

COALITION SENATORS DISSENTING REPORT

Background to the inquiry

1.1 The issues of skills development and vocational education pathways into employment require a strategic, analytical inquiry. Coalition Senators would support the use of Senate committee resources to undertake such an inquiry.

1.2 The issue with this inquiry has been that the terms of reference are highly partisan with a view to only discussing one side of what is a complex argument over how the VET system in Australia is managed most efficiently to produce the skills that this country desperately needs.

1.3 What the Australian Greens and the Australian Labor Party have done in this case is conducted this inquiry by press release,¹ taking every opportunity to publicise their highly partisan perspective on the changes to the VET system undertaken by State and Territory governments from both sides of politics. This is not the role of Senate committees. Senate committees are not political footballs. They have scarce resources that should be employed to produce substantial, high quality reports based on extensive and comprehensive evidence gathering. Senate reports should be reputable, with high quality reference material that everyone in the policy arena can access with confidence.

1.4 The integrity of Senate reports is diminished by these types of inquiries where the terms of reference are not properly framed, no account is taken of other work being done in the policy area, the time to undertake the inquiry is insufficient, and there is little thought given to the impact of both Senate resources and the resources of Senators.

1.5 A case in point is the situation that occurred in Wollongong during this inquiry. The resources of Senators during the period available for public hearings were stretched all over the country with close to 20 public hearings taking place in that week. An alternate date for the hearing could have been scheduled if there was more consultation within the committee itself. Instead what happened was a shameless political response through social and print media to what was an administrative issue. This type of short-term opportunism damages the reputation of the committee and the Senate, and diminishes one of the great benefits of the

1 See for example, <http://lee-rhiannon.greensmps.org.au/content/media-releases/productivity-commission-reports-highlights-stealth-privatisation-tafe>; *TAFE jobs moving to private sector: Greens*, Adelaide Advertiser, Tuesday 25 February 2014; *TAFE 'reforms' push system to brink*, The Age, 24 March 2014; *Politicians blame each other as Senate hearing into TAFE scheduled for Wollongong is cancelled*, ABC News, 8 April 2014, <http://www.abc.net.au/news/2014-04-08/tafe-inquiry/5375130>.

committee system, which is to work in a collegiate, responsible manner to contribute substantially to the policy debate.

TAFE is a state responsibility

1.6 The TAFE system is owned, operated and managed by State and Territory governments, at a local level. There are many advantages of this for individual institutions, students and local industry. One of the primary advantages is that State and Territory governments are held politically and electorally accountable for the decisions they make with regard to TAFE. This is how it should be.

1.7 The ability for TAFE to tailor their services to the local community they are based in, and to react to emerging issues in that community such as re-training workers from particular industries or addressing specific shortages, is another advantage of the system being owned and operated at state level. If the federal government had any direct responsibility for service provision in the VET sector, this local knowledge and agility would be lost.

The purpose of vocational education – The role of industry

1.8 Vocational education is education with the purpose of equipping a person with the necessary skills to do a job. Coalition Senators support a strong, vibrant, dynamic and financially sustainable vocational education system. A system that provides meaningful and authentic skills development is of equally benefit to industry and students, as well as providing long term benefits for the economy as a whole. Many of the changes that are currently being implemented across the political divide in States and Territories are intended to achieve this.

1.9 Industry is the group that will provide career opportunities for VET students on completion of their training. Coalition Senators were therefore surprised to find that it is not automatically assumed that it will be them who will drive skills development and training. However this was a topic that was discussed by various witnesses during the inquiry. The Australian Industry Group voiced their support for demand driven funding, to address what they call 'off-the-shelf training' decided by the TAFE Institute rather than industry needs:

[W]e certainly are concerned about it and we do support in general terms the move to demand driven funding in contrast with supply driven funding. Typically an employee goes to a TAFE institute, and they say, 'This is what we provide' rather than, 'What do you want?' You have probably heard about off-the-shelf training and so on. So we certainly support the introduction of demand driven funding as long as it is based on what industry needs and is not driven by what individuals want.²

1.10 The Community Services and Health Industry Skills Council were also vocal in their support for skills development to be primarily driven by employers:

One of the challenges is that we need to clearly think through: whom is this VET system serving? I believe that at the moment the student lobby

2 Australian Industry Group, *Proof Committee Hansard*, 15 April 2014, p. 32.

seems to be holding the whip hand and the RTOs seem to be in a strong position in influencing what is happening. From our perspective, we think it is an industry-led system. Our education system should be preparing people for the world of society and especially the world of work. So employers need to have a lead role in determining what skills they need to equip their new and current workers with—the skills needed for a changing dynamic future.³

