

DISSENTING REPORT BY LABOR AND AUSTRALIAN DEMOCRAT SENATORS

The majority report supported by the Government Senators manifestly fails to address itself to the crucial issues with which the VET funding proposals are concerned. It reads more like a ministerial statement than a Senate Committee critique based on the evidence put before the Committee. The Labor and Australian Democrat Senators wish to place on the record their concern for the way in which Government Senators have failed to address the legitimate criticisms and concerns of witnesses, non-Government Senators, and the State and Territory Governments who have made abundantly clear their dissatisfaction with the Commonwealth's approach to what is supposed to be a partnership in VET funding arrangements.

Reduced funding for VET

The present *Bill* must be considered in the context of the substantial reductions in outlays by the Commonwealth government since 1996 which have impacted severely on the overall level of funds available to education and training. These include:

- two rounds of efficiency cuts
 1. 1996-97 Reduction in VET Grants to States and abolition of 5% growth on base recurrent TAFE funding totalling \$158m over the Forward Estimates period
 2. 1997-98 Benchmarking efficiencies in VET Grants to States totalling \$72m over the Forward Estimates period

- a 27% reduction in the ANTA operating budget (\$12.8 million)
- the unilateral decision to halt the \$70m per annum ANTA growth funds
- the removal of \$1.8 billion over four years in Labour Market Program funds, much of which was used to deliver training by TAFE providers.

Having made this array of cuts, the Commonwealth government has settled upon 1997 as the base year for the funding of the VET sector over the next triennium (and for the duration of the revised ANTA Agreement). The *VET Funding Amendment Bill*, if it proceeds in its present form, will lock in a level of baseline funding which is wholly inadequate to the task it ostensibly serves - namely, the funding of an expanded VET sector, including the so-called New Apprenticeships, to a level which is acceptable by international standards. The VET sector operates through a partnership between the Commonwealth and States, with the States having the major responsibility for its operation and the achievement of national training targets and standards. However, this *Bill* ignores the voices of the States and Territories who have roundly criticised the baseline funding scenario, and a growth strategy based on efficiency savings by States, which the *Bill* represents.

Despite Ministerial claims of the *Bill's* provision for substantial student growth, funding levels contained within the *Bill* actually account for a substantial reduction in Commonwealth outlays for VET as outlined within the 1996-97 Budget.

Outlays: 1996-97 ESTIMATE \$1363.4 million
 1997 -98 ESTIMATE \$1354.8 million

The 1996-97 Budget reduced annual funding to the States and Territories to achieve efficiency gains in vocational education and training. The reduction, which takes effect from January 1, 1998 and is anticipated to be carried into subsequent years, is estimated to be \$20 million in the 1998 calendar year.

EFFECTS OF BUDGET MEASURE ON BUDGET OUTLAYS \$ MILLIONS

Measure:	1997-98	1998-99	1999-2000	2000-01
Benchmarking Vocational Education and Training	-10.0	-20.3	-20.7	-21.0

Growth in the VET sector cannot be funded through efficiencies

The majority report sets out a number of statistics about the growth in VET over the last several years. Such growth will continue, and probably at a higher rate than previously. Yet the *Vocational Education and Training Funding Amendment Bill* provides for a resource base which will come nowhere near meeting that demand. Already, unmet demand in the VET sector is nearly three times higher than unmet demand in higher education - and in 1997 unmet VET demand is expected to be of the order of 44,000 student places.

The Government's promotion of New Apprenticeships, to say nothing of the introduction of the Common Youth Allowance (CYA) will add considerably to the pressure on VET places. Moreover, the Labor and Australian Democrat Senators are not entirely comfortable with the numbers being proposed by the government in these two policy initiatives. Growth is cast in terms of "client" numbers, but New Apprentices, say, require more training hours and resources than the 'average' TAFE client. The average teaching hours for the 'average' client is 225 hours per year. New Apprenticeships involve 320 hours per year for an apprentice, and 390 hours per year for a trainee. Moreover, the Commonwealth has made provision for an additional 10,000 commencements in 1998. Given the substantial publicity surrounding New Apprenticeships, it is more likely that the commencement numbers will be 15,000 plus for 1998. Moreover, a New Apprentice corresponds (in training costs) to about 1.75 times an average VET client. On this account, 15,000 New Apprenticeship commencements is in fact equivalent to about 26,250 'average' VET clients.

Under the CYA proposals, even if one accepts the ANTA figures that around 10,800 young people will enter TAFE, each of these will be "fulltime", which on the AUSTUDY definition involves 720 hours of education/training per year. Each such client is equivalent to 3.2 times the average VET client, so an influx of 10,800 young people as a result of CYA changes equates to 34,560 'average' VET clients. When underlying growth and unmet demand are added to these figures, it is apparent that the government's estimates of growth may be severely on the low side,

thus compounding the problem of achieving growth through efficiencies.

