

PREAMBLE

On 19 June 1997, the Senate referred the Vocational education and Training Funding Amendment Bill 1997 to the Senate Employment, Education and Training Legislation Committee for inquiry and report by 4 September 1997

The Committee received 11 submissions, and conducted a Public Hearing at Parliament House, Canberra on 5 August 1997. A list of submissions and witnesses appears in the Appendix to this report.

THE PURPOSE OF THE BILL

General funding for the Australian National Training Authority for allocation to the States and Territories is provided on a triennial basis by the *Vocational Education and Training Act 1992*. In his Second Reading speech, the Minister states that the Bill amends the *Act* as follows:

- increases the amount previously appropriated for 1997 under the *Act* by \$17.938 million in line with normal price adjustments
- amends the legislated amount for 1998 to \$890.585 million to give effect to the 1997-98 budget decision to reduce by \$20 million the funds available for distribution by the Australian National Training Authority. The bill also appropriates the same level of funding for 1999.

THE CONTEXT OF THE BILL

At the Australian National Training Authority ministerial council meeting on 23 May 1997, all state and territory ministers supported a resolution noting that the reform of the vocational education and training sector agreed at the meeting has the potential to improve efficiency and effectiveness in the provision of vocational education and training. In the government's view there is substantial capacity to fund further growth in the sector from efficiency gains, including those resulting from the reforms led by the Commonwealth.

The centrepiece of the government's reforms to vocational education and training is new apprenticeships. New apprenticeships are being developed to expand the number of training opportunities, especially for young people, into new industries to take advantage of economic growth and employment potential. At the ANTA ministerial council meeting in May 1997, the states and territories endorsed arrangements to ensure implementation of new apprenticeships.

Ministers also agreed on arrangements which will lead to the implementation of the National Training Framework, which will provide streamlined accreditation, registration and recognition arrangements within a national, quality assured system of vocational education and training.

The ministerial council agreed that there will be new funding arrangements for off-the-job training for new apprenticeships, allowing employers and their trainees to choose the provider to deliver their

training. More than \$500 million a year in Commonwealth, state and territory funding will be available for allocation among public and private training providers under this 'user choice' system. This bill provides the Commonwealth's contribution to that funding as well as ongoing support for other aspects of the vocational education and training provision.

A new *National Strategy for Vocational Education and Training* is currently being developed by ANTA in collaboration with the Commonwealth, States, Territories and industry. The Strategy will incorporate new policy directions in the development of the training market and the implementation of user choice. As part of this process, Commonwealth, State and Territory Ministers have identified the 'expansion of market mechanisms' as a key priority for the coming year.

User choice is one of the key market mechanisms. From the point of view of employers, the decisions on user choice at the recent Ministerial Council meeting were perhaps the most significant. Agreement was reached to arrangements for making more competitive the allocation of around \$500 million a year in Commonwealth and State funding for off-the-job training for apprentices and trainees.

All but one of the States and Territories have agreed that from 1 January 1998, off-the-job training for commencing apprentices and trainees will operate under user choice arrangements. They have agreed that they will also consider, on a case-by-case basis, making user choice available for existing apprentices and trainees. At this stage NSW has reserved its position on user choice.

Under the new 'user choice' arrangements, public funding will be allocated to the training provider selected by the client (in this case, the employer acting in concert with their apprentice or trainee). Clients will be able to select any registered provider, either a TAFE institute or a private provider, and negotiate aspects of the content, mode of delivery, location and timing of training within the framework of endorsed competency standards and costs established by government.

The government believes that the user choice approach will give employers an unprecedented opportunity to make the system work for them and to tailor training to their own needs. Importantly, the framework for user choice will also ensure that the training results in portable, national qualifications.

Under 'user choice' arrangements, the funding for apprenticeship and traineeship training will be based on unit costs benchmarks set by the individual State or Territory. This is to ensure that the prices set for training reflect the actual costs of delivery. Clients may want training over and above that which is essential to the apprenticeship or traineeship qualification, and above what will be funded publicly. Under the new arrangements, this extra training can be negotiated between clients and providers and purchased directly by the client.

The ANTA Ministerial Council has agreed that user choice will operate in a national market not limited by State and Territory boundaries. Clients will be able to choose their provider, regardless of whether the training is conducted in their 'home' state or interstate, and regardless of the State or Territory in which the training provider is based.

The Ministerial Council has also agreed that more open access to publicly owned facilities and equipment is a desirable element of user choice. States and Territories will pursue the issue within the context of their approaches to implementing competition policy. Several States and Territories have already introduced policies and arrangements to allow access to publicly owned training infrastructure by private providers.