1.11 The Victorian Automobile Chamber of Commerce (VACC) did not think that the system was driven by the individual, nor industry, but instead by the training providers themselves. This was particularly the case for private providers:

VET, in simple terms, is not led by industry. Everyone says it should be led by industry. In our view it is not. It is led by training providers after the funding dollar. Costs associated with the delivery of training by public TAFE providers have not been commensurate with change in delivery and assessment. It is our strong submission that the cost of employing apprentices has increased so dramatically for the employer, and it is for this reason that it is essential that delivery and assessment is improved to the standard needed by industry.⁴

1.12 The committee also received evidence that it is not just employers who will potentially reject TAFEs if they are not providing the appropriate level of training, and prospective students will also suffer. The Australian Education Union warned that there is a real danger of the system being degraded under current changes that students will look at alternatives if they are more likely to improve their own prospects:

The reputation of the sector is being put at risk at the moment. Instead of having a highly regarded system where people have a degree of confidence in being able to make choices about their courses of study, what we risk at the moment is that students will vote with their feet. If they are uncertain about the quality and uncertain about the activity then their response will be to shy away from further education, improving their skills and so on. There is a huge risk in that for us.⁵

Liaison with industry

1.13 In the automotive sector the committee heard evidence from some bodies who expressed concerns that in their experience TAFE providers are not meeting these challenges. The Engine Reconditioners Association of Victoria (ERA) for example raised some issues with the committee that training pathways are breaking down. The ERA accept that difficulties may be caused by a lack of funding, or rapid structural change in the sector, but nevertheless this has caused their industry to lose faith in the providers:

3 Community Services and Health Industry Skills Council, *Proof Committee Hansard*, 15 April 2014, pp 5-6.

4 Victorian Automobile Chamber of Commerce, *Proof Committee Hansard*, 16 April 2014, pp 21-22.

5 Australian Education Union, *Proof Committee Hansard*, 16 April 2014, p. 34.

[T]he industry has lost confidence and that has been brought about by many factors. We believe some of those factors are to do with the rapid withdrawal that has occurred of funding to public sector providers, nominally Kangen in this case. Kangen have had to restructure itself very quickly, probably unfairly, to become commercially viable. Doing that unilaterally in a sector that requires a significant capital investment, as engine reconditioning does, has proved very challenging for them.⁶

1.14 They suggested that many of these difficulties could be sorted out through open channels of communication and discussion but were of the view that this wasn't taking place:

While they have been open to discussion with the industry, genuine engagement has not occurred—genuine engagement that would see, we believe, solutions put on the table and discussed. The industry has a problem here and, as we understand it, the TAFE provider has a problem. With a genuine discussion, you would be able to sit down and talk about some solutions...they need to understand that we are not the enemy; we are all in this.⁷

1.15 The Victorian Automobile Chamber of Commerce (VACC) also provided an account of TAFE's engagement with their industry not being as productive as it could be. This is in spite of their preference to use TAFEs rather than private providers.

The performance of technical and further education is very vital for our industry, primarily due to the reliance on traditional trade skills. Our industry in Victoria and Tasmania does rely primarily on public providers. They are the largest providers of training in our sectors. The same cannot be said in other states; but, clearly in Victoria and Tasmania, public providers are our major providers. Despite the problems experienced with public providers in terms of funding, demonstrated lack of responsiveness to industry needs, including reduced service levels, the industry still has a preference to work with the public providers in those two states. However, having said that, the industry is growing increasingly frustrated with the quality of training and assessment.⁸

1.16 VACC contend that dissatisfaction with public training providers has impacted the number of apprentices employed in the industry. According to their evidence they tried to engage with TAFEs to discuss the concerns of their members but have not been provided with a forum for discussion, and consequently have had no alternative but to remove apprentices. Even this drastic measure did not stimulate discussion:

[M]ost alarming is that now half of our industry does not employ apprentices. They have simply walked away from training apprentices in the industry...

6 Engine Reconditioners Association of Victoria, *Proof Committee Hansard*, 15 April 2014, p. 8.

7 Engine Reconditioners Association of Victoria, *Proof Committee Hansard*, 15 April 2014, p. 8.

8 Victorian Automobile Chamber of Commerce, *Proof Committee Hansard*, 16 April 2014, p. 21.

The concern we have with the public providers particularly those we have a partnership agreement with, in our view, is that we have mutual benefits in working together: if they succeed we will succeed and vice versa, because we are co-dependent. But unfortunately, it seems to be the case that despite the fact that we may have, for example, 200 apprentices or 100 apprentices or 60 apprentices in one institution, we are perceived as though we are just one employer... we have removed 60 apprentices... And did they care? They did not even care. Did they bat an eyelid? No, they did not.⁹