A briefing paper (referred to in the Senate and prepared by ANTA for Minister Kemp) states that the additional number of government-funded VET clients might be between 30,000 and 85,000 places. The present *Bill* ignores this reality. The ANTA paper proposes a negotiating position of around 42,000, but if allowances are made, as set out above, for the special levels of teaching hours and other resources these clients (New Apprentices, CYA clients) will consume, the estimated 42,000 translates into around 97,000 'average' VET clients

The paper also provided the following table, which indicates for each State and Territory the potential efficiency gains that it is claimed could be achieved to fund the growth at the lowest level consistent with government policy initiatives.

	Additional Govt Funded Clients	Cost (\$m)	Notional Possible Efficiency Gains (\$m)	Gap (\$m)
NSW	8,358	27.5	172.0	144.5
Vic	6,540	17.8	0.0	-17.8
Qld	6,231	20.7	21.3	0.6
SA	2,209	8.6	57.6	49.0
WA	3,026	11.2	45.3	34.1
Tas	877	4.1	16.6	12.5
NT	314	2.0	10.5	8.5
ACT	412	1.9	20.2	18.3
AUST	27,967	92.4	343.5	251.1

Note: 1997 notional possible efficiency gains are derived using the lowest State/Territory unit costs of Government funded VET including adjustments for course cost and CGC TAFE cost factors

It should be noted that these figures are minimal costs and the States argue that their estimates are often much higher. For instance in the case of Victoria, the Victorian Government has estimated that the real cost to that state may be as high as \$54 million.

The ANTA paper itself recognises that this table represents notional possibilities of efficiency and makes the point that a reliable estimate of real efficiency possibilities requires a much greater level of detailed information than ANTA has available.

The Labor and Australian Democrat Senators are concerned that the Commonwealth may pursue its efficiency gains proposal by bringing the cost structures of the States and Territories to the level of the most "efficient" state. There are enormous dangers in such an approach. There are important reasons for the variations in VET training unit costs from State to State, and comparisons must be made at a sufficiently fine level of detail to attend properly to these important factors.

The Labor and Australian Democrat Senators believe that State efficiency gains of the magnitude proposed by the Commonwealth are unrealistic and unachievable. The States have achieved, on average, around 1 per cent per annum baseline efficiency improvements over each of the last 5 years. This national, average efficiency growth would fund **only between 9 and 20 per cent of the required growth in VET clients**. Yet the Minister (Dr Kemp) states in his second reading speech that there should be "substantial capacity to fund further growth in the sector from efficiency gains". This proposition is ludicrous, and is

rendered even more so when one takes into account that the opportunities for States and Territories to make further efficiencies are severely affected by:

- efficiency dividends required by State treasuries
- current enterprise bargaining agreements with efficiency targets of between 3% and 14%.
- the size of any self-funded redundancy payments for VET teachers, especially in TAFE
- the extent to which any cash savings will deliver increased salaries as opposed to increased output.

The unrealistic nature of Dr Kemp's call for VET growth to be funded from efficiencies was highlighted in a number of written and oral submissions to the inquiry. The following reasons were cited:

- over the period of 1991 to 1994 there was a percentage growth in contact hours in the VET system of 21 per cent nation-wide. In a similar period, enrolments increased by 16 per cent. However, teaching staff in the VET system as a whole increased by only 8.4 per cent ...Whether this is a good thing from the point of view of quality ... I am not equipped to answer. But I would point out that those figures, although they provide a snapshot, do indicate substantial change within the sector over the 1990s.¹
- Over the past two years ... enterprise agreements have provided the basis for a settlement for a wage increase and significant efficiencies. There are simply no further efficiency gains to be produced, since most of those agreements, even if the employers did want to change significantly the way in which the system

1 *Transcript of Evidence* p13 (NTEU, Ms Nicholls)

operates, would be bound by the requirements of the workplace relations legislation.

The second point is that there already has been a significant efficiency dividend produced by the massive restructuring that has occurred over the past four or five years.... There is the change in staffing arrangements for teaching, where nearly fifty per cent of teaching is now, if you like, hourly paid. Those sorts of efficiencies have already been obtained. ²

The Labor and Australian Democrat Senators note that the ANTA advice to the Minister (Dr Kemp) states that if growth in VET is to be funded by efficiencies alone, reductions in average recurrent expenditure by the States would have to be between 3.8% and 7.9%. Given what has been said above about the extent of efficiencies already achieved in TAFE, further reductions of the order proposed would seriously damage the VET offerings in the States and Territories. The advice describes the capacity of the States and Territories to deliver efficiency gains of this order as "problematic".

