

Submission

to

Senate Employment, Workplace Relations and Education
Legislation Committee

Inquiry into the provisions of the Skilling Australia's Workforce Bill 2005

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**A SUBMISSION BY THE
AUSTRALIAN EDUCATION UNION
TO THE SENATE EMPLOYMENT,
WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE INQUIRY
INTO THE PROVISIONS
OF THE SKILLING AUSTRALIA'S
WORKFORCE BILL 2005**

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1. Introduction

1.1 Overview

The Australian Education Union represents the industrial and professional concerns of 165,000 teachers and ancillary staff in public preschools, schools, TAFE institutions, AMES, disability services and corrections education across Australia.

The AEU advocates a robust high quality public education system that provides Australians with equitable access to continuing education throughout life. TAFE is an essential part of the public education system in Australia and the major provider of vocational education and training.

The AEU supports the ACTU submission to this inquiry and in making this submission gives primary emphasis to the issues raised by this legislation for TAFE and for public education. A number of issues, such as industry skills councils, competency based training and ILO conventions, are not specifically addressed here but are addressed in the ACTU submission.

1.2 The role of TAFE

TAFE provides entry level vocational education and training, retraining and upgrading of skills for mature age workers and those returning to the workforce, second chance learning and the general and vocational education that is necessary to enable people to enter and to retain their position in the workforce in a time of great technological, economic and social change and to engage in lifelong learning.

In 2004, 1.6 million Australians aged 15 to 64 years – 11.3% of all Australians of working age - participated in vocational education and training. Of these students, 1.3 million, or 78.8%, were enrolled in TAFE and other government providers, accounting for 87% of total hours of delivery. More than one in four Australians aged 15-19 are enrolled in VET each year; nearly one in five of those aged 20-24 years and over 10% of those aged 25 -44 years. Apprentices and trainees made up 24% of the total enrolments in vocational education and training.

Since the first ANTA Agreement was signed in 1992 much has been achieved in the development of Australia's vocational education and training system, with the rapid expansion of the system, the introduction of competency based training and Training Packages, the moves towards portable nationally recognised qualifications and national quality standards. The current industry led system is flexible and dynamic. It adapts to new challenges as the labour market changes, offers customised training in diverse modes, and achieves high levels of both employer and student satisfaction.

The high quality of the TAFE system has been maintained despite the continued financial constraints imposed on the sector and particularly on TAFE. Under-funding has led to a growth in unmet demand, casualisation of the TAFE workforce and an expansion in fee for service activities. The national VET system has achieved substantial coherence despite the rapid escalation in a market-based approach which has impacted on quality, created distortions in the capacity to supply required training, threatened the viability of a number of providers and seen enrolment growth occur in areas which have responded to the framework of employer incentives but are not those most under threat of skills shortages.

The structures and resourcing of the vocational education system must be based on the recognition that TAFE is a vital public asset which is the engine and heart of the whole vocational education and training system, plays complex and multi-faceted roles in the development of Australia's educational and skills base, on strengthening industry, on the achievement of broader government objectives and in the social cohesiveness of communities, particularly in regional areas.

It is also true that there is more to be done to ensure that Australia's national system continues to develop to be of the highest quality and to best meet the needs of both community and industry in a globalised and changing context. The VET system must continue to meet the needs of individual students, communities and industry, and decision-making structures must be inclusive of all stakeholders. It is critical that the national qualifications framework is collaboratively developed and that quality assurance mechanisms are improved. VET must be given the necessary resources and supports to meet growth in demand and to address emerging skills needs and skills shortages, the causes of which lie overwhelmingly outside the education and training sector. Resourcing must be increased to ensure that TAFE continues to provide high quality education and training and to address the looming crisis in the maintenance of a highly qualified TAFE teaching profession.

1.3 Inadequacies of the Skilling Australia's Workforce Bill 2005

The Skilling Australia's Workforce Bill 2005 does little if anything to address these real challenges that face the national vocational education and training system. The Bill is the mechanism to provide Commonwealth funding to the states and territories for VET provisions but at the same time, seeks to make this funding contingent on a raft of onerous and prescriptive conditions.

Endorsement of this Bill in the current form would serve to undermine the maintenance and development of a national, high quality vocational education and training system.

The major problems with the Skilling Australia's Workforce Bill 2005 are:

1. Efforts to shift ownership and control from an inclusive, industry-led model based on collaboration between the Commonwealth, states and territories and stakeholders, to one which is unreasonably dominated by the Commonwealth Government, will jeopardise the continued development of a national vocational education and training system.
2. The attempt to impose an ideologically driven and arbitrary industrial relations agenda on vocational education and training through conditional funding will not only undermine the industrial rights of employees but may well jeopardise the maintenance of a highly qualified TAFE teaching profession.
3. Imposition of a strengthened and expanded focus on marketisation and privatisation will undermine the public TAFE system that is the backbone of the national VET system and further threaten the quality of vocational education and training outcomes in Australia.

4. The failure to provide significant additional resources to meet unmet demand, fund enrolment growth and to redress the impact of the resource pressures imposed by the Federal Government since 1996 will continue to constrain the capacity and quality of the system and tend to distort delivery into less expensive rather than more needed areas of training.

