



Submission to Federal Treasury

**Re-Skilling, Re-construction
and Reform**

**Ideas and priorities for
Vocational Education and
Training**

BUDGET 2011-12

THE ROLE FOR TAFE INSTITUTES TO SUPPORT SKILL SHORTAGES WITHIN A NATIONAL PRODUCTIVITY AGENDA

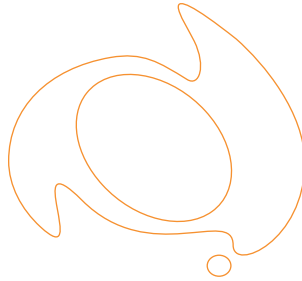


RECONSTRUCTION STRATEGIES IN THE AFTERMATH OF THE QUEENSLAND AND VICTORIAN FLOOD DISASTERS

TAFE Directors Australia (TDA), the peak body of Chief Executives of Australia's 58 TAFE Institutes, has developed this submission to the Treasurer, The Honourable Wayne Swan MP.

The TDA submission contains recommendations across two priority areas for Australia:

- i **Re-skilling Australia** – The economic recovery has accelerated current and projected skill shortages, and, coupled with Intergenerational (IGR) issues facing the economy, significant capacity needs to be unleashed for the TAFE Institutes to fully support skilling strategies;
- ii **Re-construction after Floods** – The devastating floods in Queensland and Victoria have impacted skilled labour across Queensland and Victoria, while infrastructure was also affected with several Queensland campuses completely inundated during the floods.
ACCORDINGLY, TDA WILL SEPARATELY SUBMIT TO TREASURY PROPOSALS RELATING TO THE FLOODS, IN COMING WEEKS



Background

The national network of TAFE Institutes deliver 85% of all publicly funded training for skills in Australia, with 1.6M enrolments annually¹, and an estimated further 500,000 students for short specialist courses.

The TAFE geographic campus network covers an unparalleled geographic footprint across the nation; Australia's 58 TAFE Institutes manage in excess of 1,300 campus College sites. The AusAID-funded Australian Pacific Technical College is also a member of TDA.

Regional Development Australia evidence shows the TAFE campuses are especially effective in successfully engaging local communities in post-school education across outer suburban, rural, regional, and remote indigenous communities².

The Australian TAFE Institutes are strategically a key component of Australia's skills and post-school education base – across its geography, student client base, and reach across key industry sectors. These are key productivity drivers for re-shaping workplace engagement and therefore relevant to the Federal Budget 2011. -

¹ NCVET VET data 2010

² Regional Development Australia Mid North Coast NSW, Regional Plan – Connecting People, Coast and Valleys. 2010.p.41

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Section 1

EXECUTIVE SUMMARY

RECOMMENDATION 1 – Accelerate quality teaching and learning initiatives in workplace training.

RECOMMENDATION 2 – Change the eligibility for uncapped Commonwealth Supported Places (CSPs) from universities to all higher education providers, with priority for courses aligned with Skilled Shortages (SOL list).

RECOMMENDATION 3 – Establish a dedicated TAFE Structural Adjustment Fund.

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Section 2

RESKILLING AUSTRALIA STRATEGIES

RECOMMENDATION 1

Extend the industry co-funding model of the Quality Skills Incentive Fund, with a 50% increase in funding available.

The extra funding beyond the \$129.5M over three years, to apply from 1st July 2011, should be reliant on matching training funds from industry or states and territories.

Priority in criteria should be given to quality teaching and learning initiatives For Training In The Workplace, and priority to occupational qualifications across skill shortage areas.

PURPOSE – To encourage TAFE Institutes to accelerate workplace delivery has been a key recommendation of Skills Australia³, which argued that industry would significantly benefit from TAFE should it succeed toward strategies to broaden workplace delivery.

The OECD suggested that even for acquiring ‘soft skills’ workplace delivery was a far improved delivery method to institutional delivery.⁴

CONTEXT – TAFE Institutes are being called on to support training for firms that are competing across incremental improvements in technologies, and complexities in job and career categories aided by higher levels of workplace training.