It is the view of the Labor and Australian Democrat Senators that the *Vocational Education and Training Funding Amendment Bill* should be modified to reflect more faithfully the actual situation of the States and Territories with respect to their capacity to fund additional VET growth from efficiencies.

Impact on Commonwealth-State relations

The States' position on the Commonwealth's proposals was articulated in submissions to the Committee from the NSW government, the

2 *Transcript of Evidence* p13 (AEU, Mr Hewett)

Tasmanian government, and was reinforced by a joint communique released by State Ministers on Friday 22 August. The communique expressed the State and Territory ministers' concern that "the Commonwealth is not providing funding to support new apprenticeships and the Common Youth Allowance initiatives, and that young people are having their expectations raised unrealistically." It is clear from the communique that State and Territory ministers regarded as unrealistic the Commonwealth's demand that they create 500,000 places in the course of the new ANTA agreement.

The submission from the NSW government provided the following comments³ with regard to the *Bill* and the associated growth and funding issues:

- the changes recommended by the *Amendment Bill* are "in line with what Ministers agreed at the May Ministerial Council meeting."
- States and Territories are "strongly opposed to funding of growth from efficiencies"
- population-driven growth in the NSW VET sector will require an additional \$50 million, and demand generated by New Apprenticeships will be over and above this growth
- resourcing of non-delivery aspects of New Apprenticeships (e.g. statistical systems) "has, as yet, not been forthcoming".

3 Submission No. 9 (NSW Government, Mr Aquilina)

The Tasmanian government set out a range of concerns that were ultimately reflected in the joint communique of 22 August. For example, Tasmania argued that:

- the increase in Commonwealth VET funds in line with normal price adjustments is equivalent to providing "new funds for 12,000 places at approximately \$1,494 per place.. This is well below the full cost for traineeships and hardly a normal price adjustment."
- the Commonwealth is sending mixed messages : "on the one hand...raising expectations of increased opportunities, while on the other it reduces the resources committed to fulfil these expectations."
- the reduction of \$20 million, while a small percentage of total VET funding, fails to take into account "the reduction in training opportunities because of reductions in...labour market programs."

The submission concluded that the Commonwealth is using its funding prerogative to dictate to the States how they should allocate funds, and to commit the States to additional expenditure. Moreover, because the States provide the vast majority of VET funding, Tasmania argued that the Commonwealth should, when publicising the proposed changes to the VET arrangements, explicitly acknowledge the States' role and contribution.

The Government Senators' majority report insists that the States and Territories were in agreement with the Commonwealth proposals as they were presented at the May MINCO meeting. On the reports of comments by State ministers shortly after that meeting and on

subsequent occasions, such claims are misleading. Following a meeting of State training ministers recently, Mr Phil Honeywood (Victoria) was reported in *The Age* as saying that the states were committed to VET, but were fed up with the Commonwealth expecting the States to finance Commonwealth initiatives.

"The states and territories have just given up, basically," Mr Honeywood said. "Dr Kemp just to get headlines, goes out after each ministers' meeting...and hits us with another bombshell that we haven't agreed upon."⁴

On June 8, 1997 Dr Kemp announced guaranteed funding of \$4.5 billion in the next 5 years "conditional on the States and Territories increasing TAFE places and improving the quality of training through more effective use of funds."⁵ Dr Kemp required the States and Territories to make some \$300 million per year in efficiencies to fund an additional 100,000 student places a year over 5 years.

The reported comments of State ministers following Dr Kemp's announcement highlight the degree of disaffection with the Federal Minister as a result of his proposals. For example, Mr Honeywood, the Victorian minister, declared his state's opposition to the funding conditions being proposed by the Commonwealth, and asked whether the requirement for "up to 40 percent" more TAFE places with no additional Commonwealth funding amounted to an attempt to "dismantle the TAFE system."⁶ An AAP report of 28 August 1997 quoted

4 *The Age* Wed 20 Aug 1997 "States poised to rebel on TAFE funding cuts."

5 Minister Kemp *Media Release* June 8, 1997

6 *The Age* 13 June 1997 "Training ministers angered by TAFE plan"

Mr Honeywood as saying that the proposals by the Commonwealth would represent "the biggest cost shift (to the states) to a portfolio since federation."

The Labor and Australian Democrat Senators are of the view that the Commonwealth's funding arrangements should be determined in the light of what might reasonably be expected to be agreed under the new ANTA Agreement. For the Commonwealth to make unilateral funding decisions which are clearly in conflict with the advice coming from the States and Territories is simply poor public policy.

