



## Minister for Education and Training

The Hon. Lynne Kosky, MP

2 Treasury Place  
East Melbourne, Victoria 3002  
Telephone: +61 3 9637 3196  
Facsimile: +61 3 9637 2800

BRI051856

25 JUL 2005

GPO Box 4367  
Melbourne, Victoria 3001

Secretary  
Senate Employment, Workplace Relations and Education Committee  
Department of the Senate  
Parliament House  
Canberra 2600

Dear Mr Carter

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

Thank you for the opportunity to respond to the inquiry into provisions of the *Skilling Australia's Workforce Bill 2005*.

Please find attached the Victorian Government response to the inquiry.

Yours sincerely



**Lynne Kosky, MP**  
MINISTER

# Victorian Government response to the Inquiry into provisions of the *Skilling Australia's Workforce Bill 2005*

## Introduction

The *Skilling Australia's Workforce Bill 2005* legislates future arrangements for the national vocational education and training system, following the Commonwealth Government's unilateral decision to abolish the Australian National Training Authority (ANTA) on 30 June this year.

The Bill authorises a situation where the Commonwealth Government contributes less than 20% of Victorian VET operating revenue yet dictates the conditions under which the system as a whole is run. At the same time, the Commonwealth Government has failed to produce evidence that those conditions are either necessary or capable of increasing productivity or quality.

A fundamental difference between the ANTA Agreement and the *Skilling Australia's Workforce Bill 2005* is that the ANTA arrangements were established through consensus and agreement between the States and Territories and the Commonwealth, while the current Bill has been developed unilaterally by the Commonwealth. Under the ANTA agreement, States and Territories, in carrying out their constitutional responsibilities in regards to education and training, acceded to the recommendations of national bodies, particularly on national qualifications and quality assurance. Thus a high level of national consistency was achieved.

Under the ANTA arrangements, the *Australian National Training Authority Act 1992* clearly set out the objectives of a national system and the roles and responsibilities of the key parties in that system, while funding was appropriated through the *Vocational Education and Training Funding Act 1992*. In contrast, the *Skilling Australia's Workforce Bill 2005* provides no detail of a framework for the national training system, while legislating a set of funding conditions which seek to micro-manage the management responsibilities of the States and Territories.

Indeed, in negotiations on the next VET funding agreement, the Commonwealth Minister for Education, Science and Training has sought to centralise governance arrangements into his own Department. This will not form the basis of a strong national system in an area where constitutional authority is clearly with the States and Territories.

The failure to consult has led to a situation where not only are some of the provisions in the Bill offensive to States and Territories, but simple errors have been identified by Ministers at MCEETYA which the Commonwealth Minister has been forced to make amendments to rectify.

Aside from the broad issues outlined above, there are a number of key areas in which the *Skilling Australia's Workforce Bill 2005* legislates conditions of

funding which have the potential to undermine Victoria's vocational education and training system.

### **Clause 11 – Maximising choice for employers and new apprentices**

The Victorian Government supports the principle that employers play a role in ensuring training quality and delivery, and the principles behind user choice more broadly. However, it has not been demonstrated that the directions outlined under Clause 11 will support these principles.

Clause 11(c) relates to the establishment of a national unit price band for each apprenticeship and traineeship. It is unclear how this will serve to maximise employer choice.

Clause 11 (e), outlines the requirement that States and Territories increase, by 5 per cent each year, the proportion of apprenticeships and traineeships that are eligible for user choice funding under the New Apprenticeships Scheme. This requirement, if legislated, would impede the capacity for considered decisions to be made in managing recurrent funding and responding to emerging skill needs.

Allocation decisions between industry areas and client types are made on an ongoing basis in the Victorian vocational education and training system. Resources are allocated according to need and policy priorities, with apprenticeship and traineeship places being given first priority. Prescriptive requirements, such as those in Clause 11, are more likely to achieve a misallocation of resources. In an environment where the Commonwealth Government is providing only a small amount of additional funds (less than \$10 million per annum in Victoria), adherence to this clause is likely to see state-appropriated resources reallocated, potentially to areas that are not a high priority.

