

## Vocational Education and Training

### The impact of current VET reforms

The Commonwealth Government is promoting a guaranteed entitlement to a training place up to certificate III and the availability of income contingent loans for students doing qualifications at diploma level as the centrepiece measures of its new national partnership funding agreement (NPA) with the states and territories. This is to take place within a 'contestable' training market with growing numbers of private 'for profit' training providers competing with the public provider, TAFE, for public funding.

The rhetoric is that these measures will produce the boost in skills and qualification levels that Australia needs to meet its future skill needs and improve access and equity in the vocational training system.

However, on closer examination, these reforms could well have the opposite effect, shifting the cost burden of training further onto individuals, lowering the quality of vocational training and running down the public provider, while not substantively addressing our national skill needs.

Here are some of the facts.

### Impact of the entitlement funding model

- The so-called student entitlement model currently being pursued by the states will not give students greater access to public VET. Australian students have had an entitlement to a place at a publicly funded TAFE Institute for more than thirty years, at modest upfront cost to themselves and their families.
- The guaranteed entitlement is for a first qualification only at the certificate III level. Under the NPA, states can provide more than that, but the experience in Victoria has been students are given only one chance and any further qualification has to be done on a full fee-paying basis.
- This has had the effect of denying access to training to mature-aged workers returning to study, those looking for a career change, or those workers in industries subject to structural adjustment, if they had a previous qualification at the same level.

- Under entitlement funding models, there has been a huge growth in training in low level qualifications outside of skill shortage areas, and significant growth in private providers offering cheap four and five days diploma level courses.
- Enrolment growth has been driven more by marketing campaigns than genuine labour market demand and solid employment prospects. Skills Victoria has reported a marked increase in training in a small number of occupations where graduates were reporting that training had little or no vocational benefit (Productivity Commission Discussion Draft. Impact of COAG reforms, December 2011, p. 36).
- Concerns have been raised by Skills Australia and others that access to entitlement funding should not be provided to private providers until new national quality assurance bodies are well established and working properly to ensure quality.

### Impact of income contingent-loans (ICLs)

- Under the National Partnership agreement, the 'weighted average loan value' a student can take on through an ICL will be \$4000, rising to \$5000 from 2013.
- The federal Government says this will help students avoid upfront fees that could exceed \$3000 a year. However, the only jurisdiction that currently charges close to that is Victoria after diploma fees tripled to \$2500 when loans were introduced there from mid-2009.<sup>1</sup>
- Government-subsidised diplomas cost much less in other jurisdictions - \$990 a year in Tasmania, \$1212 in Western Australia, \$1350 in the ACT and \$1570 in NSW.
- The real risk is that states will increase fees to match the value of the ICLs and remove subsidised places altogether for higher level courses. History suggests that maximum fees are imposed when up-front costs are deferred through income contingent loans. The Lomas-Smith review of higher education base funding noted the evidence from England and Australia that when caps on student contributions are lifted, fees tend to rise rapidly to the maximum. In fact, the review Panel was not aware of one public university currently charging students less than the maximum contribution amount.<sup>2</sup>
- Students from disadvantaged backgrounds are often, understandably, debt averse, and won't take up courses offered on the basis of income contingent loans. Only 22,000 diploma students have so far lined up for Victoria's loan scheme, even though the state had 71,000 government-subsidised diploma enrolments in 2010 and 87,000 in 2011.<sup>3</sup>

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<sup>1</sup> Forward P., TAFE at the Crossroads: What's the future under Skills for All? AEU presentation, 22 November 2011

<sup>2</sup> Lomas-Smith review, p. 99

<sup>3</sup> Ross, J., "Loans a wholesale funding shift: AEU", The Australian 18 April 2012