Clearly relative efficiencies will be utilised during the funding negotiations with individual states. recurrent costs per curriculum hour are identified as the main efficiency information available regarding VET in the *Report on Government Service Provision* of the Steering Committee for the Review of Government Service Provision. While the report documents unit costs ranging from \$8.30 in Victoria to \$20.30 in the NT, it points out that these are problematic insofar as they have not been adjusted for factors such as population densities, provision to disadvantaged groups and remote locations.

There is also a lack of evidence that the Commonwealth proposals are grounded in research about the likely or desirable rates of growth in VET. The Labor and Australian Democrat Senators note that DEETYA appears not to have undertaken any specific work on projections for the growth rates of VET participation in 1998, even though the *Funding Amendment Bill* deals with such growth:

There are a range of scenarios, as you know, that have been produced in reports such as the KPMG report. There are many factors which impact upon what will ultimately happen on the ground next year. We are informed by those various scenarios but we have not ourselves produced any particular projection for next year.⁷

DEETYA has advised the Committee that the Department has not sought to quantify the level of savings to be achieved by the states,⁸ even though a notional 100,000 VET places are meant to be accommodated through such savings. The Labor and Australian Democrat Senators are disturbed by the lack of any detailed assessment by DEETYA of the capacity or likelihood of States achieving efficiencies when the *Bill* is predicated upon them, and when there has been frequent reference to the provision of an additional 100,000 VET places per year.

It has been a matter of public knowledge that the minister, Dr Kemp, has suggested that, in consideration of the same provision of funding from the Commonwealth as applied over the last five years for the next period of the ANTA agreement, there should be 500,000 additional training places produced by the states... I might point out here that TAFE makes up 95 per cent of the total funds that are provided to the vocational education and training system. So when we talk about the vocational education and training system we are really talking about the public TAFE system. There is simply no room for an efficiency dividend of that nature to produce those so-called savings.⁹

The Department (DEETYA) has sought to allay such fears by arguing that there is no suggestion that the Minister (Dr Kemp) had in mind fulltime places when he referred to the 100,000 places per year. The Minister has yet to be clear on these matters.

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

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

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

An international perspective on Australians' qualifications and skills base

The 'globalisation' of the Australian economy makes it important that Australia's skill base, and the operation of its labour markets, are sufficiently robust to ensure that Australia remains internationally competitive. Work undertaken recently by the OECD has reinforced the view that "improvements in participation rates, attainment rates and rates of conversion of participation to attainment... would increase VET's contribution to economic competitiveness.¹⁰ The National Centre for Vocational Education Research (NCVER) provided a set of data to the Committee which includes considerations of how Australia compares with other OECD countries in VET participation and attainment.

Notwithstanding differences in data definitions and collection methods across countries that make cross-country comparisons problematic, the data... indicate that 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.

That only 50 percent of the Australian population aged 25 to 64 hold a post-compulsory school qualification suggests there is considerable scope to improve the skill base of the Australian workforce relative to the skill base of other industrialised countries.¹¹

The Labor and Australian Democrat Senators are aware that Australia's participation rate for 15-17 year olds is close to world's best practice, but highlight the gap with respect to participation of persons aged 18-24. This is very much the age group that is the focus of such schemes as

10 Submission No. 5 (NCVER, Mr C Robinson)

11 Submission No. 5 (NCVER, Mr C Robinson)

New Apprenticeships. Again, it is incumbent upon the Commonwealth to take seriously its responsibilities to provide for expansion of VET places for this age group in particular, and not to leave it to the vagaries of possible - but improbable - efficiencies within the State and Territory VET operations.

The Labor and Australian Democrat Senators are of the view that, even more significant than participation rates, are the relatively poor conversion rates in Australia of *participation* in education and training into *qualifications attainment*. While increased participation is vital, the Commonwealth should give priority to qualifications attainment. In urging a 100,000 places per year increase in participation there is a strong risk that the appearance of higher levels of training activity will mask the failure of achievement of actual qualifications. There is also a significant danger that the qualifications associated with increased participation will remain largely at the lower end of the AQF levels.

DEETYA advised the Committee as follows concerning patterns of apprenticeships:

Certainly there has been a decline in the numbers of apprenticeships as we know them. My understanding--without having the detail in front of me--is that, from a peak of about 62,000 commencements and recommencements in 1989-90, numbers fell away dramatically in the recession in the early 1990s. Commencements and recommencements have climbed back and plateaued at about 48,000. My understanding is that the NCVER suggest that their final outcome figures for 1995-96 will be of the order of about 48,000 commencements and recommencements. There is that decline. On

the other hand, there has been a significant increase over that period in the take-up of traineeships in their various forms.¹²