### **Clause 12 – Workplace reforms**

The *Skilling Australia's Workforce Bill 2005* includes, as part of its conditions of funding, a number of very prescriptive workplace relations arrangements to be implemented in TAFE Institutes. TAFE Institutes in Victoria are statutory bodies for which Commonwealth funding represents a minority of revenue (Commonwealth funding is approximately 18% of overall VET revenue).

The Bill legislates employment arrangements for staff including the availability of Australian Workplace Agreements (AWAs) for TAFE Institute employees (12(1b)) and performance pay (12(1d)). There would be widespread opposition if the Commonwealth Government sought to impose these conditions on all companies in receipt of Commonwealth funding.

The Victorian Government's public sector industrial relations framework supports the primacy of collective bargaining for non-executive employees and

does not allow for the use of AWAs in the public sector. Performance based arrangements are available to Victorian TAFE institute employees in the current Certified Agreement.

The Victorian system is the most cost efficient in Australia, and compares very favourably to similar systems overseas. The attractiveness of Victorian TAFE is shown by its ability to attract revenue from firms and domestic students as well as its increasing ability to attract overseas students, particularly from China and South East Asia. It is difficult, therefore, to establish the benefits to be gained through workplace reforms of the kind outlined in the *Skilling Australia's Workforce Bill 2005*.

### **Clause 13 – competence based training**

There are no State Awards in Victoria. However, some Federal Awards continue to present barriers to implementing an approach to VET based on competence rather than duration.

In Victoria, there are currently no regulatory barriers to early apprenticeship and traineeship completion. In fact, the Victorian system is characterised by early completions - over 30 percent of apprentices and trainees finish six to twelve months early, including more than half of school based new apprentices.

### **Clause 17 – providing advice about vocational education and training**

It is ironic that at a time when the Commonwealth Government has chosen to legislate to ensure jurisdictions make adequate provision for input from disadvantaged students, it has not been able to propose national arrangements that will ensure the participation of disadvantaged groups in the national advisory and decision making arrangements.

### **Clause 19 – recreational pursuits**

The Victorian Government has not and will not use public funding to purchase hobby courses or recreational programs in TAFE. This matter does not need to be legislated. Unfortunately, the Commonwealth Minister for Education, Science and Training has previously made misleading comments about this issue. This mis-information is being reinforced by the presence of this clause in the current Bill.

### **Part 5 – Amounts of Payments**

In order for State and Territories to meet growth in demand for training, driven in particular by skill shortages, there is a need to ensure that there is additional funding for training places and sufficient indexation funding to offset cost increases that impact on training delivery.

In 2003, Access Economics undertook an assessment of future demand for vocational education and training, taking into account employment growth, specific occupational demand, productivity growth, a part time effect and a limited set of policy initiatives. The study found that projected average growth in VET hours for 2002 to 2010 was 2.7%.

The Australian Government's offer of \$215m additional funding on the base of \$4.9b over the period of the Agreement includes \$52m of indexation. On this basis, the funding offer meets neither the expected growth in demand for places nor anticipated cost increases for training delivery. Over the period of the agreement, with States and Territories matching funding as required by the Commonwealth, growth in the overall government funded resource base for VET will grow by a mere 2.6 per cent.

In addition to projected growth, there already exists a level of unmet demand for training in TAFE. According to the ABS survey of Education and Work 6227.0, in 2004 there were 34,100 students who were unable to gain a placement in TAFE on application. This number underestimates total unmet student demand for places as it registers only those who present in person and attempt to enrol.

Clearly, the funding to be appropriated in the *Skilling Australia's Workforce Bill 2005* is insufficient to meet Australia's current, let alone future, skill needs.

## **Conclusion**

The Victorian Government supports the principle of a national training system underpinned by legislation which establishes strong national leadership and facilitates a cooperative partnership between States and Territory Governments and the Commonwealth Government. In consideration of the issues outlined above, the Victorian Government believes that the *Skilling Australia's Workforce Bill 2005* fails to establish a framework for that national system.

It is unfortunate that arrangements have moved from a focus on national leadership and strategic directions under ANTA to a focus on legislated micro-management bereft of any strategic vision or leadership.

The Victorian Government strongly urges the Senate Education, Employment and Workplace Relations Committee to consider the issues outlined above when reporting back to the Senate.