Intergenerational Treasury data shows that a lift in workforce engagement will be needed to offset productivity losses from an ageing Australian workforce, while Productivity Commission data has tracked the current mix of under qualified Australians – often outside the workforce.⁵

NCVER data⁶ shows private industry contracts TAFE for skills apprenticeship training four-fold over private colleges – with employers rating TAFE at 87.6% satisfaction, across city, suburban, regional and remote locations.

In addition, Australian firms are being asked by the Australian Immigration authorities to partner with training (TAFE) to sponsor students under the new DIAC Points System, across SOL-listed skill shortage areas⁷ – professional, para-professional and trade – while private colleges have experienced an economic contraction.

Overarching industry trends (and policy mission by the Australian Government) demand higher qualifications. TAFE Institutes have kept pace with these trends, and additionally more than 20 have successfully qualified as Higher Education Providers (HEPs), and the whole of TAFE NSW has become a HEP provider.

³ Skills Australia., Creating a Future Direction for Australian vocational education and training. 2010. p36

⁴ Ibid. pp37

⁵ Treasury - Dr. Ken Henry, Secretary Treasury, CEDA Address 14 July 2010, and Productivity Commission Report on Workforce Participation of Australian Males, and, NVEAC Blueprint, 2010.

⁶ NCVER, Employers use and views of the VET system 2009., p16

⁷ Skills Australia, SOL List 2010 (updated March 2011)

OUTCOME – The additional funding would drive specialist online resources, scholarship and simulation work-ready technologies for workplace delivery. This would include assessment support and more developed tertiary library services across mobile workforces, including in remote and indigenous communities. Accountability criteria could apply (as with the existing QSIF), to encourage corporate collaboration, or co-investment from states and territories.

RECOMMENDATION 2

Enable all higher education providers to be eligible for uncapped Commonwealth Supported Places in courses which meet the skill needs of occupations on the Skilled Occupations List (SOL)

PURPOSE – To address poorly targeted public funds currently allocated to universities which have over-enrolled in courses and areas of studies without reference to national skills shortages (as outlined by the SOL list).

Instead, tertiary CSP funding should go across the board to ALL Higher Education Providers (HEP) providers, which show priority for courses in skill shortage areas.

CONTEXT – TDA seeks balance to funding arrangements for TAFE and HE, consistent with the Bradley Review recommendation that ‘the Australian Government will progressively extend the tertiary entitlement to the vocational education and training (VET) sector commencing with higher level VET qualifications’ (Bradley et al. 2008, p. xiv).

In broad terms, TDA endorsed the Bradley Review recommendation mentioned above, however, TDA recommends that in the first instance, TAFE institutes receive funding for Commonwealth Supported Places in priority areas of national skills shortage.

To ensure there is a cost-neutral impact of this change in tertiary policy, TDA recommends that the current “un-capped” funding of CSPs to universities end at the close of 2011, and be replaced by a HEP-wide funding.

OUTCOME – Increased efficiencies with higher education investment, and motivate universities, TAFEs and private HEP providers to direct increased HEP revenues to support SOL-affected skill shortage course and qualification areas.

RECOMMENDATION 3

Establish a dedicated TAFE Structural Adjustment Fund.

A dedicated TAFE Structural Adjustment Fund would strengthen governance reform of TAFE – currently at different levels and effectiveness across Australia – along with re-positioning of TAFE (where required) to address dynamic changes taking place in employment and workplaces, and which require TAFE to respond to Commonwealth competition policy.

PURPOSE – Access to the Structural Adjustment Fund would include:

- > Governance Framework – TAFE Institutes should be granted independent access by states/territories to invest in improved governance, to overcome structural impediments to competition for national training priorities, and capacity to widen workplace VET delivery.
- > Asset Management – Rebuilding infrastructure, demands for international student housing and new technology based training

CONTEXT – DEMAND – The Australian Government’s education entitlement policies, guaranteeing course and qualification support for post-secondary school leavers – coupled with FEE HELP loan access at diploma level and above – has resulted in strong enrolments and take-up in TAFE. Training to job seekers through the Employment Services Australia network, is additionally motivating wider training.