While the Labor and Australian Democrat Senators wish to see increased participation in VET, it is important that the increase is properly distributed across a range of quality, portable qualifications, representing the full extent of the AQF skill levels, and not only those at the lower end of the spectrum. DEETYA has advised the Committee that new apprenticeships are focused on the competency outcomes, AQF2s and AQF3s, as apprenticeships move from a time based system to a competency system. Consistent with the shift to a competency model, it may be the fact that AQF3s, which are the equivalent of existing time served apprenticeships, can be achieved in a shorter duration. However, the Labor and Australian Democrat Senators note the following comments with some disquiet:

I would like also to make an observation about interpreting statistics. Quite often when announcements are made these days about entry level training numbers what is being presented is a composite figure... [which] conceals the fact that apprentice numbers are in serious decline and that the only growth in recent years has been in one-year traineeships. There is nothing wrong with a one-year traineeship as an educational device, but the mistake comes if we create an entry level training system which is based entirely on short traineeships.¹³

Labor and Australian Democrat Senators acknowledge the merits of traineeships. In particular, the Labor Senators regard the present government's approach as representing a significant departure from the arrangements under *Working Nation*. The combination of so-called

12 *Transcript of Evidence* pp7-8 (DEETYA, Mr Greer)

13 *Transcript of Evidence* p23 (Mr Fooks)

efficiency cuts, the cessation of growth funding, and the demands for expanding places without a commensurate increase in

Commonwealth dollars puts the quality and mix of New Apprenticeships at risk.

The pattern of growth favouring one and two year traineeships and apprenticeships may have implications for the depth and quality of the skill base of Australia's workforce overall. It is important that the skill base does not atrophy because of a focus on the shorter training programs. The Labor and Australian Democrat Senators will monitor the AQF levels being achieved under the new training regime.

Some issues around user choice and the quality of training

Although the *Funding Amendment Bill* does not explicitly provide for mechanisms to promote user choice, the entire *Bill* assumes the operation of a user choice approach to delivering training. Under the 'user choice' model, public money is channelled, via employers and industry, to training providers who contract to provide specific training services over a specific period. This militates strongly against longer term planning by providers - whether private or public - and potentially undermines quality, scope and breadth of provision. Curriculum development, for example, will probably lose out as providers will be focussing on the immediate requirements of their current and subsequent contracts.

The public training system - basically TAFE - delivers the vast bulk of VET, and the wholesale shift to competitive tendering and contract

funding (particularly in a climate of extreme efficiency demands and declining funding levels) is likely to diminish the capacity of the system to undertake the serious long term curriculum and planning work that is needed to sustain a quality training product and thereby retain a competitive edge internationally.

Some significant dangers of the 'user choice' approach were brought to the Committee's attention:

It is our submission that the whole move towards competition and user choice, unless accompanied by very strict quality assurance mechanisms both at the level of classroom or workplace learning and the accreditation processes, can lead to a real waste of government money. If, in the end, the outcomes from that privatisation of training produce cheap, dead-end training, then the government has wasted its money. The ... VET system is substantially the public system. Businesses, particularly small businesses, do not have training as their core operational requirement. It is not a core issue. Education and training are not core issues for most businesses.¹⁴

There has been a lot of reference to user choice. User choice can in no way be an answer to turning around apprenticeship numbers, traineeship numbers or any entry level training arrangements--because the first thing that has to happen is that an employer has to be trained to take on a trainee and/or an apprentice. It is only after that employment occurs that user choice comes into place.¹⁵

The Labor and Australian Democrat Senators note in particular the evidence tendered by a representative of the building industry with respect to a 'user choice' and employer driven approach to training. A written submission from the Building and Construction Council NSW Inc

14 *Transcript of Evidence* p14 (AEU, Mr Hewett)

15 *Transcript of Evidence* p24 (Mr D Fooks)

included the following observations on the reality of training in the building industry:

In principle, [BACC] support the concept of a "demand driven training system"... Nevertheless, there is concern that this demand will concentrate on the short term needs of employer and apprentice, while ignoring the long term requirements of industry of the community.

In many respects the building and construction industry is unique... The actual process is carried out by a myriad of specialised sub-contracting firms. In the case of domestic housing, much of the construction is carried out by family companies or partnerships. By its nature, the ...industry is peripatetic.. As a result, training is not always easily accessible.

Because of these factors, apprentices encounter the risk of acquiring only a limited range of skills which may not be transferable to other sectors of the industry. This problem may be exacerbated if training is limited to those tasks currently in demand.¹⁶

The Labor and Australian Democrat Senators are of the view that, under a funding regime where less dollars per course hour will be available, the operation of user choice in an artificially created training market will not be sufficient to ensure the maintenance of a quality, internationally competitive and comparable VET sector. These concerns were reinforced by the comments of several witnesses appearing before the Committee.

