, AWPA, drawing on the work of its predecessor Skills Australia, makes two relevant recommendations:

- a review be undertaken for the VET sector to determine an appropriate level of funding for delivery of VET to ensure quality standards are met. The review would need to take into account that base funding encompasses contributions from governments, employers and individuals and that a funding model should be flexible enough to accommodate the significant variations that can occur across different modes of delivery as well as the additional support required for disadvantaged students; and
- an increase in public and private funding of at least 3% per annum in real terms to meet industry demand for skilled, qualified workers. This increase assumes similar levels of indexation in higher education and VET for the publicly funded component. AWPA estimates that investing an additional 3% per annum would require an additional $860 million in public and private expenditure in 2014, compounding annually to reach $1,190 million in 2025.

TDA notes that the Final Report of the Queensland Skills and Training Taskforce recommended that:

3.1 The base cost of the public provider, constructed on clearly defined and transparent parameters should be identified as a priority; and

3.2 Adequate funding to support the agreed transition of TAFE Queensland to a competitive entity within VET should be quarantined for a pre-determined period, separate to any non-contestable base funding and fully contestable government funding for delivery of VET.[56]

The government agreed that it was appropriate to fund TAFE to provide services that cannot be delivered contestably. Similarly, the higher costs associated with government service provision should be recognised and funded through an agreed base funding and service arrangement, noting that

[56] M.Roche et al, **Final Report of the Queensland Skills and Training Taskforce,** (2012) p.12.

*… some of the services delivered by TAFE, particularly in rural and remote areas and to meet the needs of disadvantaged learners and equity groups, are delivered to meet government priorities, equity outcomes and address market failures. TAFE Queensland also incurs additional cost by virtue of government ownership including: higher salary costs; depreciation and maintenance on a large capital base; the additional reporting and accountabilities required by government entities; and historical provision of a comprehensive range and level of qualification outcomes and support services*[57].

In Skills for Prosperity, Skills Australia observed that:

*An ongoing and unresolved tension in any discussion of the sector's future is the issue of joint government ownership in terms of funding, strategy, policy and leadership. [It has been identified as] a 'burning issue' that required resolution through the Australian Government assuming responsibility for the sector.*

While Skills Australia did not recommend the radical undertaking of an overall structural change in government responsibility, with attendant constitutional and funding issues, it did propose a clear differentiation of government roles premised on:

- the Australian Government driving coherence of national strategy, policy, regulation and standards; and
- the key focus of state and territory governments residing in service delivery—streamlining for consistency; comprehensibility and ease of access; maximising of service impact; and providing seamless support for clients and users.[58]

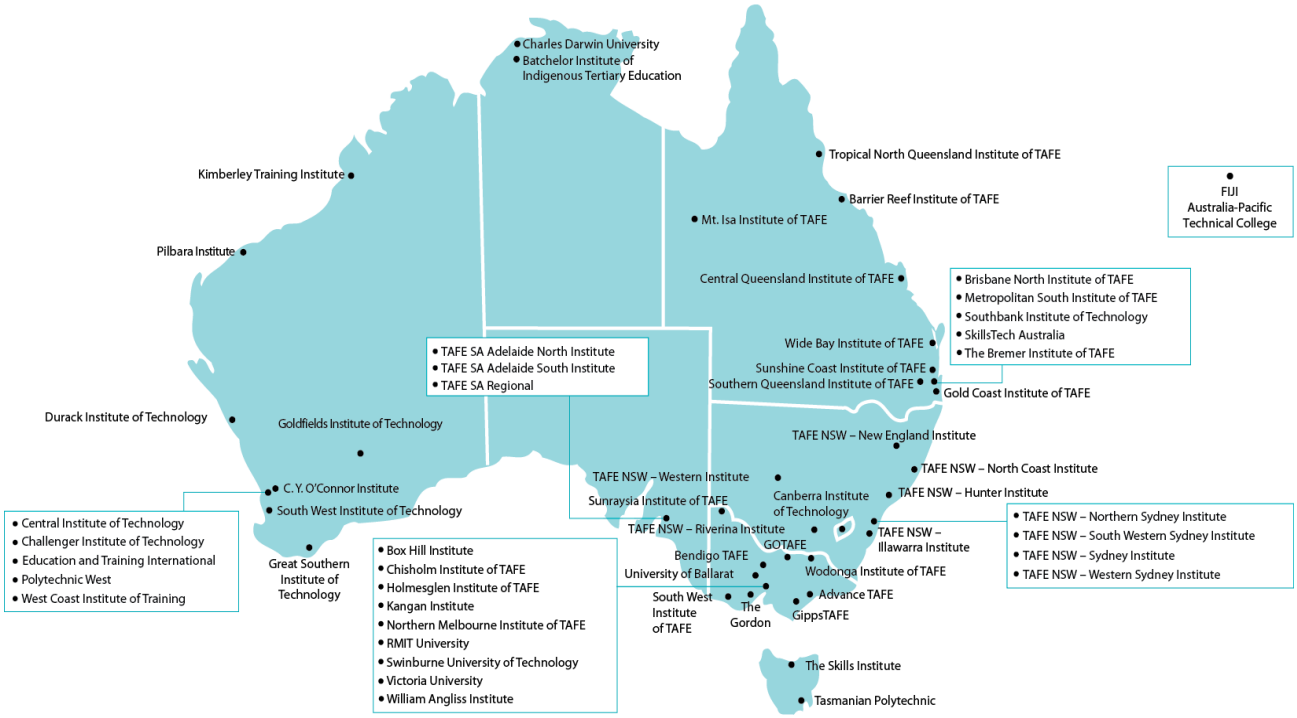
TDA acknowledges that establishing such a clear differentiation of roles would be a delicate and often complicated process. Nevertheless, given the breakdown of certain key aspects of the current national partnership approach, it is necessary to give serious consideration to proposals for to create greater clarity, certainty and consistency in national arrangements.

TDA submits that the evident decline in public investment – 'disinvestment' - in the VET sector works against declared public policy to improve the stock of skills in the Australian workforce and policies relating to equity and social inclusion. On those grounds alone, a moderate increase in funding of the order suggested by AWPA is wholly justified.

[57] **Government response to the Queensland Skills and Training Taskforce final report** (2012), p.12.
[58] Skills Australia, **Skills for prosperity – a roadmap for VET** (2011), p.160.

TDA further submits that a 'base funding review', as has occurred in respect of schools education (the Gonski review) and higher education (the Lomax-Smith review) is necessary in order to establish the minimum funding required to sustain the public provider network in its role as a comprehensive service provider, as set out in Section 1 of this submission.

TDA considers that national arrangements in VET funding and delivery need to be remade to create a clearer differentiation of the respective roles of the Australian Government and the State/Territory Governments.

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