FINANCIALS – The financial response from states and territories in recent years has generally been to pull back from further investment in training, with NCVET data confirming VET spending has declined in all but two states (Queensland and WA) to less than 50% of total VET funding, with NSW and Victoria showing the largest declines.⁸

GOVERNANCE – For system development, states and territories have not successfully achieved co-ordination in strategic design or development of the public TAFE system vis-à-vis the incorporation model of the 38 universities; eg:

- > In Victoria, state VET strategy largely targeted with increased student fees, widening of student FEE HELP loans, “competition policy” moves to widen VET funding across public and private RTOs, and increasing the number of private RTOs registered, yet overall funding to VET was decreased – arguably a cost-shift to individuals
- > Western Australia proceeded with re-branding and statutory authorities for TAFE, yet governance and financial controls to DET WA strengthened
- > Tasmania has withdrawn support for their new Polytechnic system to be a statutory authority, and this is currently being moved into the DET Tasmania
- > In NSW the TAFE network remains under the authority of DET NSW, with a review current on governance options

ASSET MANAGEMENT – The 58 Australian TAFE Institutes have a wide geographic footprint, with some 1300 campuses. In crude terms, TAFE could be described as asset rich but income poor. Because of differential governance and differences to asset management capability vis-à-vis universities which can create property trusts to manage campus infrastructure, and support asset renewal, this leaves TAFE Institutes at a competitive disadvantage within the new tertiary environment.

⁸ NCVET VET Financial Information 2009 p.9

TERTIARY – With more than 20 TAFE Institutes now registered as HEP providers, and with several (in Victoria) now able to offer students HECS courses (nursing, and early childhood education) it is essential for student equity that investment is made to support a level playing field for public TAFE library and teaching facilities across tertiary programmes.

OUTCOME The current Structural Adjustment Fund is quarantined to Australian universities. While criteria has recently included outreach to TAFE Institutes to increase equity targets, this Fund has been less than successful in wider engagement to finance micro economic reform within TAFE Institutes.

STRATEGIES FOR RECONSTRUCTION FOLLOWING THE DEVASTATING FLOODS

NOTE – Because of ongoing by DETA Queensland and TAFE Institutes in Queensland, the assessment report on recovery and reconstruction will be sent to Treasury in coming weeks, from TAFE Directors Australia.

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Section 3

VOCATIONAL EDUCATION & SKILLS EMERGES AS KEY ISSUE FOR MICRO-ECONOMIC REFORM

3.1 TAFE Directors Australia – A COAG reform commitment

In 2007–08 the National Board of TDA published its White Paper on Workforce Participation⁹, which committed TAFE to leading with policy on national VET reform, and has been foremost in Budget submissions to seek efficiencies and funding to support national training priorities.

TDA now has representation on Australia’s major quality and equity educational agencies, and input to COAG advisory state and territory forums.

In Budget 2010, TDA successfully advocated the establishment of a Quality Skills Incentive Fund. The Budget proposed this QSIF be open to the top 100 Registered Training Providers in Australia – public and private.

This priority on quality has been a key attribute of TAFE Institutes.

TDA notes citations from government agencies in China and India during the period of some 18 months which resulted in closures and adjustment across Australia’s state-approved private training colleges. As reported in the media, in many cases Colleges were exposed by audit authorities for low quality training, fraudulent practices in issuing qualifications and undue linkages of ‘training’ to skilled migration schemes.¹⁰

Internally, TDA has mentored professional development of its leadership throughout this period, cross-border and international recruitment of its senior executive ranks, and been appointed a representative to the National Quality Council, COAG task forces on VET reform, and input to national and state, territory vocational reform.