In relation to the move towards tendering and contracting out... the rush to create an artificial market by certain of the ministers in the states and the Commonwealth minister, resulting in.. 20 per cent of funds being effectively handed over to employers from 1 January 1998, has very grave implications for expenditure of public funds. There have been cases--anecdotal, however they may be--of consultants, you might call them, or people who are registered as providers in the states and territories who have set up in public libraries with minimal equipment and resources and with staff teaching the courses with insignificant teacher training or

16 Submission No. 8 (BACC, Mr P Tyler)

qualifications. That is the real danger, I think, of rushing to an open training market where there are no quality assurance provisions actually included in the regulation of that training market.

Let us be serious about it: there is not in fact a great deal of open competition in the training market, because the government subsidises most of it. The government provides most of the funding for training. So it is not businesses or industries going out there and voluntarily spending millions of dollars on training. ...

The thing about TAFE is that it is a reliable, continuing--let us hope it is continuing--public provider of good quality education and training which is accessible to all groups. In our primary submission we indicate that TAFE, more than any other part of the education sector on any measure--ethnic, gender, regional location, age--most closely represents the population at large. We think it does a good job and should be continued to be funded to do that job.¹⁷

The quality issues arising from a user choice / training market environment go beyond concerns with the standards of the training itself, to broader issues of a trainee's development and wellbeing. The following comments from the director of a large TAFE program highlight these broader issues:

We are finding more and more young people and older people in our TAFE programs presenting for counselling for various reasons--stress, financial hardship and the like. Our student services people tell us that the demands on their services are increasing. If young people are going to go to private providers, these services may not necessarily be available and those people will not be as supported as perhaps they have been traditionally supported in TAFE institutes. ...

[It] would be fairly understandable that somebody could read an advertisement from a newly successful private provider promising them a course in some area and could embark on that program through the private provider, supported by government funds, only to find after they have experienced the program that the teaching quality or services may not be up to standard. Usually, some time will have passed before that is recognised. I do not have any specific

17 *Transcript of Evidence* p15 (AEU, Mr Hewett)

examples, but I imagine that this would be a concern, whereas public providers, such as RMIT and many other TAFE institutes around the country, have a track record in providing training for students and have a reputation that is well known.¹⁸

The Labor and Australian Democrat Senators are of the view that, in an attempt to inflate the numbers of young people undertaking training - especially under the New Apprenticeships scheme - the Commonwealth Government will focus on short term training programs such as the one year traineeship at the expense of producing more broadly skilled trainees who have mobility across industry.

People are sitting and watching the decline in apprenticeships and, rather than tackling that question, they are trying to put other options in the way of employers. Rather than trying to encourage them to go the four-year route, they are making it easy to take on people for one year. That is a short-sighted policy. The appropriate way to go is to have an array of one-year, two-year, three-year and four-year courses. I do fear that at the end of the day we could finish up with basically a one-year entry-level training system in Australia.¹⁹

The Labor and Australian Democrat Senators share the concerns of some witnesses that the new training arrangements being promoted by the government may well be little more than a change to the packaging, with no serious attention paid to the content of the training:

It could well happen that 1 January, when new apprenticeships is to be officially launched, could come and go without anyone noticing. I cannot see anything actually happening, apart from the hype, that is going to change the fundamental thing in all this--and that is to encourage employers to take on trainees and apprentices.

I do not know what is going to happen between now and 1 January that is going to turn that around. We are going to have a new name.

18 *Transcript of Evidence* pp19-20 (RMIT, Mr Bangay)

19 *Transcript of Evidence* p25 (Mr Fooks)

We are going to take existing traineeships and call them apprenticeships. The government has actually reduced employer subsidies. One of the things that the KPMG report and significant research from Western Australia indicates is that the level of employer subsidies is one of the most significant drivers of the numbers employed. So it seems to me to be a very strange way to launch a new program--to take one of the major drivers and actually reduce the impact of that.²⁰

Several witnesses commented on the extent to which the requirement to fund growth through efficiencies will lead to an overall decline in the quality of Australia's skill base:

It must have an impact on quality. The system is still growing. The average rate of growth for TAFE over the last 10 years has been something like seven per cent per annum. In the last five of those 10 years it is something like 10 per cent per annum. I do not know of any other business or industry in Australia that has grown right through the recession at 10 per cent per annum. So it must be doing something right. To sustain growth at a very high level in difficult circumstances, one would need to ensure that the resources keep pace with that growth. The growth is projected to continue, but I think the best case scenario for funding, as I understand the federal government's position, is not to make any further reductions; it is to keep funding static in a situation of growth. So something has to give.²¹

There appears to be a range of factors militating against quality in the Commonwealth government's new training arrangements. For example, a disturbing inadequacy which has the potential to significantly affect quality is that many of the new training packages - designed to teach skills more efficiently at a lower per unit cost - are either still in development or have not yet been approved. A handful have explicitly been rejected on their initial presentation by the relevant industry body. It is vital that the infrastructure and resources necessary to maintain

20 *Transcript of Evidence* pp25-26 (Mr Fooks)

quality in a period of severe financial constraint are given high priority by government.