MAIN ISSUES FROM THE EVIDENCE

General perspective

Data provided to the Committee by the National Centre for Vocational Education Research (NCVER) drew attention to the following features of participation and growth in the VET sector:

- over 10 per cent of people between the ages of 15 and 64 undertook a VET course in 1996
- almost a fifth of 15-24 year olds undertook a VET course in 1996
- clients undertaking VET programs provided by TAFE and other government providers grew by over 5% between 1994-95 and a further 2% between 1995-96

- Annual hours provided by TAFE and other government providers grew by over 2% per annum between 1994-96
- Overall, the total number of clients (with both public and private providers) grew by over 6% in 1995-96, and annual hours delivered rose around 5%
- There is greater unmet demand for VET than higher education, with 8.3% of VET placement seekers unable to obtain a place compared with 3.1% of higher education placement seekers

Funds for VET programs come primarily from Commonwealth and State recurrent funding, with over 84% of VET course hours funded from this source, and over 83% of VET enrolments.

Young people in the age group 15-24 years constituted over 40% of VET participants in 1996. On a comparison with other OECD countries:

there is a gap between the current Australian participation rates and the country with the highest participation rate per age cohort. In particular, the participation of 18 to 24 year olds would need to be expanded considerably in order to obtain the participation rates of 'best practice' countries.¹

The Committee endorses the efforts of both State and Commonwealth governments to facilitate greater participation in VET, and draws attention to the public commitment given by the Minister (Dr Kemp) to measure the success of the government's VET reforms in terms of increased participation.

Australia has a proud tradition of aspiring to be the best. We must continue this tradition in our training system if, as a nation, we want to compete successfully in the global economy. We must replace the image of a training system which has not always been able to respond in a timely fashion, with the image of a training system that is flexible and responsive, and is poised to face the many challenges ahead.

...

The Commonwealth Government is working with the States and Territories to develop a more open and competitive training market, which is client driven and responsive to the needs of business and industry.

...

Most importantly, there must be increased participation by young Australians in vocational education and training. Increased participation will be one of the main measures of success.²

The Commonwealth government's perspective

It is broadly acknowledged that participation in VET will continue to grow. In calendar 1997, the estimate of ANTA as disclosed in its report of November 1996 to the ministerial council was for growth in the order of 55,000 student places. The estimate was that approximately 43,000 of those places could be sourced to Commonwealth funding.

Specifically in relation to the demand for traineeship and apprenticeship or new apprenticeship opportunities, I think we have indicated in the Senate estimates context that there is budget provision for some 107,000 commencements in 1997-98, increasing to

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- 1 Submission No. 5 (NCVER)
 - 2 Dr David KEMP, MP. *A changing landscape: training market, user choice, flexible delivery and future directions for TAFE*. Address to the Australian National Training Authority 1997 Training Update Seminar, Sydney, Thursday 10 July 1997.

a budget provision of about 117,000 commencements in the out-years.³

A range of scenarios for the VET sector have been produced in reports such as the KPMG report commissioned by ANTA. The Government is "informed by those various scenarios but we have not ourselves produced any particular projection for next year."⁴ However :

In broad terms, the assumption is that growth of roughly the same order as has been experienced in the last span of years might be what we could expect in the immediate future, and the government has taken a decision that that growth should and can be funded through efficiency gains made within the sector.⁵

Previously, specific provision had been made in the VET Funding Amendment Bills for the so-called "ANTA growth funding". The final instalment of that funding was appropriated under last year's version of this bill for calendar year 1997. No growth funding was appropriated for calendar 1998.

However, the Commonwealth minister, Dr Kemp, has written to all state and territory ministers, making an offer to enter into a new ANTA agreement on the basis of a real terms funding guarantee for five years at the level of funding that is represented in the *Amendment Bill 1997*. It remains clear that it is the Commonwealth's expectation that at least sufficient efficiencies can be made by the states and territories to

3 *Transcript of Evidence* p9 (DEETYA, Mr Greer)

4 *Transcript of Evidence* p4 (DEETYA, Mr Manns)

5 *Transcript of Evidence* p6 (DEETYA, Mr Manns)

accommodate the reduction in Commonwealth funding in 1998, and to provide additional student places.⁶

The States' and Territories' perspective

With the exception of NSW, WA and Tasmania, the other States and Territories did not provide formal submissions to the Committee. The NSW submission concludes that the *Amendment Bill* "will provide for stability in Commonwealth funding of the Australian VET system subject to there being agreement reached between the States, Territories and the Commonwealth on a new ANTA agreement." The WA submission notes that "the changes proposed by the ... Bill are in line with what Ministers agreed at the May 1997 Ministerial Council meeting" and that collaboration between the State and Commonwealth governments "is being pursued positively through...negotiations associated with the revision of the ANTA agreement." The submission from the Tasmanian Government⁷ expresses concern at the way in which it regards the Commonwealth as committing State funds for the purpose of achieving Commonwealth policy purposes, without adequate acknowledgment of the States' contributions to VET.

The general points raised by NSW, Western Australia and Tasmania were reiterated in a communique issued by a joint meeting of State and Territory VET ministers on 22 August 1997.