Further examples of this activity indicate wider leadership in VET policy:

INTERNATIONAL BENCHMARKS – In 2008 TDA was commissioned by DEEWR to host the OECD benchmark national training provider forum on vocational education, which was part of a request to the OECD from the then Deputy Prime Minister, Hon. Julia Gillard MP, for Australia to be part of a 14-country benchmark review on VET and productivity. Our TDA experience was based on several factors (listed below), and TDA’s role at a domestic level, and through the Asia-Pacific region as an advocate on vocational education quality and reform. This history goes back to 2004, when TDA hosted the World Congress of Colleges and Polytechnics, and thereafter some of Australia’s largest corporations operating abroad have linked TAFE Institutes into national training commitments, to support localization of skills and training. In November 2010, Martin Riordan (CEO, TDA) was re-elected deputy chair of the World Federation of Colleges and Polytechnics, with inputs to UNESCO UNICEF, ADB and World Bank VET policy.

⁹ Refer www.tda.edu.au Publications

¹⁰ Victorian Audit General’s Report, VRQA, Tabled Victorian State Parliament, 7 October 2010

PERFORMANCE & RESEARCH – Australian Education International (DEEWR) and Austrade work closely with TDA to widen support for improved industry training linkages across the Asia-Pacific. eg:

- > **INTERNATIONAL** – DEEWR commissioned TDA in 2009–10 to manage a national review of international student satisfaction (Reference iGraduate Survey¹¹, www.tda.edu.au) Student satisfaction ratings showed strong support from international students with the quality of their TAFE experiences across all five key areas: Arrival (87%), Learning (85%), Living (88%), Safety (88%), and Student Support (83%). The overall rating of 84% is comparable to similar surveys conducted for Universities Australia in 2009 and DEEWR in 2006, and 2007.
- > **DOMESTIC** – NCVER data shows business satisfaction of TAFE training has ranked equal or above private training in Australia, and remains superior for apprenticeships.¹²

REGIONAL LEADERSHIP – TAFE has played an important role managing regional TVET capacity building projects:

- > **CHINA MODELLING** – The AusAID \$25M Chongqing China project was a strategic up-scaling with five clusters of new industry sector Colleges, with the ‘C-TAFE’ model now adopted into several provinces including the Guangdong Pearl Delta Manufacturing Zone, while several leadership of that project now senior directors for VET in the Chinese Ministry of Education.
- > **CHINA COLLABORATION** – Recent NCVER data shows some 40,000 students at Chinese polytechnics and public VET colleges are in training supported by TAFE joint qualification programmes, courses and certified English language training.¹³

- > **CHINA LEADERSHIP TRAINING** – In 2010, TDA as part of its eight year MoU Agreement with the China CEAIE exchange agency under MOE, coordinated for TAFE Institutes to train 91 nominated leaders from China’s top 200 Colleges and Polytechnics, promoting Australia’s industry-led competency training system. The MoU also supported a TDA Mission to southern China in 2010 and a special TDA/CEAIE symposium at the Shanghai 2010 World Expo.
- > **SE ASIA MISSIONS** – TDA has contributed to three Australian Government Educational Missions into SE Asia; Mission to Indonesia, Malaysia and Singapore (2008), Mission from Thailand (2009), Mission to Vietnam (2010)
- > **PACIFIC** – TDA assisted AusAID scope the \$130M Australian Pacific Technical College centred across five Pacific Islands (2007–08), and consortia of TAFE Institutes currently operate the APTC College under tender.
- > **EAST TIMOR** – TDA has volunteered consulting support to East Timorese authorities creating improved vocational education facilities.
- > **MONGOLIA** – Australian corporations’ export interest in mineral resource development in Mongolia has included demand for TAFE and TDA in particular to play a prominent role While this is still under scope, as recently as October 2010 Austrade’s regional office in Seoul oversaw TDA entering into a MoU with the new Ministerial TVET Agency in Mongolia, and witnessed by the Minister for Education. The purpose of the MoU is for TAFE Institutes to begin high level (funded) support for the Mongolian skills policy to support many Australian mining corporations, including an associate of Rio Tinto, with major gold and copper mines recently opened. TDA has been further asked to help host parts of the proposed visit to Australia in March 2011, of the Mongolian

Prime Minister, Minister for Education and TVET Agency leadership.

