MARKETISATION OF VET - WHAT DOES IT MEAN FOR TAFE?

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INTRODUCTION

By way of background, the Victorian TAFE Association is the peak body for Victoria’s 14 TAFE Institutes and 4 Dual Sector University TAFE Providers. We are fully funded by those members and play a key role in advocacy and stakeholder representation on Education, Funding and Governance Policy matters and also Human Resources and high level Industrial Relations matters.

In the contestable funding market we are seeing significant national changes in purchasing arrangements through the National Workforce Development Fund, transformational change occurring in South Australia through the ‘Skills for All’ policy implementation and in Queensland through the ‘Strategic Priorities’ initiative underpinned by the Allen Consulting Report ‘Queensland Post-Secondary Education and Training Review’ and the associated government response. We also have the NSW Smart and Skilled Review and I hold out much more hope for you in NSW that your Government will take a more cautious approach than was created by the Victorian Labour Government under Premier Brumby.

The marketization of vocational education started in Victoria by the Labour Government and continued with the Liberal / National Party Coalition Government has occurred in the absence of a holistic VET / TAFE policy agenda.

The continuation of the prior Labour Government policy implementation agenda is clearly driven by those with all power in Treasury.

It’s very much in my view about marketisation with little emphasis on education policy and quality outcomes.

In Victoria we are 11 months into a fully contestable VET market under the Victorian Training Guarantee where policy levers determine eligibility for government supported places. We are noting significant growth in government funded training and shifting market share as I will outline.

I will outline a brief overview of a recent Auditor General review related to TAFE governance and oversight and a current TAFE governance review arising from a background consultancy report by dandolopartners. I will also touch on the current review of Fees and Charges by the Essential Services Commission and a subsequent Expert Panel consultation process and, in addition, a just released review of State Based Reform Agenda by the Victorian Competition and Efficiency Commission as it relates to TAFE and VET.
In truth we are initiative driven, review process, expert consultant investigation stuffed and over it all to be frank. Change is fine if it is constructive and intelligently informed.

What we have in Victoria in recent years is not in my view or that of VTA Members well informed, rather it is driven by a dogma that has not been clearly thought out, properly planned and certainly not properly implemented.

CONTESTABLE FUNDING, ENTITLEMENT CRITERIA & PROVIDER REQUIREMENTS

Contestable funding cannot be looked at without considering eligibility to government supported funding and provider requirements. At the moment we have a variety of models of entitlement or eligibility criteria across Australia.

Skills Australia propose in the “Skills for Prosperity”\textsuperscript{1} roadmap a full public subsidy for those undertaking vocational courses up to and including Certificate III, and all foundation skills courses. For Certificate IV and above, co-funding between individuals and governments, supported through an income contingent loan.

In 3 States currently we have 3 variations on the entitlement model either introduced, in progress towards implementation or proposed to be introduced.

In Victoria the entitlement model through the Victorian Training Guarantee provides for a government subsidised place for all people up to the age of 20, and for those over 20 provided the student is undertaking a course at a higher qualification level than currently held with the exception of designated foundation courses and apprenticeships. Varying minimum and maximum fees originally applied to different categories as well as access to VET FEE-Help at Diploma and above levels.

The minimum and maximum annual student fees have now been removed for 2012 but a maximum cap still exists in hourly rates that apply to the student fees.

Students undertaking a course at the same or lower level than currently held, other than foundation courses, do not attract government funding support and are therefore required to be full fee paying save for some discrete exemptions available from a limited pool of funds. The Victorian Essential Services Commission\textsuperscript{2} has recently completed a review of VET fees and charges and their report containing 43 recommendations is currently subject to broad consultation through an Expert Panel. The Essential Services Commission has sought views on broadening the Victorian eligibility criteria to provide a partial subsidy for those

\textsuperscript{1} Skills for Prosperity – a roadmap for vocational education and training, 3\textsuperscript{rd} May 2011 http://www.skillsaustralia.gov.au/PDFs RTFs/SkillsProsperityRoadmap.pdf

\textsuperscript{2} Essential Services Commission – VET Fee and Funding Review Volumes I & II (September 2011) http://www.esc.vic.gov.au/public/Insurance+References/Consultations/VET+fee+and+funding+review/Vocational+education+and+training+fees+and+funding+arrangements+review.htm
students wishing to re-engage with training at the equivalent AQF level whose existing qualification is between 7 and 15 years old and a fully subsidised place for those students who have a VET qualification that is greater than 15 years old who re-engages with training at the equivalent AQF level. A decision on any changes to eligibility criteria for a Government subsidised training place is most unlikely to be made until consideration of the 2012 / 2013 State budget for implementation from 1 January 2013.

