



Ms Julia Agostino
Committee Secretary
Senate Education and Employment References Committee

Via email: eec.sen@aph.gov.au

Submission to Inquiry into Technical and Further Education in Australia

Dear Committee

The Australian Workforce and Productivity Agency (AWPA) provided a submission to the previous inquiry into Technical and Further Education (TAFE) conducted by the House of Representatives Education and Employment Committee in 2013. We would like to take the opportunity to add to our submission in light of in the current inquiry's broadened Terms of Reference. This submission supersedes the previous one and incorporates the comments made in it.

AWPA is an independent statutory body, providing advice to the Minister for Industry on Australia's current, emerging and future skills and workforce development needs. AWPA engages directly with industry on workforce development issues, analyses current and emerging skill needs in specific sectors of the economy and advocates for reform and appropriate investment in tertiary education to meet these needs.

Role of TAFE

AWPA welcomes this inquiry into Technical and Further Education (TAFE) and its operation. As stated in our previous submission, AWPA believes that the TAFE sector plays a vital role in delivering the skills required to lift workforce participation and productivity.¹ TAFE is central to the VET system in Australia and is of critical importance as the powerhouse for the trades. The TAFE system includes many significant and well recognised public institutions with a long history of service provision to their communities. TAFEs provide a wide range of qualifications, a geographic reach and a critical mass of expertise, facilities and resources that could not be readily replicated.

TAFE, as a statewide government-directed service, is able to ensure reliability, availability and accessibility to skills training to meet local, regional and national needs. This includes services to rural and remote communities. TAFE also makes a considerable contribution to the provision of training opportunities to disadvantaged Australians, by offering a significant amount of subsidised training across a broad geographical reach, as well as foundation courses, language literacy and numeracy support and additional services for students with special needs, including those with disability.

However, as we move towards a more open, contested training market across the nation, the TAFE sector must adapt in order to compete with a broader spectrum of tertiary education providers, while at the same time ensuring it continues to meet its objectives as a public institution.

¹ The National Partnership on Skills Reform (2012) also recognised the important function TAFEs continue to play 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', Clause 29(b).

This includes embracing activities beyond training provision, contributing more broadly to workforce development and increasing direct engagement with enterprises. There are many examples of TAFE engaging with industry to provide the skills that are vital to Australia's future economic and social development, but there can be variability in the quality of this effort which needs to be addressed. We encourage the Inquiry to consider how TAFE institutions can best be encouraged to continue to adapt, develop and improve so that they effectively meet the future needs of individuals and enterprises.

In order to provide the sector with greater certainty in this regard, AWPA sees value in state and territory governments clearly defining TAFE's role. This should include requirements for the preferential delivery of any public service objectives and standards of quality or accessibility.² We note some jurisdictions have or will release policies³ to clarify public expectations of their respective TAFEs, addressing issues such as the level of access and support for disadvantaged students, the servicing of regional and remote communities and the provision of courses in critical skills areas or in the case of market failure. Depending on the specified requirements governments may need to commit additional funding.

We note the 2013 Report on Government Services⁴ for education and training suggests that the efficiency of the VET sector has improved and highlights some interesting trends occurring in the states and territories as they introduce demand-led funding. Nationally, government real recurrent expenditure on vocational education and training has continued to increase (3.2 per cent between 2011 and 2012). However funding dropped in 2012 in all states and territories except for Victoria (19.5 per cent increase) and New South Wales (1.5 increase). The most significant decreases between 2011 and 2012 were experienced in Tasmania (13.7 per cent), Western Australia (11.1 per cent) and South Australia (8.5 per cent). There has been an increased flow of public funding to private providers, with a 20.6 per cent increase in real terms between 2011 and 2012. Further, government real recurrent expenditure per annual hour and per load pass hour of government funded programs decreased by \$0.83 and \$1.14 respectively between 2011 and 2012. These trends may indicate increased efficiency. Alternatively they could be driving low cost poor quality delivery that is impacting on the credibility of VET qualifications and potentially undermining quality providers such as TAFE.