The Labor and Australian Democrat Senators' concerns about the availability and adequacy of training packages go to several matters of development and accreditation. For example, it appears that the consultation undertaken by ITABs in the preparation of training packages may not extend beyond the state in which the particular ITAB is based. This is problematic both in terms of quality assurance and the acceptability of the final product to training providers in other states.

There have been complaints in some quarters that the training packages under development often appear in the form of thick wads of paper that are not user friendly. There are difficulties in translating these into courses and curriculum materials. Moreover, aspects of the packages deal with elements of the training framework that are not mandatory in some States.

The Labor and Australian Democrat Senators understand that recently the National Training Framework Committee rejected training packages in the fields of Tourism and Hospitality, Retail, Aerospace and Telecommunications. The main problem appeared to be with the assessment provisions. There have also been some claims among TAFE providers that the funds expended on training packages have not resulted in value for money. Such reservations and difficulties do not

21 *Transcript of Evidence* p26 (Mr Fooks)

augur well for the provision of packages to a system which is due to get underway in 1998.

The impact of the Common Youth Allowance (CYA)

It was argued by several witnesses that the proposed CYA arrangements for 16 and 17 year olds would affect an estimated 150,000 young people, the majority of whom would therefore return to school or, as an alternative, seek a TAFE training place. This would add extra pressure to the availability of VET places over and above the additional 100,000 VET training places being proposed

Our estimate is that in the vicinity of 150,000 people currently unemployed in that age group would be seeking a training place either at a TAFE college or from a private provider in the year beginning 1 January 1998. Those 150,000 young people would only qualify for the youth allowance if they were in training. My understanding is that this bill does not provide for training places for that particular cohort, which means that effectively the states will pick up the tab for providing the training places that those youth would be seeking to obtain.

...

Our estimate of 150,000 is probably a little excessive, although it depends really on the effect of the abolition of the dole for those people. I do not claim to have a crystal ball but, if it is not \$900 million, it is somewhere between \$600 million and \$900 million at a minimum. If only 100,000 of those 150,000 potential students were to make the decision to go to TAFE, then the cost would be \$600 million.²²

DEETYA have advised Senate Estimates of a much smaller number of young people affected. The Minister (Senator Vanstone) advised the

Estimates Committee that around 25,000 - 27,000 young people might seek to return to education and training.

Relevant, perhaps, is that there are currently some 32,000 teenagers who are unemployed and below the age of 18 years and in receipt of the youth training allowance, so that puts some sort of cap on the estimate, if you like.... [We] would expect that there would be changes in the behaviour of young people in terms of their decisions to stay in or to leave education and training. The broad estimate to which the Minister referred, something around the 25,000 - 27,000 mark is our estimate of the potential effect of the youth allowance on increased numbers of students remaining in education and training once the youth allowance has been fully implemented and is fully established, a couple of years out.²³

While there seems to be some dispute about the actual numbers of 16 and 17 year olds affected by the introduction of the CYA, some percentage of them will seek a VET place, and the impact on TAFE will be significant. Unfortunately, the *Bill* appears not to have taken that impact into account.

Even the Minister, in a leaked Cabinet submission, recognised the need for additional funding to support the introduction of the CYA. The submission argued that there were additional monies required under the so called Access Program, to meet the demand for places in TAFE particularly for students who were disaffected by schools but who were required to return to education and training in TAFE under the proposed Youth Allowance. The submission argued that there was a need to;

22 *Transcript of Evidence* p11 and p18 (AEU, Mr Hewett)

23 *Senate Estimates EE&T* Transcript pp13-14, 18 Aug.1997 (DEETYA, Mr Grant)

provide assistance for people disadvantaged in the labour market (focusing on those who are long term unemployed, indigenous, disabled, have non-English speaking backgrounds, are school leavers, or have literacy/numeracy difficulties) by providing them with preliminary training to enable them to successfully participate in an apprenticeship/traineeship.

Disturbingly the funding to be allocated under the proposed measures implied a 50% reduction in the unit cost per place.

COST:

	1997/98	1998/99	1999/2000	2000/2001
Element (a)	\$4.275m	\$4.275m	\$4.275m	\$4.275m
Element (b)	\$10.5m	\$10.5m	\$10.5m	\$10.5m

Element (a)- \$17.10m (\$16.3m for programme and \$0.80m for running costs) for 1300 places a year over four years; or

Element (b) - \$41.95 m (440.0m for programmes and \$1.95m for running costs) for 3200 places a year over four years.