- > **INDIA** – Ahead of the upcoming Commonwealth CHOGM Conference (Perth, 2011), TDA will host an Australia-India Bilateral Leadership Symposium with India-subcontinent VET college leadership, to assess regional collaboration models, and professional development mentoring between Australian TAFE and the Indian VET network.
- > **MALAYSIA** – TDA will be hosting two senior officials from the Ministry of Manpower and Transformation in March 2011 as part of a four week internship sponsored by DEEWR
- > **USA** – TDA is scoping the establishment of a USA-Australia Green Skills Network to support the advancement of vocational skills training for sustainable development and the promotion of exchanges and information sharing between the two countries. The community of practice will link Australia with major work in green skills from the Gates Foundation, and the US Department of Energy.

3.2 FOCUS ON WORKFORCE DEVELOPMENT

TAFE has successfully targeted students for retraining and a 'new start' for up-skilling careers, with our students' average age ranging between 25–35 years of age. Workplace delivery in TAFE more than doubled between 2002 and 2009, and Skills Australia recommended even greater emphasis and investment should be devoted to this area, to improve Australia's productivity.¹⁴

Increasingly TAFE Institutes have borne a wider cost than merely delivery in this quality mission, especially with ESL (English as a second language) and literacy challenges being experienced with new students.

TAFE Institutes have ranked strongly in assessments of equity engagement in post-secondary education, and have had considerable success to engage workplaces for work experience under competency training, internships, and workforce delivery.¹⁵

However the same regional engagement in higher degree qualifications under universities has remained weak, and in some cases still single-digit take up of qualifications.¹⁶

TDA signals to Treasury that TAFE Institutes are ideally positioned – strategically and geographically – to take a leadership role at a national level with workforce participation.

Yet structural impediments remain which should be addressed by the

¹¹ iGraduate Survey, UK model. Refer www.tda.edu.au

¹² NCVER, Employers use and views of the VET system 2009., p16

¹³ NCVER 2010, Unpublished survey, 2010

Federal Budget 2011.

Timing is important; there is urgency to integrate the introduction of the National VET Regulator effective April 2011, with Federal acceptance of 'tertiary targets' from the Professor Denise Bradley AO Review into Higher Education, and its wider targets agreed for up-skilling the Australian workforce.

The Government's related productivity priorities with Welfare to Work, outreach to indigenous communities for training and disabilities engagement show equal promise if matched with TAFE-based training synergies.

3.3 Productivity Agenda

The Secretary of Treasury, Dr Ken Henry, in his most recent speech to CEDA, focused on the challenges facing Australia from intergenerational IGR issues. He noted:

"... think about dependency. For example, unpublished projections indicate that for every adult without employment - excluding fully self-funded retirees - there will be only 1.8 people in employment in 2049-50, a fall from 2 currently.

"This is a modest deterioration when compared against the ratios presented in the IGR. However, regardless of how dependency is measured, an ageing population is expected to lead to a deterioration in dependency ratios, with adverse implications for economic growth."¹⁷

Dr Henry explained it was participation that was critical to counter ageing pressures, and delivery of national productivity targets. He added:

"Looking ahead over the next 40 years, however, those of prime working age are going to fall as a proportion of the population aged 15

or more, acting as a drag on rates of workforce participation.

"....Thus, whereas higher rates of workforce participation added about 0.3 percentage points a year to GDP per capita growth over the past 40 years, participation rates are projected to fall over the next 40 years, subtracting about 0.2 percentage points from annual GDP per capita growth."

The Treasurer Hon Wayne Swan MP's invitation for community submissions to the Budget 2011 specifically requested submissions note the current fiscal position of the Federal Budget, including priorities to return the Budget to surplus by 2013.¹⁸

The TDA Budget 2011 recommendations are especially relevant across critical skill areas EG: building and construction, early childhood education, health sciences, logistics ICT and engineering, hospitality, and resource oil and gas sectors.

Each recommendation is revenue neutral; gains are designed to national productivity and offset increased expenditures. The reforms for TAFE Institutes would lift workforce participation, and offset the productivity losses being progressively experienced from the intergenerational IGR ageing of the workforce.

¹⁷ Dr Ken Henry, Secretary Treasury, CEDA Address 14 July 2010

¹⁸ The Hon. Wayne Swan MP, Treasurer, Media Statement, Brisbane, 8 December 2010.



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