The following points are directed to the Inquiry Terms of Reference.

The role played by TAFEs in educational linkages with secondary and higher education

AWPA supports the facilitation of effective pathways between the school, vocational education and higher education sectors, and considers such transitions will become more important as our economy increasingly requires an adaptable workforce, and the capacity for up-skilling and life-long learning.

AWPA acknowledges the role the TAFE sector plays in facilitating effective pathways - both between schools and vocational training, and between vocational training and higher education institutions. Due to its size, scale and geographical reach, the TAFE sector has been well placed to lead the way on this front, with VET in Schools programs in particular, often benefiting from strong partnerships with TAFE institutions.

² AWPA (2011) *Skills for Prosperity*, Recommendation 9.

³ NSW has released its *Statement of Owner Expectations* in August 2013 and Western Australia is currently undertaking its *Independent Review of Vocational Education and Training Sector* which will focus on the impact of its VET reform on public TAFEs or 'State Training Providers'.

⁴ Productivity Commission (2014) *2013 Report on Government Services for Education and Training*.

However we do not see TAFE as unique in this regard, and note the role that private RTOs increasingly play in facilitating effective transitions, particularly between the vocational and higher education sectors. These include RTOs owned by universities.

The role played by TAFEs in the development of skills in the Australian economy

In *Future Focus*, AWPAs 2013 National Workforce Development Strategy⁵ we note the role of both the VET and higher education sectors in meeting the nation's demand for the additional skills required to address economic and demographic change and to improve workforce participation and productivity. Our modelling shows that demand for skills will be strong in the years to 2025, with the total demand for qualifications held expected to increase by between 3 and 3.9 per cent on average each year. TAFE, as a major player in the VET sector, will have significant role in supplying the required qualifications.

TAFE has always played a critical role in training for the skilled trades, where shortages can limit production and deter investment⁶. TAFE's role has been especially important where off-the-job training requires ongoing commitment to specialist facilities and to staff with extensive industry experience. Owing to this traditional strength, TAFE's core staffing base has a wealth of experience and specialised skills in training for trades, and this is something which should be nurtured.

The role played by TAFEs in the development of opportunities for Australians to improve themselves and increase their life and employment prospects

Many Australians lack the language, literacy and numeracy (LLN) skills to participate in training and work. The 2006 Adult Literacy and Life Skills Survey found that more than four in ten people have literacy and numeracy skills below level 3, the level considered by COAG to be the minimum level required by individuals to meet the complex demands of work and life in modern economies.⁷ People with poor LLN and other core skills are less likely to find a job, or benefit from training that depends on those skills.⁸ The majority of LLN training is delivered in the VET sector. Within this context, TAFE and other providers receiving public subsidies teach the greatest number of learners, increasing their opportunity to succeed. This is an important responsibility that requires adequate resourcing and quality provision.

The role played by TAFEs 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

The TAFE system has the potential to play a vital role in local communities and to contribute to regional development through productive partnerships with enterprises, employment services providers, community groups and government agencies. Many TAFE colleges are already demonstrating their capacity to provide enterprise responsive training and to support workforce development, but others have been slower to take up this opportunity. A key strategy in enhancing Australia's workforce development is better integration of training with overall business objectives and organisational development within firms. Further improving the capacity of the TAFE system and its networks to engage with business and the community is critical to achieving this important objective.

⁵ AWPAs (2013) *Future Focus: 2013 National Workforce Development Strategy* 16.

⁶ AWPAs (2013) 46, DEEWR (2012) *Skill shortages Australia 2012* and DEEWR (2012) *Overview of skill shortages 2007-08 to 2011-12*, AWPAs 46.