1.4 Opposition to the legislation

The AEU is opposed to this legislation and calls on the Senate to reject the Bills. New funding legislation should be drawn up as a matter of urgency to ensure that funding for VET provision flows through to the states and territories.

Should the Bill not be rejected, we call on the Senate to make a number of amendments to overcome the critical problems identified in this submission.

The Skilling Australia's Workforce Bill 2005 should at the least be amended to provide certainty for:

- 1.4.1 additional Commonwealth funding in the VET Agreement, including growth funding to meet growth in demand, funding to address areas of skills shortages and emerging skills needs;
- 1.4.2 an agreed set of principles on which the national VET agreement would rest;
- 1.4.3 the maintenance of a national system based on the highest standards of quality vocational education and training, pooled funding and a national qualifications framework;
- 1.4.4 the rights of TAFE employees to collective bargaining through their unions.

2. The Commonwealth framework for control of the national VET agenda

2.1 Objects (4)

The objects of the act play a critical role in providing a basis and context for the VET system. The national VET system in Australia is a work in progress. It has evolved to become one of the most highly regarded VET systems in the world. This is because it has been based on attempts to ensure the greatest possible collaboration and cooperation across a broad range of stakeholders.

The stated objects of the Act are to strengthen the economic base through providing a highly skilled workforce and promoting a national approach 'through collaboration and cooperation between the Commonwealth, the States and industry'. Industry and employers are to drive the policies, priorities and delivery of VET. The system is to be high quality and nationally consistent through providing flexible and accelerated delivery and should operate through streamlined arrangements.

The 1992 ANTA Agreement, which used to be a schedule to the ANTA Act, had in its objectives ‘close interaction between industry and VET providers’, an efficient and productive network of publicly funded providers, a commitment to increased opportunities and outcomes for individuals and target groups and improved cross-sectoral links.

In the original framework, industry was understood to encompass both employers and unions. The Objects of this Bill seek to redefine the stakeholders as employers which is a significant narrowing of the concept of national collaboration by all stakeholders – including both employers and unions - that has underpinned the development of the national VET system. This is also seen in the extent to which proposed national structures will be dominated by employer groups.

One of the flaws in the historical approach, noted by the 2000 Senate report, *Aspiring to Excellence*, was a failure to fully recognise the value of educational and teaching expertise in national policy making. These Objects fail to give recognition to the need for a partnership between industry and VET providers and educationalists. There is no recognition given to the vital role of the public TAFE system.

The representative and advisory structures being proposed at the national level restrict representation primarily to employer bodies. Moreover, the abolition of ANTA and transfer of responsibilities to DEST removes the collaborative structures operating for the Commonwealth and state and territory governments. DEST is responsible to the Commonwealth Minister, rather than to MINCO, and even the MINCO Secretariat may be part of DEST structures rather than being established as an independent body responsible to all of the Ministers.

The Objects of the Act fail to address some of the key principles which should underpin the maintenance of a national system critical for industry and for portability for student outcomes. The needs of industry – incorporating both unions and employers – of individual students and of communities must be part of this framework. The commitment to access and equity for all Australians must be retained, including appropriate support for TAFE/VET delivery in rural and remote Australia.’

Principles adopted by ANTA, for example, address in more detail the basic requirements that:

From the perspective of the client, there will be seamless operation and portability across States and Territory bodies...

Industry is in the best position to articulate their skill needs and say what competencies they want in the workplace. Industry and community needs both now and into the future will be taken into account ...

Clients will have confidence in the quality of the training being provided to them, regardless of the location of the provider...

The training system will be inclusive of the needs of all client groups.

Employers, employees and students will have adequate information and the ability to exercise choice in making their decisions.

2.2 Efforts to enforce compliance (7)

While the Objects refer to collaboration and cooperation between the Commonwealth, the States and industry, the legislation seeks to force the states and territories to comply with the Commonwealth Government's agenda.

Clause 7 ensures that the Minister will not be authorised to make any payment to a state unless there is a written agreement in force which complies with the conditions set out in the legislation. If a state does not become party to an agreement in 2005, it will not receive financial assistance under the Act so long as the 2005 agreement remains in force (and then only on signing up).

In addition, payments are not authorised unless the Minister has approved the state's annual VET plan (7(2)). Until now MINCO has developed national plans and agreed on the state plans and this is a very specific example of the legislation's aim to establish Commonwealth control rather than a collaborative process of decision-making.

The legislation provides for both multilateral and bilateral agreements and the latter may specify additional conditions. (Division 3).

When the states and Commonwealth failed to reach agreement in 2004, the Commonwealth Minister imposed penalties on the states, putting some \$20.5m of priority places out to direct tender and refusing to index the rollover of the previous 'growth' funds. The penalties themselves were a new strategy but this legislation goes much further. The decision to refuse any funding unless the Coalition Government's conditions are agreed to and met is a far more serious and wide-reaching threat. The Commonwealth provides some 30% of government funding for VET, and the Commonwealth is in effect threatening to withhold some \$1.2 billion unless the states comply with the onerous conditions in this legislation.