In South Australia, “Skills for All”\(^3\) proposes a training subsidy will be available at the higher level up to an Advanced Diploma. A subsidy at the same qualification level will be available twice at Certificate II and above. Bridging learning from a lower level qualification at the same time as doing a higher level course will be supported by a training subsidy. Students will also be able to access a one-off training subsidy to undertake a course at a lower level than their existing qualification, including those with a degree or above.

Queensland through the “Post-secondary Education and Training Review”\(^4\) has a different model. It proposes a closer alignment with the Victorian entitlement model with additional features such as capped funding for students with initial qualifications up to degree level, with higher fees to reflect higher individual returns and the capacity of the state to intervene in the market by not funding or capping specific qualifications in areas of oversupply or low priority.

Looking at the variations in these arrangements it seems obvious that there should be agreement between the States and Commonwealth to bring about a better alignment across Australia through consistent application of entitlement / eligibility criteria.

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**THE VICTORIAN EXPERIENCE THUS FAR**

Victoria introduced contestability with Diploma and above programs in July 2009 and expanded to all VET programs from January 2011.

As at the end of September this year we have noted very substantial changes in overall VET provision and market proportions as published in the Skills Victoria Quarter 3, Quarterly Report\(^5\).

**SHOW SLIDE 2**

In overall terms VET enrolments are 18% higher, hours 25% higher and student numbers 17% higher in the first nine months of 2011 when compared to the same time in 2010.

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TAFE domestic fee for service has dropped by 4% in enrolments, 4% in hours and 5% in student numbers.

SHOW SLIDE 3

Private providers have increased their enrolments from 14% in 2008 to 36% in 2011 or 38% of government funded hours and 40% of student training share. This equates to a 113% increase in enrolments, 128% increase in hours and 112% increase in students. Just in the last Quarter between end June and end September, private sector students increase has grown from a 91% increase on 2008 figures to 112% in student numbers. It is unmeasured as to how much of this growth may be prior fee for service activity in private RTOs transitioning to eligible government funding support.

Adult Community Education government funded student share is approximately 10% and TAFE across the 18 public providers including the 4 Dual Sector Universities has provision of 49.6% of total enrolments which is a decline from 75% in 2008, a very substantial market shift.

In 2008 there were 18 Public Providers, 342 ACE Providers and 201 Private RTOs in receipt of government funds for VET.

In 2010 there was growth of 143 private RTOs and a decline in ACE providers by 26.

In 2011, we have experienced growth to 381 Private RTOs by the end of June or a 90% increase and by the end of September to 411 or a 104.5% increase in private RTOs accessing government supported training since 2008.

SHOW SLIDE 4

In summary, when we analyse total provider numbers where the bulk of delivery occurs, ie TAFE and private RTOs; TAFE provider numbers have remained constant at 18 delivering to 52% of the enrolments at end June and 49.6% at end September down from 75% in 2008 while private RTOs have grown by 104.5% to 411 enrolling 36% of eligible students in 2011 up from 14% in 2008.

CHANGES TO FEES AND CHARGES IN VICTORIA

Victorian Government funding to VET of course has grown astronomically in the context of this predominantly private sector RTO growth. The figures are not definitive but at a minimum the government expenditure is at this time over $200million above the Treasury and Premier and Cabinet modelling undertaken by the prior Labour Government. The government spend has increased from 2008 / 9 to 2011 /12 by around $400 million to $1.2 billion.

As a consequence, right in the middle of the consultation process on the Essential Services Commission and Expert Panel Review of Fees and Charges, the current Government pre-
emptied the outcome of consultations in late October this year by implementing some of the Essential Services Commission Review recommendations and announced substantial funding and fee changes for 2012. These are too complex to explain in this presentation but fundamentally what it means to public TAFE Providers is a budget cut of between 4.5% and 5% for most TAFEs. Some programs will become unviable and many TAFEs are now in the process of non-renewal of Contract staff roles and redundancies. For large Metropolitan TAFEs, redundancies in the order of 50 to 100 positions are being implemented.

Some industry training sectors have had the hourly government funding rate to the Providers slashed by around 11% for example Business and Clerical, Finance, Property Services, Wholesale and Retail. Hospitality is cut by 10%. Recreation (Fitness) is cut by over 27%.

Generally, large Metropolitan TAFEs and the Dual Sector University providers have incurred anticipated budget cuts for 2012 of between $3.5 and $5 million and Regional TAFEs around $500,000.