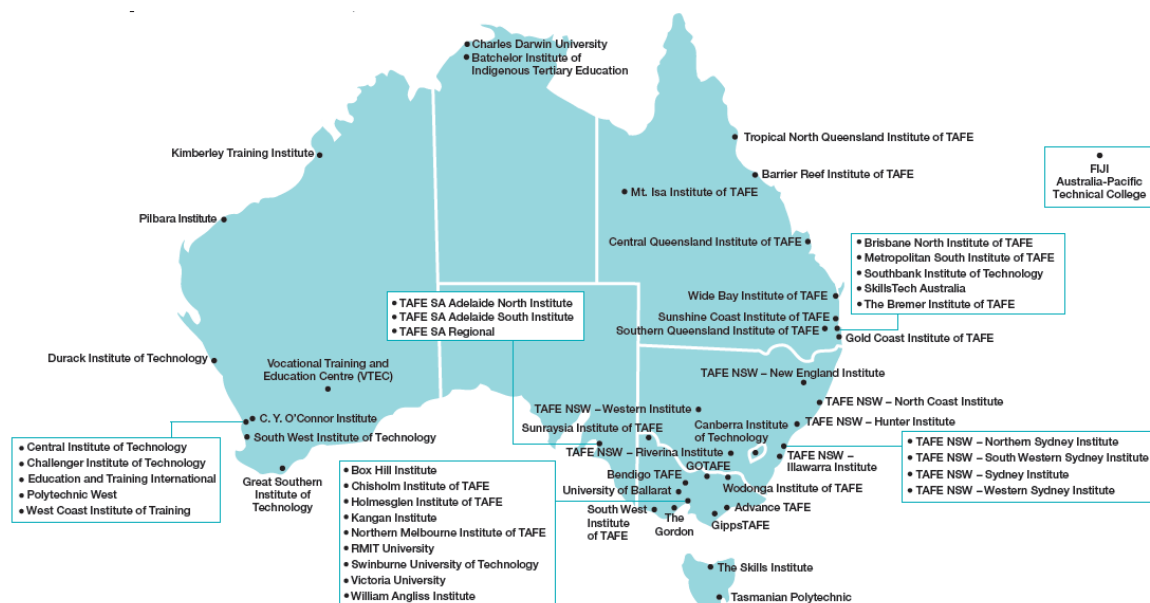
⁷ Skills Australia (2010) *Australian Workforce Futures* 35.

⁸ AWPAs (2013) *Future Focus: 2013 National Workforce Development Strategy* 83.

The extensive public infrastructure and capability of the TAFE system offers a platform for regional economic development. There are many opportunities to expand access to education and training in regional areas through partnerships; with other providers, including the school and higher education sectors, and with industry and the community. This involves the sharing of facilities, equipment and infrastructure, or joint programs and initiatives. This helps to cost-effectively support workforce development and growth in attainment of higher education qualifications, a need that was highlighted in AWP's *2013 National Workforce Development Strategy*⁹.

The maps below illustrate the reach of TAFE and the potential for broader access to vocational and higher level qualifications and other workforce development programs and services via the TAFE system. For instance, the 61 TAFE providers penetrate regional areas, through over 1000 campuses, to a much greater extent than the 39 university providers across Australia.