The reality is that the states and territories have continued to show their willingness to cooperate in the development of the national vocational education and training system, as is evidenced by the progress reported in the ANTA Annual National Reports of the Australian vocational education and training system.

In effect, the Commonwealth and state and territory governments are in dispute about three fundamental issues:

- a) the Commonwealth failure to offer adequate funding for vocational education and training, especially after years of imposing funding pressures on the system;
- b) the Commonwealth determination to impose an ideologically based industrial relations agenda on state and territory governments as public employers in their administration of public TAFE systems; and
- c) the Commonwealth attempts to seize greater control of the national vocational education and training system at the apparent expense of a collaborative and cooperative approach.

As the 15 April communiqué issued by state and territory Ministers said, following the meeting of ANTA MINCO at which they failed to reach agreement on future funding arrangements:

Rather than providing additional funds to increase the number of training places on the agreement covering the period 1 July 2005 to December 31, 2008, the Commonwealth is offering little more than redirected funds withheld in 2004.

States and Territories have called on the Commonwealth to increase its investment in training, given the critical skills shortages facing the nation.

States and Territories are also concerned about the conditions placed on funding and the lack of detail provided by the Commonwealth about the proposed new national training system.

In particular, State and Territory Ministers are concerned about the Commonwealth's attempt to use this agreement to drive its workplace relations agenda and seize control.

The key issue is adequately resourcing the training sector, not running ideological campaigns.

This legislation seeks to impose far greater Commonwealth control over the directions of the national VET system and to impose the Government's ideological agenda on workplace relations. It does so in the context of a failure to address the critical resource needs of the VET sector, an issue that will be dealt with further below. The legislation thus fails to resolve the areas of disagreement between governments about the way forward for VET.

These areas of dispute are not in themselves about the fundamental structure of the national VET system although they would clearly have significant impacts on its operation. Yet the framework of this legislation has the potential to undermine and destroy the national vocational education and training system.

The 10 June MINCO meeting agreed to a review of resourcing arrangements in the context of state and territory concerns about the level of funding. The meeting noted too that Commonwealth officials will negotiate flexibility in the definition and scope of user choice in the bilateral agreement. The legislation would appear to pre-empt such developments.

In addition, MINCO endorsed the draft framework for the national training system, agreed to the establishment of an independent secretariat for MINCO and decided that annual state VET plans would be considered by MINCO before going to the Federal Minister. There are a range of MINCO working parties continuing to discuss issues such as user choice and governance arrangements. It is difficult to see a rationale for prescriptive legislation in these processes.

The obvious solution is to amend the legislation to ensure the collaborative and partnership basis of the national system and to provide it with the resources and support to address the real challenges that remain.

3. The Government's industrial relations agenda

3.1 Ideological based intervention in the rights of workers

The AEU categorically rejects the proposal to require the offering of Australian Workplace Agreements or other individual contracts where AWAs are not possible, as well as the other aspects of the Government's industrial agenda that the Commonwealth seeks to impose on state TAFE systems via this legislation. The proposed industrial relations requirements will have no positive effect on the critical agenda of addressing skills shortages, although, through exacerbating workplace conflict, they may impede that agenda.

The Bill seeks to tie Commonwealth funding to the forced implementation of the Coalition Government's industrial agenda. This is an unacceptable attempt to impose ideologically based requirements on institutions that are the province of state and territory governments, and by doing so, to undermine the parameters of Commonwealth-state relations within a federalist structure.

The Bill seeks to inhibit the right of education workers and state and territory governments to reach industrial agreements which best suit the culture and situation of each state or territory system. Similarly, where industrial bargaining has been devolved within a state TAFE system to an institutional level, the legislation would inhibit the right of those institutions to negotiate terms and conditions which best suit the needs and interests of their particular circumstances. It aims to inhibit the capacity of TAFE employees to negotiate collective agreements and to undermine those agreements.

TAFE employers would be compelled to adopt the use of AWAs, thus undermining their capacity to negotiate collectively with their workforce as a whole, which is the form of industrial bargaining clearly preferred by TAFE employers who have not chosen to use AWAs even though that option is currently available to them.

The legislation would also constrain TAFE employers in relation to the terms of any future collective agreements entered into with staff, requiring that they meet the industrial agenda of the Federal Government, whether or not that agenda meets the interests or needs of the employer, the workforce or the community.

Far from the rhetoric of "choice" with which the imposition of industrial relations requirements is clothed, the linking of funding to implementation of the Commonwealth Government's IR agenda *removes* choice for TAFE employers. If any TAFE employer wished to use AWAs, there is nothing in the current legislation which would prevent them from doing so. It is an absurd twisting of the notion of "choice" to *compel* employers to use industrial instruments which they currently *choose* not to use.

The Bill seeks to impose particular forms of local governance on TAFEs irrespective of the views of state governments or TAFE governing bodies, and regardless of negotiated agreements about the appropriate structures.

