The TAFE sector in Australia in 2011 is at a turning point. In the state which has been at the forefront of market reform for almost twenty years, 16 out of 18 TAFE institutes are operating at a loss. They are spending more than they are making, and each and every TAFE director in Victoria knows that they are facing a financial crisis.

In the less than two years since the implementation of the so-called Training Guarantee, the size of the VET “market” has increased by almost 20%, but Victorian TAFEs share has dropped from 75% (in 2008) to 49% (in 2011). This drop in market share is disastrous for the community and the economy, and it is unsustainable. It is the direct result of the Victorian government opening up all public funding for vocational education to competition from private providers, and it has led to unsustainable growth in qualifications for occupations such as personal training and security guards.

In response to the growing crisis in TAFE in Victoria, and a $400 million overspend on the VET budget, the Minister announced significant cuts to TAFEs’ budgets. In the publicity surrounding the cuts, little mention was made of the fact that Victorian TAFE is, and has been for almost 20 years, the lowest funded in Australia.

More troubling for TAFE is the fact that the bulk of the cuts announced by the government to address the so-called budget blowout have been directed towards TAFE, even though most of the $400 million overspend has benefited private providers. In 2008, private providers accounted for 10% of students and 10% of enrolments.

Now, private providers account for 40% of students and 36% of enrolments. Since 2008, 10 out of 18 TAFE institutes have dropped student numbers by up to 13%, and enrolments by up to 10%. Overall, TAFEs have declined by almost 1% in terms of numbers, and grown by only 1% in terms of enrolments. And yet the market has grown by more than 20%. The Victorian funding cuts will strip millions out of TAFE and continue to fragment VET provision over increasing numbers of small private providers.

In an equally troubling development, the delivery of Diplomas and Advanced Diplomas in Victorian TAFE has declined by 19.3% from 2009, at the same time as they have increased by 26% in SA, 4.8% in NSW, 11.8% in Qld and 10.6% in WA. This is at a time when governments are arguing that the economy needs higher level qualifications, and it points to the great risk for TAFE in the current policy settings that it will become a residual provider.
What is playing out in several states and territories in TAFE at the moment is the product of a calculated and long-term strategy led by key neo-liberal bureaucrats to privatise vocational education in Australia.

And these market driven reforms are about shifting the costs of education from governments onto individuals through increased fees, so-called student entitlements and income contingent loans. In the case of vocational education, some of the students are amongst the most disadvantaged and marginalised in the community.

No one has presented evidence anywhere that competition works. This is a policy without a real purpose (beyond shifting costs onto individual students), which will destroy the public TAFE system as it is currently doing in Victoria. But competition in and of itself is not something that TAFE needs to fear. If TAFE were to compete on quality with private providers, it would win every time. It cannot compete on cost because it pays award wages to its staff, because it shoulders the bulk of high cost, resource intensive qualifications, it still manages to provide facilities and support to TAFE students and because despite twenty years of diminishing funds, it offers quality vocational education.

It is very difficult for TAFE to compete on cost with private for profit providers required to offer very little educational support to students, with only minimal regulatory scrutiny in an immature regulatory environment.

And this is why it is not an overstatement to say that, as the Victorian situation shows, we are at a crucial moment.

What are the lessons of the Victorian “experiment”? Victorian TAFEs are the most commercially orientated and most autonomous and independent in the country. Their current predicament – and I want to emphasise this very strongly – is not a result of mismanagement or inexperience. It is because they are involved in a competition which is unfair and unwinnable for them. They are not to blame for what is occurring – their government, and possibly their bureaucracy is. Arguably, if Victorian TAFE cannot succeed in this environment, none can. Every other state government should be watching what is happening in Victoria with keen interest and grave concern.

Market reform, competition, contestability – these are about privatisation, not about high quality vocational education, sustainable educational experiences for students, or the long term investment in TAFE infrastructure and services that the
Australian economy requires to underpin its long term capacity to compete in the world economy, to respond to the need to be innovative and dynamic. In a contestable environment, students will pay higher fees and there will be no guarantee of quality for them if they choose a private provider. They will pay more, but they will get less. They will be promised a training guarantee, or an entitlement, but instead they will get a debt for the rest of their lives.

Much of the $400 million so-called overspend in the Victorian VET budget has gone, through competition to the hundreds of private providers which have sprung up over night in Victoria to take advantage of the Victorian Training Guarantee. Any “profits” which are derived from the activities of these providers will not be re-invested into infrastructure and improved services for Victorian vocational education. These profits will remain with the individuals who have made them. This is not a policy designed to improve the quality of delivery or services in vocational education – it is a policy designed ultimately to shift the burden of funding for vocational education away from governments and onto individual students.

Competition and contestability are not sophisticated policy tools aimed at fine-tuning the sectors response to the needs of society, industry and the economy. They are very crude and blunt instruments – and they are ultimately unproven. They are lazy substitutes for public policy.

But there are other lessons for governments and they need to pay attention.

The TAFE system in Australia enjoys extraordinarily high brand recognition, student satisfaction and community support. Successive polling undertaken by the AEU shows that Australians know TAFE, know what it does, and have family members who have been there. Our polling shows that Australians do not want TAFE privatised, that they believe governments should invest more, and not less in vocational education, and that they trust their TAFE institutes.

State governments should be concerned about being associated with the demise of the TAFE system in their states, under their watch. At the moment that this is what they are risking with their folly.

We are at a crossroads in terms of training and education in Australia. TAFE funding has been cut. Making that worse by the full-scale privatisation of TAFE is the wrong decision and it will have a tremendous impact on a lot of people’s lives and the future of the country. People will pay more and get less.

TAFE is about skills and quality and about opportunity for all. This is all about the quality of vocational education we want. More than ever what young people
learn will determine where they end up in life. Training must be high quality, it must be low cost and it must be delivered when and where it is needed. That is TAFE.

The lessons from Victoria are very clear:

Privatisation is about profit, higher fees and poor quality.

Because of the folly of their policies, governments must invest seriously in increased regulation and scrutiny of private providers.

We must invest more, not less in TAFE and guarantee its funding if we want to ensure all Australians can get the training they need.