1.17 VACC submitted that a number of their members had already taken action, at significant cost, to ensure that their apprentices were receiving appropriate training:

We have a number of dealerships that choose to send their apprentices interstate to be trained by a private RTO. That is not a cost-saving measure. That is, in fact, much more costly. The cost of that training is much higher than what they would have to pay for a public provider here in Victoria and, in addition to that, they cover transport costs, accommodation costs and all sorts of other costs associated with those. So the view, generally, that we are getting from our members is that they would pay for the training if it was quality training. If they lack confidence in the training, they will walk away from it, and they will persist as long as they can. If they cannot persist with it, they will just give up.¹⁰

1.18 Furthermore, one of VACC's members decided to establish itself as a RTO because of its dissatisfaction with TAFE:

Just this year, a large employer of apprentices that also hosts a large number of VACC's apprentices withdrew support for the only public TAFE provider for that sector of the industry and set up as an RTO in competition to the TAFE. This employer, a member of VACC did so because of frustration over a long period over poor quality delivery and assessment.¹¹

1.19 In response to questions, VACC themselves said that they are under increasing pressure from their membership to do something similar:

Senator BACK: You actually said you are reluctant to go back into it. But you, the VACC, have been a training provider in the past, haven't you?

Mrs Yilmaz: Yes, we have. Quite some years ago.

Senator BACK: But I bet your members are pushing you to.

Mrs Yilmaz: They are definitely pushing us.¹²

Coalition Senators view

1.20 The issue of who drives skills development is crucial to the future role of TAFE as the preeminent provider of VET in Australia. Employers rely on TAFE to

9 Victorian Automobile Chamber of Commerce, *Proof Committee Hansard*, 16 April 2014, p. 24.

10 Victorian Automobile Chamber of Commerce, *Proof Committee Hansard*, 16 April 2014, p. 23.

11 Victorian Automobile Chamber of Commerce, *Submission 162*, p. 4.

12 Victorian Automobile Chamber of Commerce, *Proof Committee Hansard*, 16 April 2014, p. 26.

provide consistent high quality training and to ensure that trainees enter the workforce 'work-ready'. For this to happen three things must be in place: skills development must be driven by the employers and industries that will employ TAFE graduates at the end of their training; TAFE's must respond and liaise with employers and industry to ensure that the training provided is of the type and standard required by employers; and lastly that TAFE's have to be financially viable and sustainable.

1.21 The situation described by representatives of the automotive industry in Victoria is disturbing and can only endanger and diminish the central role that TAFE has played to date. TAFEs must recognise that in a competitive market the ability to respond to industry needs is key to their future success. A mosaic funding model is also the only way the VET sector as a whole can meet the increasing demands on it.

TAFE and the competitive market

1.22 The vocational education and training sector in Australia over the past 10 to 20 years has implemented governance and funding reforms designed to ensure training providers have maximum agility to respond appropriately to the range of demands of employers, as well as meet the learning needs of individuals and communities. State and territory governments have also applied the same principle to the ownership arrangements of TAFEs, with some jurisdictions affording full operational autonomy while others provide direction and controls from the centre. In recent years, Victoria, for example has vested capital investment decisions with each TAFE board, to the extent that they are able to dispose of facilities and raise capital privately to expand facilities.

1.23 The majority report concentrates on funding being reduced to TAFEs, or making public funding for VET contestable. The Coalition is of the view that the system needs to involve a mix of contributors which includes the government, industry and students. The Victorian Government's Vocational Education and Training Market 2013 Highlights Report summarised the performance of Victoria's demand-driven training market for 2013. The report states that:

Over the past year, we've seen 10,000 more enrolments in construction, nearly 10,000 more people training in healthcare and 8,000 more in transport – all critical areas to the Victorian economy.¹³

1.24 The overall public spend has also dramatically increased with 'the Victorian Coalition Government [...] spending a record \$1.2 billion a year on vocational training, 41 per cent more than when Labor was in power.'¹⁴

13 Premier of Victoria, Media Release, 02 April 2014, *More Victorians aligned to job skills in demand*, <http://www.premier.vic.gov.au/media-centre/media-releases/9534-more-victorians-aligned-to-job-skills-in-demand.html>

14 Premier of Victoria, Media Release, 02 April 2014, *More Victorians aligned to job skills in demand*, <http://www.premier.vic.gov.au/media-centre/media-releases/9534-more-victorians-aligned-to-job-skills-in-demand.html>

Coalition Senators view

1.25 Coalition Senators support the introduction of a competitive market in the VET sector. There is a huge amount of funding invested through TAFE and government has a responsibility to ensure that it gets the best value for every dollar it spends. In many cases TAFE will be the most appropriate provider, but other times a private RTO will be the best option. In the Coalition's view, opening the sector up to the market will provide efficiencies, innovation and dynamism, which will benefit all stakeholders.