In seeking to undermine the rights both of state governments and of the employees within public TAFE systems, the Federal Minister in his Second Reading speech has claimed that this will 'increase the flexibility and responsiveness of training delivery'. This is a classic rhetorical device - stating as an objective of system change something that has already been

achieved, thus creating the mistaken impression that the objective has not been achieved; and that achieving it is a result of the system change, rather than something already achieved by other means.

The reality is that the vocational education and training system has been transformed over the last decade or so. TAFE institutions are delivering to local industry and beyond, are offering customised training, various forms of delivery including on the job and e-learning, and are highly responsive to industry and client needs.

This is reflected in the remarkable growth of the system. Since 1997, VET enrolments have increased by 272,100, or 18.8%. Annual hours increased by 78.1 million hours, or 26.8%. NCVET research indicates that the vast majority of employers are satisfied with VET providers and that the VET system is providing them with the skills they need. It also indicates that the vast majority of students are satisfied with their training, would recommend the institution where they undertook their training to others, and that TAFE training provides good employment outcomes. (*ANTA Annual National Report of the Australian vocational education and training system 2003*)

3.2 The threat to the TAFE teaching profession

This attempt to invoke an attack on teachers' rights and employment conditions will fall on a profession that has been under increasing pressure as a result of the simultaneous growth in the system, resource constraints and the multiplicity of changes which TAFE teachers have experienced, which have seen their professional roles broaden and become more complex. Despite the massive growth in the number of annual hours provided over the last decade, employee costs as a proportion of total costs have fallen steadily, from 62.1% to 59.7%.

There are several characteristics of the TAFE teaching force that have significant implications for any effort to increase the pressures on the teachers.

3.2.1 It is recognised that TAFE teachers are more highly qualified than is the case in the rest of the VET sector (NCVER 2004, *Profiling the national vocational education and training workforce*). Given the critical skills shortages that exist across a wide range of industries, the capacity of the VET sector to retain highly skilled professionals is fraught and will be considerably worsened should any additional pressures be imposed on an already overworked and stressed profession. As the most highly qualified in the VET sector, TAFE staff are more readily able to gain employment in industry or elsewhere if they become dissatisfied with TAFE working conditions. Anecdotal reports already indicate that there is difficulty in recruiting teachers in a number of regions and industry areas. Already in 2001, a national survey of TAFE teachers undertaken by the AEU found that, even of those teachers with permanent/ongoing positions, around 40% of women and 35% of men indicated that they were looking at other career options (Kronemann 2001, *TAFE Teachers: Facing the Challenge*).

3.2.2 One of the greatest barriers to retention and recruitment of TAFE teaching professionals is the high level of part time and insecure employment which exists in the sector. The proportion of TAFE teachers who are employed on a casual or sessional basis is much higher than in the Australian workforce as a whole. The

proportion of non-permanent teaching staff was as high as 77.9% in NSW, 58.9% in Victoria, 72.8% in South Australia in June 2002.

The proportion of part time teachers is also high; 78.2% in NSW, 55.7% in Victoria, 54% in South Australia, 48.6% in Queensland.

More women than men are employed on a non-permanent and part time basis.

Employing authorities have been forced to recognise the negative impacts on teaching and learning conditions and on the wellbeing of the profession caused by high levels of insecure employment. At least some efforts have been made in every state and territory to begin to reverse this situation of overwhelmingly precarious employment.

Teachers employed on a casual or short term basis would be most vulnerable to the pressure of accepting an AWA, since they will have less knowledge of the prevailing collective bargaining culture of the institutions, and may be subjected to “No AWA – No Job” hiring policies. These staff already carry the burden of insecure employment, with all the stress, workload and life insecurities which are attached to job insecurity. As individuals, they have minimal bargaining power, which can be partially redressed when they benefit from the strength of a collective bargaining unit with their fellow workers. If subject to AWAs and individualised industrial arrangements, casual TAFE staff will find themselves with an even worse power imbalance and further isolated from the collegiate culture of the college. But the cost of this industrial strategy is not only borne by the staff concerned. It is also of direct concern to TAFE employers who will face difficulties in recruiting new staff.

- 3.2.3 In addition, the VET workforce is aging. In NSW, for example, 35.3% of teachers are over the age of 50: 36.6% in Queensland; 46.7% in WA; and 41.4% in South Australia. As NCVER has noted, there will be a high number of people in TAFE institutes retiring over the coming years. As the AEU survey reported, a considerable proportion of TAFE teachers are already considering other options and a very large part of the TAFE teaching profession is at an age where they could choose to retire at any time. The fact that TAFE teachers are highly qualified is a key factor in underpinning the quality of national vocational education and training. With only very limited succession planning having occurred and in the context of more general skills shortages, TAFE systems need to retain highly skilled and qualified teachers who are able to address the complex educational challenges of current vocational education requirements.

The professionalism and commitment of TAFE teachers has enabled the sector to survive and to meet the needs of industry and students despite the resource pressures. The 2001 AEU survey found that more than two-thirds of TAFE teachers said that their ability to maintain professional standards/provide quality education had been eroded. Funding cuts and constant change and restructure were amongst the major changes which had had the most impact on their work. TAFE teachers were doing additional, unpaid work which was estimated to be equivalent to something like an additional 6500 positions Australia-wide.