## Impact on TAFE

- The public TAFE system has been so neglected by governments that recurrent funding per student contact hours declined by 15.4% between 2004 and 2009, and by 25.7% from 1997.<sup>4</sup>
- Government funding for TAFE has declined for two reasons – because of the reduction in overall funding but also because of the shift of government recurrent funding away from the TAFE sector, and into private, for-profit providers.
- In Victoria, the state at the forefront of the move to full competition, there has been a massive shift in training with TAFE market share slumping from 75% in 2008 to only 49% in 2011. In that same period, the number of private providers grew from 225 to 528 and their market share increased from 14% to 40%.
- 16 out of 18 TAFE institutes in Victoria are now operating in deficit, a turnaround since 2008 when only two institutes recorded deficits. TAFE institutes in regional and rural areas in particular will struggle to survive with reduced levels of funding. Nearly 300 ongoing TAFE staff have lost their jobs and many teaching contracts have not been renewed.
- Government policy in VET over the last 20 years has encouraged the rapid growth of private VET provision. There are currently more than 5000 registered training providers. The largest 100, which includes all 58 public TAFE Institutes deliver more than 95% of training. The remaining 98% of providers deliver less than 5% of publicly funded VET, mostly in low cost, high volume programs.
- Skills Australia has made the point in its Skills for Prosperity report that vocational education in the regions is especially vulnerable to being squeezed by fly-in, fly-out operators which cherry pick cheap programs and leave the region's other education needs unmet.
- Almost half (46.8%) of the total national TAFE workforce is employed on a casual or contract basis. The share of casual or contract employees rose to 56.8% across the wider VET system and was even higher for females at 62.2%. The available data also suggest that most casual employment in the sector is not truly casual in nature, with 75% of non-permanent staff having been employed for longer than one year and more than one third having been there for more than five years.<sup>5</sup>

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<sup>4</sup> Long, M., TAFE funding and the Education targets (an update), Centre for the Economics of Education and Training, Monash University, November 2011

<sup>5</sup> Guthrie, H., Mlotkowski, P., and Nechvoglod, L. (2010), National TAFE Workforce Study 2008, p.41

## What needs to be done

- Investment in quality and compliance is critical.
- A single, high standard of entry of providers into the training 'market' and rigorous enforcement of those standards.
- Mechanisms in place, such as caps and quotas, to ensure training under an entitlement model is linked to identified industry skill needs and job outcomes.
- Ensuring Australian Skills Quality Authority (ASQA) has the resources it needs to effectively audit and regulate the performance of training providers, and enforce rigorous standards for entry into the 'market'. This may require an injection of funding in the budget.
- A definition of 'quality' that reflects fitness for purpose and industry standards for the deployment of skills in jobs.
- States need to provide at least a second chance at a guaranteed entitlement.
- The public TAFE system needs to have adequate levels of guaranteed funding.
- A national workforce development strategy for the VET workforce that addresses the level and quality of teaching qualifications in the sector, and the unacceptably high levels of casual employment.
- A transparent process for the development of the bilateral Commonwealth-State agreements that fall under the National Partnership Agreement with scope for industry input.
- A proper public examination and review of the consequences of full competition on TAFE and VET, including the impact on educational quality of VET, levels of student support and teaching infrastructure.
- Greater regulatory control to ensure all VET is provided by an appropriately qualified and registered workforce. A teaching diploma should be the minimum qualification for anyone delivering government funded training.

## Apprentice wages and conditions

Apprentices on current award rates of pay are earning as little as \$225 a week.

This makes it extremely difficult for them to meet their day to day living expenses. A 2007 study found that first year apprentices are living below the Henderson poverty line.

This has broader implications for national skills development because it makes apprentices less likely to complete an apprenticeship or start an apprenticeship in the first place.

Around half of apprentices do not complete their training and survey results consistently show that poor pay is a key reason for dropping out.

Apprentices no longer fit the old picture of a 15 year old school leaver still living at home. Today, 22.3% of apprentices are aged over 25, compared to 6.4% in 1995. In 1995, 23% of those starting were aged over 19, compared to 38% by 2009.

### What needs to be done

On behalf of unions, the ACTU has applied to Fair Work Australia to vary all modern awards to:

1. Ensure that all adult apprentices are paid no less than the minimum wage in their industry;
2. Increase the rates of pay of all first year, junior apprentices to no less than 60% of the trades rates, or \$10.83 an hour.

The claim also includes improvements to the conditions of apprentices, including hours of work and suspension and termination rights. These improvements would benefit more than 200,000 apprentices.