1.26 The contribution of industry was also highlighted during the inquiry, but not included in the majority report. The Australian Industry Group argued that industry is provide its share of funding for the sector through a number of different programs:

Increasingly there are a lot of co-contribution programs, such as the National Workforce Development Fund. That is a co-contribution fund, and so is the WELL program for workplace English, literacy and numeracy, for example. Employers certainly support them where they have been introduced. And, indeed, they contribute significantly to non-accredited training in the workplace as well. So we think employers are doing their share of heavy lifting.¹⁵

1.27 TAFE Queensland, its submission highlighted reforms being undertaken in Queensland by 'establishing contemporary employment arrangements to improve the productivity and responsiveness of the workforce and address the major cost differential between TAFE and non-TAFE providers'.¹⁶

1.28 In most jurisdictions, however, responsibility for conditions of employment and remuneration is not under the direct control of TAFEs. The lack of flexibility to contextualise these conditions to the strategic priority of each TAFE and to compete with other post-school providers, including universities, is seen as a major inhibitor to adaptability. As the major network of vocational training organisations and the engine-room of the VET system, TAFEs need the capacity to negotiate their own industrial arrangements. As a result, each TAFE would be able to align their staffing arrangements to respond to industry need and their specific delivery requirements. While some states and territories appear to be devolving industrial agreement making to the level of the TAFE this is not consistent across Australia.

Recommendation 1

1.29 The Coalition Senators recommend that states and territories take steps to ensure each TAFE is given capacity to negotiate industrial agreements to ensure TAFEs operate on an equal footing as other vocational education providers.

15 Australian Industry Group. *Proof Committee Hansard*, 15 April 2014, p. 33.

16 TAFE Queensland, *Submission 68*, p. 4.

Maintaining high quality and consistency

1.30 Coalition Senators concur with the evidence received by the committee that TAFE provides some unique services in areas that could not be provided through the private sector. The dual role that TAFE has of providing pathways to the workforce through the delivery of both vocational skills, and tertiary education at numerous levels is of unparalleled value in allowing people from all backgrounds and circumstances to participate in education and ultimately the workforce. This has real benefits to the individual and the economy and society more broadly.

1.31 However this doesn't mean that all courses currently delivered by TAFE should not be subject to the competitive market. Coalition Senators were concerned that the inquiry did not provide an opportunity for private training providers to put their views to the committee. The Coalition supports the position put forward by the Australian Council for Private Education and Training in their submission to the House of Representatives committee that 'the VET sector, like other sectors, requires competition to drive the development of flexible and innovative training, supported by prudent investment in technology and infrastructure.'¹⁷

Australian Skills Qualification Authority

1.32 The key to ensuring standards of training and skills development are of consistent high quality in a competitive market is having an appropriate regulatory environment. Coalition Senators support the continuation of the Australian Qualifications and Standards Authority (ASQA) as the regulator and agree with employer organisations that increased auditing and monitoring of the sector is required. If increased resources are required for monitoring and compliance then these should be provided. Situations where training providers, both public and private, are not consistently providing the skills training that industry demands, need to be addressed.

1.33 Coalition Senators note that currently ASQA has a different role in the regulation of training providers in Victoria and Western Australia. It is a matter for these two states to consider this further, but for a regulator to be as effective as it can be, ideally its purview would be national.

Recommendations in the majority report

1.34 Coalition Senators supports the recommendations in the majority report except those detailed below:

1.35 Amend **Recommendation 1** from the majority report to read:

The committee recommends that the Commonwealth work through its COAG partners on the National Partnership Agreement on Skills Reform to ensure that all States and Territories provide clear statements of policy direction on the role

17 Australian Council for Private Education and Training, *House of Representatives Education and Employment Committee*, Inquiry into the role of Technical and Further Education system and its operation, *Submission 50*, p. 7.

of TAFE in consultation with affected industries to ensure a quality education for students.

1.36 Amend **Recommend 6** from the majority report to read:

The Committee recommends that COAG work collaboratively to develop a national workforce strategy for TAFE that addresses the level and quality of teaching qualifications in the sector.

1.37 Coalition Senators do not support **Recommendation 10** in its entirety.

1.38 Coalition Senators recommend that for quality vocational education outcomes, a mix of contributors is required that includes government, industry and students.

Senator Chris Back
Deputy Chair

Senator Bridget McKenzie