The survey confirmed that the priorities of TAFE teachers are for the restoration of a viable, quality TAFE system; security of employment; improved working conditions; and reduced workload.

The intent of this legislation is to heighten the insecurity and the pressures on the TAFE teaching profession. When teachers decide that they have had enough in the face of these proposed additional pressures, who will provide the high quality vocational education and training to industry and students?

4. User choice, commercialisation and privatisation

4.1 User Choice

The legislation seeks to impose further expansion of User Choice as one of the conditions for funding. The proportion of employers and new apprentices eligible for User Choice funding would be required to increase by an arbitrary and inflexible 5% per year.

The expansion of User Choice and competitive tendering processes over the last decade has exacerbated the resource pressures on public TAFE systems. Funding to non-TAFE providers has increased from \$58.6 million in 1995 to \$316 million in 2003. An estimated \$700.3m of government VET funding, or 21.1%, was allocated on a competitive basis in 2003. (SCRCCSSP, *Report on Government Services 2005*). Funding pressures have made it difficult for TAFEs, which also provide a range of student supports and services often not provided by private RTOs, to maintain their commitment to the provision of high cost courses, such as trade based apprenticeships.

The impact of these measures, particularly when accompanied by the application of employer incentives, has led to distortions in the training market. Strongest growth in New Apprenticeships has occurred in areas such as advanced clerical and service workers – where employment had declined – and in other areas such as intermediate transport and production workers and intermediate clerical, sales and services workers, at rates far greater than any employment growth in those industries (DEST 2004, *Skills at work, Evaluation of New Apprenticeships*)

The results of this diversion into non-TAFE providers has been mixed outcomes for students, with concerns about the quality of training provided and a necessity at times for TAFEs to ‘pick up the pieces’ where providers have been unable to complete their contracts. There have been a number of reports which have outlined considerable problems with the outcomes of traineeships in particular, including fully on the job training.

In addition, the application of User Choice policies and a greater reliance on competitive tendering has led to competition between public providers, sometimes at the expense of local provision.

The existing systemic tensions are likely to be increased with the intended requirement to provide third party access to TAFE facilities. When non-TAFE providers have failed to fulfil their obligations, TAFE has been forced to take over the task, creating additional resource pressures.

As the independent risk assessment of the application of User Choice revealed, there are a range of risks involved, including concern that the User Choice funded training market does not deliver uniform quality outcomes and that it does not address labour market requirements

and priorities. (ANTA *Annual National Report 2003*, p66) Arbitrary expansion of User Choice activities without full assessments of risk and likely outcomes may well do more damage to the national system.

The experience of Queensland, which led the charge into User Choice and competitive tendering, is well worth remembering. As the 1998 *Report of the TAFE Review Task Force* in Queensland noted, the combination of rapid marketisation with funding pressures imposed by governments led to a cut in public funding for TAFE, a decline in industry funded training, increased administration costs and a decline in the quality of programs offered. The result, as the 1998 Bannikoff Report argued, was that institutes in Queensland were not collectively viable.

4.2 Commercialisation of TAFE

The requirement that TAFEs be given increased capacity to develop entrepreneurial and commercially oriented business plans (12(1)(f)) is the subject of an amendment to delete the phrase ‘that will enable government funding to be reduced’.

This deletion would not in itself change any decision on behalf of the Government to further reduce funding for TAFE.

The reality is that TAFE systems and institutions have been forced to expand commercial and entrepreneurial activities because of the funding pressures imposed in recent years.

Total funding from sources other than government has increased by 40.4% and now comprises 21.7% of revenue. Revenue from fee for service activities has increased by 50.5% and from ancillary trading activities by 32.5%. These non-government sources of revenue now provide over \$1 billion of total VET revenue per year. (NCVER *Financial information 2003* and earlier)

The extent to which TAFE systems are forced to rely on these alternative sources of revenue varies across Australia. The Victorian VET sector, for example, receives only 67.3% of revenue from government sources; the other 32.8% gained from other sources includes 21.2% of total revenue being derived from fee for service activity.

The reliance on commercial activities to fund often basic services and programs affects the access of students to many courses, particularly those which are offered on a fee for service basis only. It also increases pressure on teachers’ working conditions and encourages the employment of casual teachers. A government commitment to provide and fund access to life long vocational education and training for all Australians requires a significant additional financial commitment, rather than the expansion of user pays activities and the diminution of resources and support for students and for employees.

The Commonwealth funding squeeze since 1996, coupled with the pressure to increase levels of competitive tendering, would seem geared towards the privatisation of vocational education and training, both in terms of provision and the redirection of costs on a user pays basis.

As the 1998 Queensland report concluded:

The consequence of this misguided attempt to develop institutes as businesses has been:

- *A decline in revenue from all sources;*
- *Poor business performance in the industry funded market;*
- *A decline in the quality of delivery and product development;*
- *An increase in overheads; and*
- *A decline in the skills of staff.* (Bannikoff 1998)

It could be argued that Queensland is still working through the consequences of the marketisation experiment of the 1990s. The Queensland experience is not isolated. The viability of TAFE institutes in a number of states has been threatened as a result of the combined pressures of marketisation and funding cuts.