**UNCAPPED HIGHER EDUCATION PLACES**

What lays before us in 2012 no one is really sure of.

Within 12 months of an entitlement model being implemented in VET in Victoria, and the now reduced payments per student contact hour in all large Metropolitan TAFEs and in other specific program areas across all providers there will also be an entitlement model in Higher Education, yet another competitive challenge for TAFE Providers.

Many Victorian TAFE CEOs predict that the full implementation of uncapped Higher Education places will place the ongoing viability of TAFE Diplomas and Advanced Diplomas at significant risk. They are of the view that 2012 will bring potentially very significant declines in TAFE AQF 5 and 6 level TAFE enrolments in favour of Higher Education enrolments in Associate Degrees, Diplomas and Bachelor offerings. Although the recent announcement of Senator Chris Evans may place some limitations on Universities abilities to expand into Diploma and Associate Degree markets, we still believe there will be a large take up in Bachelor Degree places from students who would previously have typically enrolled in TAFEs. Early indicators of Tertiary preferences through the Victorian Tertiary Admission Centre support this prediction. This is in part due to the public perception of VET versus HE qualifications as well as the liberal access to government funds through Commonwealth Supported Places, universities self-accrediting status and, in Victoria’s case, policy levers that deny access to government subsidised VET courses if higher qualifications are held. The challenge will be to have competitively priced and attractive TAFE options for students through courses that are clearly distinguishable from HE qualification or articulate into higher education.
GOVERNANCE OF PUBLIC TAFE IN A MARKETISED ENVIRONMENT

Victorian TAFE Providers are Statutory Authorities, governed by Boards that are accountable to the Minister. They directly employ all the staff under various industrial instruments.

In theory, TAFEs have a degree of autonomy and that is true, however in a marketised environment we are constrained from being able to compete by state government policy, bureaucratic procedures, accountability and reporting requirements.

The Government is both the Owner of TAFE and Purchaser of training and TAFE is part of the Provider network.

The Government and Bureaucrats in my view are still to develop a sophisticated model and arrangements where there is an appropriate and transparent “purchaser / provider” delineation in respect to TAFEs as public providers.

Recently Skills Victoria commissioned dandolopartners to report on governance and structural matters.⁶

Some of the recommendations are:

**SHOW SLIDE 5**

RECOMMENDATION 5

“The Minister should have legislative power to establish (through SV) a well-defined risk-based oversight framework specifying:

- Risk areas where oversight requires a particular focus
- Thresholds and triggers for reporting/notification and follow-up with respect to these risks areas (these would need to be commercially sensible)
- Protocols for escalating attention
- A range of effective and efficient intervention mechanisms short of using the Minister’s Reserve power.”

**SHOW SLIDE 6**

RECOMMENDATION 6

“Revised oversight arrangements consistent with the risk-based oversight framework proposed in Recommendation 5 should be implemented by means of the Letter of

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Expectation and a Ministerial Direction. Devolved authority to TAFEs should not be inadvertently reduced in:

- The Public Provider Funding Agreement
- New TAFE constitutions
- New guidelines, under the Education and Training Reform Act 2006 (ETRA), on the commercial powers and accountabilities of TAFEs.”

**SHOW SLIDE 7**

**RECOMMENDATION 7**

“SV should strengthen business processes, systems and communications as follows:

- Continue the current practice of engaging at Deputy Secretary and General Manager level with each TAFE at least twice a year. This engagement should involve the CEO and the Chair if possible. A meeting with both the Chair and the CEO should occur at least once a year. If practical, the AGM for each TAFE should involve a suitably senior representative of the Minister. Each TAFE Chair and CEO should jointly meet with the Minister annually for a strategic discussion”

**SHOW SLIDE 8**

- “Strengthen the client manager approach for all dealings between SV and each TAFE. The client manager should be the coordinator of interactions, overseeing two-way communication flows between SV and a TAFE and escalating issues within SV consistent with the protocols described in Recommendation 5
- Develop and implement a range of process and system refinements to support its oversight role (elaborated on in this Report).”

The report went on to recommend for larger TAFEs the option to transition to being formally recognised as Government Business Enterprises reporting directly to the portfolio Minister for Higher Education and Skills and also the Treasurer and preferably reporting not only to Parliament but also under Corporations Law to ASIC.

The VTA at this point does not support moving to the GBE model but we do thoroughly support the investigation of implications of recommendations 5 to 7 with the intent of streamlining and simplification giving more direct control to TAFEs within clearly defined parameters.
In addition to the Dandolo Partners review and probably more importantly the Victorian Auditor General concluded a TAFE Governance\(^7\) audit which was tabled in Parliament in late October.