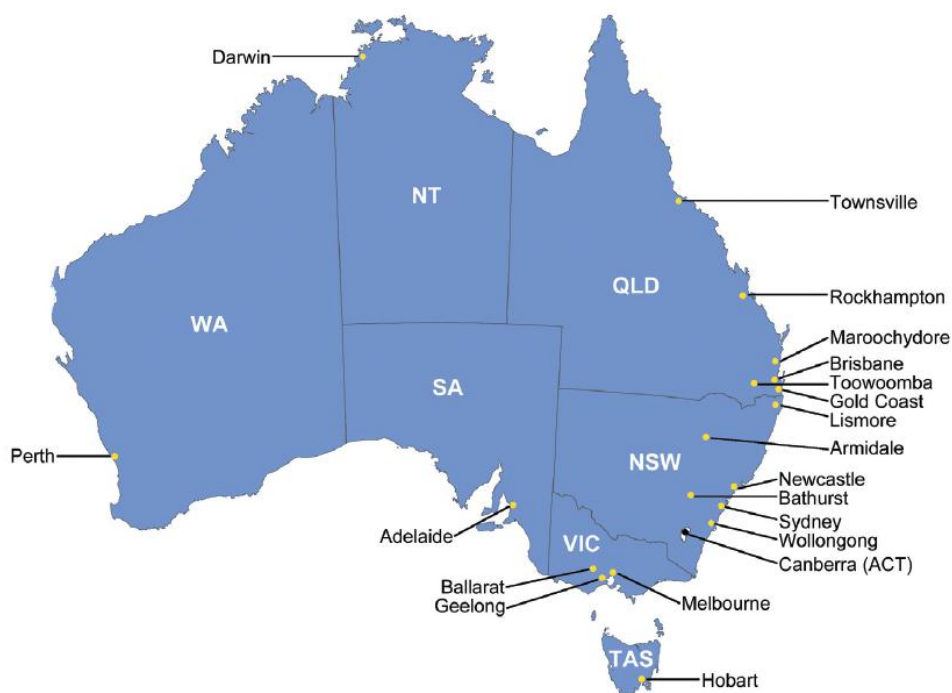
Figure 1: Location of TAFE Providers¹⁰



⁹ Australian Workforce and Productivity Agency (2013) *Future Focus: 2013 National Workforce Development Strategy*.

¹⁰ TAFE Directors Australia (2012) *2011 Annual Report*, TDA, Ultimo, 31.

Figure 2: Location of Australian Universities¹¹



TAFE's reach is broad not only in terms of its geographic footprint, but also in its support for a wide range of learners. Across states and territories, TAFEs cater to some of the most socio-economically disadvantaged communities.¹² For example, approximately 5 per cent of TAFE students are indigenous, (compared to 2.5 per cent of the population is indigenous) approximately 7 per cent have a disability and approximately 17 per cent are from non-English speaking backgrounds.¹³ TAFE institutions have a long history of providing vital programs to such groups, and assisting them to find pathways into work and further education.

Meeting the projected expansion in demand for qualifications requires greater participation in tertiary education from disadvantaged sectors of the population. Simply expanding the availability of places in tertiary education is not enough. Additional funding is required to expand training delivery strategies and wraparound services to support people who are disadvantaged to participate in training and employment. TAFEs have long been recognised for the additional services they provide to less advantaged learners from diverse backgrounds and in regional and remote localities. This expertise and commitment needs to be maximised to enable disadvantaged learners to succeed.

¹¹ Universities Australia (2013), *University Profiles*, Universities Australia, Canberra, 3.

¹² Vo koff, V et al 2008, *Analysis of TAFE provision*: Support document, NCVER.

¹³ NCVER 2012, *Australian vocational education and training statistics: Students and courses 2011 - publicly funded training providers* (Revised August 2012), NCVER

The role played by TAFEs in the operation of a competitive training market

We propose that in an environment of increasing contestability, governments should clearly articulate the role of TAFEs. A potential model exists in the position paper on TAFE released by the South Australian Government in 2011 in the lead up to the *Skills for All* reforms. The paper provides an overview of the functions the South Australian Government may require of TAFE SA, namely:

- contributing to the wider policy objectives of the government, including about regional, community and industry development
- setting a high standard of quality for the VET system by virtue of its performance as a public institution
- providing stability to the training system, especially for strategic or critical skills and in key industry sectors
- providing the government with the capacity to ensure that training and community service obligations continue to be met and expanded in regional and remote areas, or thin or non-commercial markets
- contributing to community and regional development requirements, meeting the needs of specified community groups
- offering a community-owned resource, in terms of capability, services, infrastructure and human capital, to local communities and establishing effective links with schools and universities to improve pathways for people moving to, and from, VET and higher education.