The Victorian Auditor-General's Report, May 2005, for example, concluded that:

Considering the nature and level of current government funding, the overall financial performance and condition of the TAFE sector is currently reasonably sound, but may not be sustainable without changes to the current government funding arrangements for TAFE institutes.

In 2004, 17 of Victoria's 18 TAFE institutes and divisions operated at a deficit, excluding funding provided for capital purposes. The aggregate operating deficit for the sector, excluding capital funding, was similar to that in 2003.

The lesson learned by and from Queensland remains as relevant in this environment. As Bannikoff (1998) argued, market failure must be addressed by government and:

The community needs the broad selection of programs and locations that TAFE alone maintains. It underpins the VET industry and is a platform for community development.

5. Commonwealth funding for TAFE and VET

5.1 The Commonwealth funding 'offer' to the states

The Bill provides funding of \$605.8m for the second half of 2005, \$1231m in 2006 rising to \$1290.7m by 2008. This funding is subject to the requirements laid out in the legislation. The amounts may be indexed by determination.

While the full amount of Commonwealth funding is under threat as a result of the terms of this legislation, the 'offer' that links to this legislation provides modest additional funding only in relation to the welfare to work program. There is no commitment to the provision of significant funding increases either to address enrolment growth and unmet demand or to redress the impact of the funding pressure imposed by the Commonwealth in recent years.

When ANTA MINCO met on 15 April, they failed to reach agreement on future funding arrangements. The Commonwealth funding offer provided for an additional \$174.7m over 3.5 years. Most of this (an estimated \$145.7m) was the return of the Priority Places Program to

the states and territories, after being put out to tender in 2004 as one of the penalties for failing to reach agreement. The remaining \$29m appeared to be indexation, including catch up for 2004.

The subsequent communiqué issued by the state and territory ministers called on the Commonwealth to increase its investment in training and expressed concern about the conditions that the Federal Government was seeking to impose on funding, particularly the industrial relations agenda.

The communiqué indicated that Department officials would report back to the next MINCO meeting on a range of issues, including the impact of the Commonwealth funding proposals on the availability and quality of training before an agreement would be signed.

The Federal Budget was brought down on 10 May. Election commitments were funded as expected, largely a range of measures around New Apprenticeships including tool boxes, additional school-based apprenticeship places, pre-vocational places offered through Group Training Organisations, Australian Technical Colleges etc. These generally fall outside the province of this legislation.

The Budget did include additional funding of \$39m for 2005-08 as a result of the welfare to work measures. This increased the total additional funding on 'offer' from \$174.7m to \$215m for 2005-08. This is the amount that would be reflected in the current Bill.

The tabling of the legislation in its current form appears to make the prospect of a successful negotiation that leads to genuinely agreed outcomes, including adequate funding levels, rather remote.

The threats embedded in the legislation and the nature of the conditions that the Commonwealth is seeking to impose on the states and territories make the future of the funding arrangements uncertain. The Commonwealth Minister has been reported as suggesting that Commonwealth funds could be put out to tender if the states and territories fail to comply with the federal agenda.

The very serious reality is that unless funding remains pooled and is increased to adequate levels, the future viability of the national vocational education and training system could be in doubt.

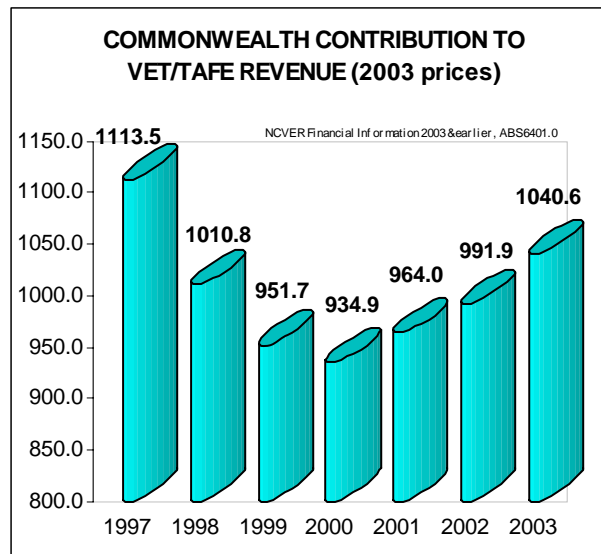
5.2 A history of federal funding pressure

The 1992 ANTA Agreement aimed to build the national vocational education and training system and provided significantly increased funding for that purpose. An initial increase of \$100m was then augmented by growth funding of \$70m per year (cumulative).

The 1996 and 1997 federal budgets began the process of reversing this trend. Budget cuts reduced the funding base for VET by a cumulative \$240m, while the decimation of labour market programs also affected the VET sector.

In 1998 the policy of 'growth through efficiencies' was introduced, amounting to an effective freeze of Commonwealth funds and an estimated loss of growth funding of around \$377m over the 1998-2000 period.