The leaked Cabinet submission is clearly calculating the unit costs of this measure at a dramatically reduced basis.

ANTA CEO, Terry Moran, was recently quoted in the August ,1997 issue of the *Australian TAFE Teacher* as stating that the estimated average full time training place costs as \$7,500.²⁴ Yet the cost under Element (a) for 1300 places implies a cost of \$3,135 per place and under Element (b) for

24 Submission No. 7 (AEU)

3200 places implies a cost of \$3,125 per place. Reductions of this order must cast serious doubts about the quality of training provided at these rates. Notwithstanding these concerns, the government as yet has not provided any additional resources for this measure.

The possibility of legal challenge

The Labor and Australian Democrat Senators are of the view that the government should address the question, raised by the Australian Education Union, as to whether or not the *Bill*, if it were to be passed by the parliament in its present form, would breach the *Australian National Training Authority Act* of December 1992. This act provided obligations both on the states and territories of this Commonwealth and on the Commonwealth government in relation to the provision of funding for vocational education and training. The act was the result of a cooperative settlement of issues prior to 1992 that had arisen in relation to funding of the vocational education and training sector. Attached to the act is a schedule which outlines the objectives of the *Australian National Training Authority Act* and the framework for the consideration of continuing issues.

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

Here I would like to refer ...to clause 19 of the schedule attached to the act, which is at page 23 under the heading 'Main decision making processes'. Clause 19 says:

"The States and the Commonwealth will jointly fund the vocational education and training system through the ANTA (subject to any State's decision to hand over responsibility to the Commonwealth). States will maintain)-- which I emphasise-- (and in some cases lift) their current effort, as outlined below. The Commonwealth will fund growth for the sector on a continuing basis and, for 1993-95, provide funding as outlined in **One Nation**. The ANTA will provide information and advice to the Ministerial Council to assist the Commonwealth Minister to make decisions on growth funding levels."

That clause, contingent with clauses 32 to 35 on page 25, provides a commitment on the Commonwealth to provide growth funds on a continuing basis. It is our submission that the amendment bill being considered by the committee in fact breaches the obligations provided in that schedule of the act, in relation to the obligations of the Commonwealth to provide continuing growth funds to the Australian National Training Authority. That is the substance of our major point. We are seeking legal advice as to whether or not there has been a legal breach, but certainly there seems to have been a moral breach in relation to the obligations of the Commonwealth government to provide those growth funds.²⁵

The Labor and Australian Democrat Senators are not in a position to arbitrate on such a point of law, but are of the view that the Minister (Dr Kemp) should seek formal advice on the matter.

CONCLUSION

Given the extent of the criticisms and uncertainties which have been canvassed above, the Labor and Australian Democrat Senators are of the view that the *VET Funding Amendment Bill 1997* comes before the parliament without the solid framework of agreement and commitment from the States and Territories which is necessary to make the *Bill* effective and meaningful legislation.

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

The *Bill* settles a base year of funding which locks in future Commonwealth funding commitments for up to five years, should a revised ANTA Agreement be negotiated on the basis of the *Bill*. It provides for a level of baseline funding which is manifestly inadequate. It is predicated on growth scenarios and efficiencies at state level which are extremely doubtful if not plain wrong. The Minister's claims defy both logic and the considered advice of the States and Territories about the capacity for growth in their VET systems based on efficiency savings.

The Labor and Australian Democrat Senators have serious concerns for the impact of such a Bill on the quality of VET provision in Australia. It will seriously undermine Australia's capacity to approach world's best practice in either participation in VET, or the conversion of participation into qualifications. This in turn will severely impede Australia's economic competitiveness.

The animosity which has developed between the Commonwealth and the States as a result of the way in which Minister Kemp has pursued the Commonwealth proposals threatens the very basis of partnership upon which Australia's national VET strategy has been developed, and upon which 1.8 million Australians depend for their training.

The *Bill* also makes a number of assumptions about the operation of the training market and the 'user choice' model of training provision which are not supported by research, and which many witnesses before the Committee consider to be badly flawed.

The Labor and Australian Democrat Senators RECOMMEND that the Commonwealth government

- recognises its obligation to fund the VET sector at an appropriate, internationally comparable level,
- contribute growth funds to the VET sector at a level commensurate with the policy initiatives being pursued by the government, and not just rely on efficiency gains at the State level to achieve Commonwealth objectives
- conduct meaningful negotiations with the States and Territories which realise a true partnership approach to the VET sector.

SENATOR K CARR

SENATOR R CROWLEY

SENATOR N STOTT DESPOJA