AWPA considers it important that public and private funds are used efficiently and to best effect, for instance in improving qualification completion rates. A competitive training market can help drive these efficiencies, but it is vital that quality outcomes for training investment are achieved. This is a key consideration for both TAFE and private RTOs.

Adequate public funding to ensure TAFEs remain in a strong position to carry out their aims

In the context of state funding for training becoming increasingly contestable, we advocate providing the TAFE sector with a stable source of core recurrent funds.¹⁴ This is required to allow TAFE to sustainably manage its operations and physical infrastructure and provide community service obligations. As a matter of legacy and history, TAFEs are often custodians of large sites and heritage buildings, and the ongoing costs associated with maintaining such assets should be addressed in state funding mechanisms. We note that jurisdictions have taken different approaches to this issue.

However, AWPA also believes the TAFE sector needs to adapt in order to compete effectively in a more market-driven environment, including being accountable, cost efficient and transparent in its operations, and striving for continual improvement against key objectives. Provision of core recurrent funding should not undermine a commitment to cost efficient delivery.

Factors affecting the affordability and accessibility of TAFE to students and businesses

As a general principle, AWPA supports demand-led funding mechanisms in both the vocational and higher education sectors. We see this as the best means of ensuring our tertiary education system responds adequately to the increasing demand for higher skills. In our publication *Skills for Prosperity*, we advocated the introduction of fully subsidised training in the vocational education sector in order to provide everyone with the opportunity to undertake a qualification up to and including a Certificate III and all foundation courses.¹⁵

¹⁴ *Skills for Prosperity*, Recommendation 9.

¹⁵ *Skills for Prosperity*, Recommendation 1.



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However we note that the policies pursued by various state and territory governments in recent years, while introducing entitlements to training, possess a high degree of variability and have been more restrictive in both the scope and quantum of their entitlements than we would advocate.

Further, we note the increasing complexity of the vocational education and training system across the nation, and consider that this, of itself, could affect accessibility for students and businesses alike, not just to TAFE but to VET generally. Recent reforms have led to increased uncertainty and lack of transparency regarding course offerings, student fees and levels of subsidy from year to year. Added to this is the complexity resulting from the different policy and funding mechanisms being pursued by various states and territories.

All of this makes it harder for students and employers, particularly those operating across borders, to navigate the training system, make informed choices, and plan for workforce needs. This stands in contrast to the relative simplicity of the higher education sector, where there is very little change year on year, providing students with the stability to make long term education and career decisions, and employers with a level of certainty about skills provision.

Different mechanisms used by state governments to allocate funding

As stated above, while AWPA recognises the important role of the TAFE sector, the Agency's priority is encouraging the uptake of qualifications in order to lift participation and meet projected demand for skills. While AWPA welcomes the work done by state and territory governments to foster strong and resilient training markets, we are concerned about the increasing complexity of policy settings. We believe jurisdictions should take care not to over-engineer mechanisms to allocate funding, as the resulting complexity and administrative burden may ultimately act as a barrier to the creation of competitive and responsive training markets.

The application and effect of additional charges to TAFE students

While we consider it too early to determine the effect of additional charges to TAFE students introduced as a result of various reforms to the sector, we consider careful management is required to ensure that the TAFE sector continues to deliver the skills our economy needs, while also providing affordable training and pathways to employment for disadvantaged students. Several jurisdictions are implementing caps on course enrolments and/or maximum fees, but there is great variation in the applicability of such measures. We are concerned that these emerging variations across the system may contribute to general lack of transparency for students, and potentially, inequity. We consider the impact of additional student fees should be carefully monitored by states and territories to ensure it does not have a significant adverse impact on students' opportunities to undertake education and training or on the supply of skills to the economy.

Yours sincerely

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AWPA
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