The 2001 -2003 Agreement saw limited growth funding restored, which the states and territories were required to match in order to access. The Commonwealth provided an additional \$230m over three years. The states and territories had actually sought \$900m additional funds to address enrolment growth.

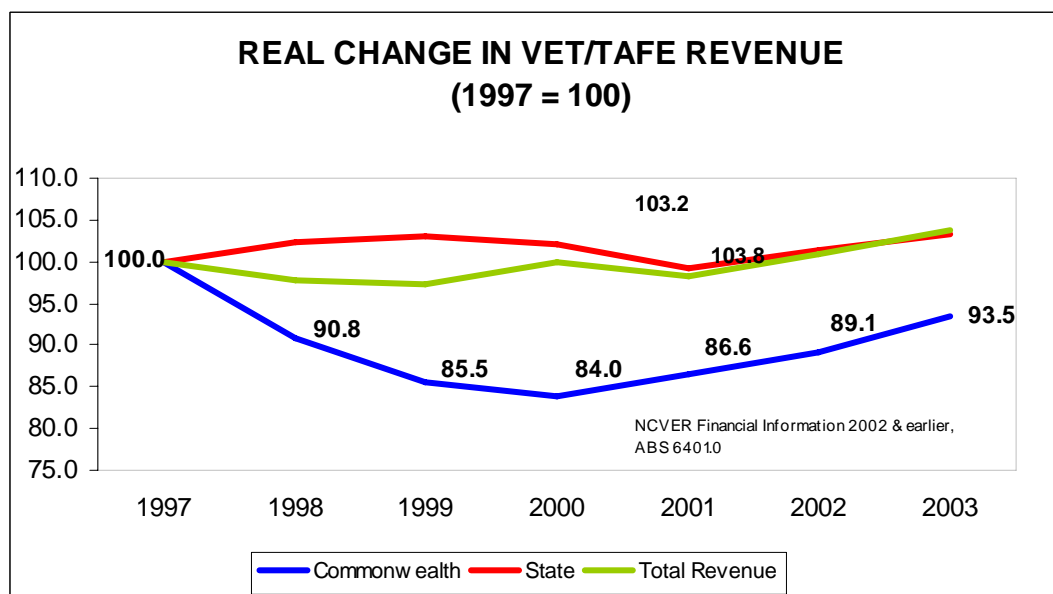


The Commonwealth offer to the states and territories for 2004-2006 included no additional growth funds, providing indexation of the rolled over 2003 allocation of growth funds and an additional \$119.5m for welfare reform measures outlined in earlier federal budgets.

The states and territories argued that they needed \$348m more to address enrolment growth, and no agreement was reached. As a result, there was an agreement to rollover the existing arrangements for a twelve month period, with the Commonwealth imposing penalties on the states and territories. These included no indexation of the rolled over 2003 growth funds (which would have become part of base funding under earlier arrangements), and a Commonwealth decision to directly purchase 7,500 priority places worth \$20.5m.

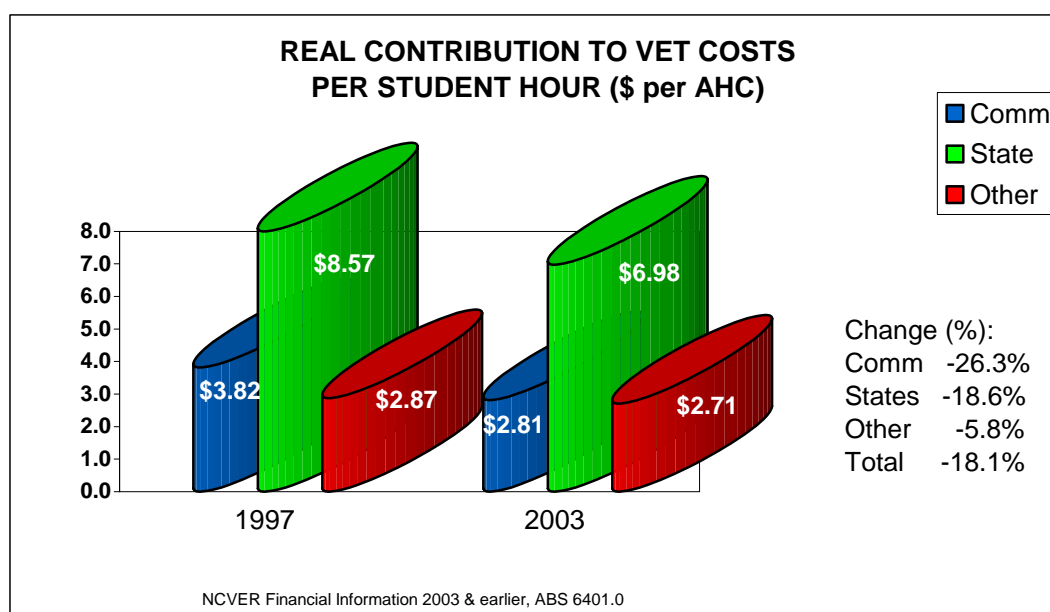
As a consequence of these funding policies, Commonwealth funding for VET has fallen by 6.5% when adjusted for CPI movements (2003 prices). (NCVER *Financial information 2003 and earlier*, ABS 6401.0)

The states and territories have collectively increased their contribution in real terms by 3.2% (2003 prices) over that period.