6 *Transcript of Evidence* p7 (DEETYA, Mr Manns)

7 Submission No. 11 (Tasmanian Government, Mr Tony Rundle, Premier)

Given that such claims and counter - claims are standard fare in Commonwealth-State issues-especially prior to funding negotiations - the Senate Committee believes that it is premature to prescribe a particular outcome, or to favour one of the negotiating parties over the other.

Given that the States and Territories:

- have generally not, in the context of the consideration of the *Amendment Bill*, tendered evidence concerning the extent of their capacity to fund expansion of the VET sector through efficiencies, and
- have committed themselves, at the May 1997 ANTA Ministerial Meeting, to the reforms of the VET sector as proposed by the Commonwealth,

it is the Committee's view that the implications of such a commitment must be worked through via the process of negotiating a new ANTA Agreement within the framework of those agreed reforms. The *Amendment Bill* provides a settled budgetary framework for those reforms, and guarantees the stability of funding provision into the period of the new ANTA Agreement.

Other issues raised concerning growth

The Committee heard many references to the 100,000 additional places that could be created each year from efficiencies at the state level. DEETYA officials advised the Committee that:

... the 100,000 was an estimate suggested by the minister for the number of additional places it might be possible to derive from the system on the basis of efficiencies. It was not in any sense a target for growth or a demand upon the states for growth of a certain magnitude.

... I do not think there was any suggestion in the minister's statement that they were an additional 100,000 full-time places of 720 hours a year, or whatever. It was potentially a mix of different types of provision.⁸

In the Committee's view, the forthcoming ANTA Agreement negotiations between the Commonwealth and States are the appropriate venue for settling the nature of the growth mix to be achieved within the sector. The present *Amendment Bill* simply provides the financial framework within which those negotiations will proceed.

Another concern raised with the Committee related to the impact of the proposed Common Youth Allowance. The Committee received no clear evidence about its likely effect. There was general agreement that not all of the young people moving from the dole to the CYA would seek training places in TAFE.

The Committee sought the view of DEETYA officials about the extent to which the introduction of the Youth Allowance would affect demand for VET places.

[It] seems to me that it is not a sustainable proposition that all of the young people who may be affected by the changes to youth allowance would seek a position in the VET sector....

I am not aware of the government having made any detailed projection of that....

8 *Transcript of Evidence* p30 (DEETYA, Mr Manns)

[P]robably the majority of those young people will seek to remain in school or go back to school. A minority would be seeking positions in the VET sector. I would have thought the numbers are likely to be relatively small.⁹

The Committee expects that the Commonwealth will monitor closely the impact of the introduction of the CYA. Any substantial effects which might have financial implications for the funding of the VET sector could then be taken up in the context of subsequent budget planning processes.

Legal considerations

The Australian Education Union raised with the Committee their concern that the *Bill*, if it were to be passed, would breach the *ANTA Act 1992*. This Act provides for the funding of the VET sector on a national basis as a result of a cooperative settlement of issues arrived at prior to 1992. Attached to the Act is a schedule which outlines the objectives of ANTA and the framework through which the provisions of Act will be implemented. The AEU's concerns included the view that:

In relation to the question of funding, the act provides an obligation on the states to maintain their 1992 effort.... It also provides for the Commonwealth government--as its part of the bargain, if you like--to provide growth funds on a continuing basis.¹⁰

While it is not possible for the Committee to adjudicate on the matter, the view of DEETYA officials is that the schedule is a political document which does not have the force of law:

9 *Transcript of Evidence* p9-10 (DEETYA, Mr Manns)

10 *Transcript of Evidence* p11 (AEU, Mr Hewett)

It is a matter for the AEU to proceed on whatever legal advice it receives, and the committee may wish to seek its own. It is certainly my understanding, from advice that we have had at various times over the past few years in relation to this whole legislative scheme, that the ANTA agreement is a political document which does not have the force of law. Its attachment as a schedule to the ANTA act does not give it the force of law, beyond the few references within the act--which, if you like, bring bits of the schedule in for the purposes of amplification.

In any event, the appropriation of funds by the parliament is the last word on the funding issue. Frankly, I would be surprised if the legal advice were in support of the AEU's position, but that is a matter they may wish to test. To my knowledge the government has no intention of amending the bill as currently introduced.¹¹

CONCLUSION

The *VET Funding Amendment Bill 1997* provides for a stable funding regime for the VET sector nationally, and acts as an incentive to the States and Territories to achieve efficiencies in their VET operations. It serves as a discrete funding framework for the negotiation of a new ANTA Agreement between the Commonwealth, States and Territories. It is presented to the parliament in the context of a set of VET training reforms which have been agreed to by the States and Territories at the May 1997 ANTA Ministerial Council.

<p>The Committee RECOMMENDS that the <i>Vocational Education and Training Funding Amendment Bill 1997</i> be passed by the Senate.</p>

11 *Transcript of Evidence* p26 (DEETYA, Mr Manns)

Senator J Tierney (Chair)