The Auditor General recommended in part:

**SHOW SLIDE 9**

**RECOMMENDATION 1**

“Skills Victoria should:

- actively engage with TAFE institutes during the preparation of their strategic plans
- critically review strategic plans and provide feedback to TAFE institutes
- where appropriate, inform the Victorian Skills Commission and the Minister for Higher Education and Skills of any conflicts with government policy or accountability issues.”

**SHOW SLIDE 10**

**RECOMMENDATION 4**

“Skills Victoria should:

- clarify the roles and responsibilities of all entities in the TAFE sector
- develop its workforce capabilities in contemporary business practices and business acumen to meet the demands of TAFE sector governance
- set clear guidelines for commercial activity and state when TAFE institutes must notify government of specific types of decisions”

**SHOW SLIDE 11**

- “address, as a priority, the legislation and policy conflict created by TAFE institutes expanding interstate and overseas

- develop and implement a strategy for communicating with TAFE institutes effectively

- examine the ability of TAFE institutes to create and use trusts.”

To add to these Reviews and Reports yet another review is underway in Victoria by the Victorian Competition and Efficiency Commission. On 10\(^\text{th}\) November the VCEC published a Draft Report “Securing Victoria’s Future Prosperity: A Reform Agenda”.\(^8\) The Association played a very active role in this review with the intent of reaching an audience outside the normal VET / TAFE / education arena so that we could be more visible to Treasury and Premier’s Department.

In the Draft report it states:

\(^7\) Victorian Auditor – General’s Report – TAFE Governance (October 2011)

\(^8\) Victorian Competition and Efficiency Commission – Securing Victoria’s Future Prosperity: A Reform Agenda Draft Report November 2011
“Victoria is a national leader in VET reforms and in creating a more market-driven system. Further steps need to be taken as this market evolves. The most important of these relates to strengthening the performance of the market and institutions’ responsiveness to it by:

- putting TAFEs on a more commercial footing to enable them to compete more effectively in the training market
- freeing public and private providers from unnecessary and overlapping regulation
- eliminating information gaps, particularly around the performance of private providers” (p. XXXIII)

The report also advocates a transition to a new commercial governance model with the VCEC favouring a Government Business Enterprise model within 12 months “strengthening TAFEs flexibility to make commercial decisions and offer competitive services, and simplifying reporting requirements” (p. 30)

“Privatisation of TAFEs is a longer-term option for the Government to consider” (p. 31)

Two of the more important recommendations for TAFE from the VCEC Draft Report are:

**SHOW SLIDE 12**

Draft recommendation 2

“That the Victorian Government strengthen competition in vocational training markets by:

- implementing a corporatised structure for TAFEs and removing constraints on public and private providers’ ability to complete locally and internationally
- ensuring the ongoing delivery of important community services provided through TAFEs by articulating these responsibilities clearly, and providing contestable funding for them as community service obligations
- publishing timely performance information on outcomes and quality for all registered training organisations receiving training guarantee funding.”

and

**SHOW SLIDE 13**

Draft recommendation 3

“That the Victorian Government reform the State’s institutional arrangements governing Victoria’s training market by:

- clarifying the core roles and responsibilities of the regulatory, policy and service delivery organisations
SUMMING UP

The VTA is currently working within our governance structures to determine our positioning and actions over the next few months. We are working with an Agenda Management / Policy Positioning Expert who has a strong PR background. He has a really interesting take on the circumstances in Victoria’s Marketised VET market as it relates to TAFEs when viewing the change agenda over recent years that I will share with you.

SHOW SLIDE 14

“I have a plan to drive down the basic wage of VET / TAFE workers in Victoria, hand over public money to just about any private education provider (some of whom are known by governments to be shonky) where many public TAFEs will have to cut services, programs and facilities and potentially merge or close down. Where many students squander their chance of government subsidised training on a course with no job outcome, and worse the impact will hit harder in regional Victoria.

Of course let’s not also forget that employers will pay substantially more for apprentice tuition fees in all major areas of the economy as required in all major industries by their Modern Awards. There will be diminishing support for TAFE provision of VET in Schools and in addition some TAFE and University Dual Sector campuses will have to close as they are not economically viable.”


Don’t you think that any government proposing such actions would be shot down by the public if they were aware and informed of the actions being taken?

From the VTA perspective, the VET marketization in Victoria is out of control and in its current form is detrimental to all stakeholders; students, employers, the government, quality providers both public and private and the community who are all interested in quality training outcomes leading to employment and meeting relevant community service obligations.

Thank you.