Given the level of enrolment growth that has occurred over that period, consideration of movements in total funding fail to address the capacity of the system to provide for individual students. ANTA has been tracking the cost per annual student hour (Annual Hour Curriculum) and has, within the environment of financial constraint created since the establishment of the growth through efficiencies period, considered any increase in per student hour expenditure to be a loss of efficiency – rather than a contribution towards quality improvement.

On a CPI adjusted basis, real expenditure per student hour has dropped by 18.1% since 1997 (2003 prices). Within that, the Commonwealth contribution has fallen by 26.3%. Use of the CPI is a conservative measure and the reality is that the fall in contribution per student hour is understated.



The inadequate funding levels proposed in this Bill for 2005-2008 continue the trends of financial constraint established in 1996 - 1997. While the conditions attached to this funding are unacceptable, the fact that the proposed funding is so inadequate in the context of system needs only aggravates the situation.

5.3 Funding system growth and quality

The states and territories and a range of other stakeholders have argued for some time that the Commonwealth contribution to funding the national VET system must be increased.

The reality is that the pressures on TAFE systems in particular have had serious effects on the capacity of the system to meet industry and community needs, despite the commitment of those who are doing their best to maintain the system and high quality vocational education and training.

Unmet demand for TAFE places has been increasing and in 2003, 45,900 potential students were reported to be unable to obtain a place – 55,400 for VET as a whole. In contrast, unmet demand for non-TAFE places has actually been falling in recent years. (*ANTA Annual National Report of the Australian vocational education and training system 2003*).

UNMET DEMAND FOR TAFE AND VET PLACES			
	TAFE places	Other	Total VET places
1998	44,400	15,600	60,000
2000	48,700	17,000	65,700
2001	40,100	16,500	56,600
2002	44,100	10,600	54,700
2003	45,900	9,500	55,400

(ANTA Annual National Report of the Australian vocational education and training system 2003).

While the causes of skills shortages are both multiple and complex, the solutions will require a planned and coordinated approach which will include ensuring that TAFE has the places available to meet the demands for training in areas of skills shortages. This will include places in both trade and non-trade areas.

The ACTU has proposed a six point plan to address skills shortages, which includes additional funding from government to provide for:

- 20,000 additional TAFE places in the traditional trades;
- pre-vocational/pre-apprenticeship training and school-based apprentices;
- implementing a program of matching apprentices with employers;
- improved pathways and for Recognition of Current Competence and Recognition for Prior Learning.

In addition to the funding required to meet future growth in enrolments and address unmet demand and skills shortages, additional resources are required to ensure that vocational education and training is of the highest quality. Access to programs required by communities and local industries should not be restricted as a result of funding pressures.

The funding pressures on TAFE have seen a growth of class sizes, rationalisation and reduction of TAFE courses and the introduction of fee for service charges to courses previously offered within profile (funded) programs. There have been numerous amalgamations and closures and a number of institutes/colleges across a number of states continue to face significant financial difficulties, which impede their capacity to meet the full range of community and industry needs.

High levels of part time and precariously employed staff impact on the capacity of providers to ensure high quality teaching and learning. The high level of casualisation of the TAFE workforce must be addressed to ensure that highly qualified staff are recruited and retained by TAFE systems. All teachers, whatever their employment mode, must be given access to professional development that enables them to keep their skills current and relevant. Research indicates that casual staff are far less likely to be given opportunities for professional development than other staff.

If Australia is going to continue to develop a national vocational education and training system of the highest quality, then the system must be adequately funded. This will require a significant increase in total funding and additional funding per student hour.

6. Concluding remarks

The Commonwealth Government must accept its share of the responsibility for ensuring that the national VET system is resourced to enable it to meet best world standards and to meet industry and community needs. This is particularly true given the funding squeeze imposed by the Federal Government since 1996-1997. The Commonwealth funding contribution must recognise and address the full range of vocational education and training needs and provision, recognising that apprenticeship and traineeship training is less than one quarter of vocational learning.

A review of the funding requirements of the national VET system is needed, as the starting point for the development of a national plan which encompasses forward planning in relation to resource needs. The funding included in this Bill should be increased so that additional student places can be made available and so that high quality vocational teaching and learning can be assured.

A revised funding model should recognise the critical role that the TAFE system plays in the vocational education and training system, in strengthening industry and in the social cohesiveness of communities, especially in regional areas. The commitment to access and equity of educational opportunity for all requires recognition of the vital role of TAFE in providing vocational education and training for all Australians – including Indigenous Australians, people with disabilities, people from rural areas and from Culturally and Linguistically Diverse backgrounds.

The AEU urges the rejection of the Skilling Australia's Workforce Bill 2005 and the Skilling Australia's Workforce (Repeal and Transitional Provisions) Bill 2005, to enable the redrawing of funding legislation which addresses the concerns outlined in this and other submissions, including that of the ACTU. Should the Bill not be rejected, we call on the Senate to make such amendments as would address the major concerns raised by this submission.