

NATIONAL TAFE FUNDING

2002 Background paper



*Michaela Kronemann
Federal Research Officer*

April 2002

*Australian Education Union Federal Office
120 Clarendon Street, Southbank, Victoria, 3006, Australia.
Ph. 03 9693 1800. Fax. 03 9693 1800*

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1. Overview of TAFE Funding

1.1 Funding overview

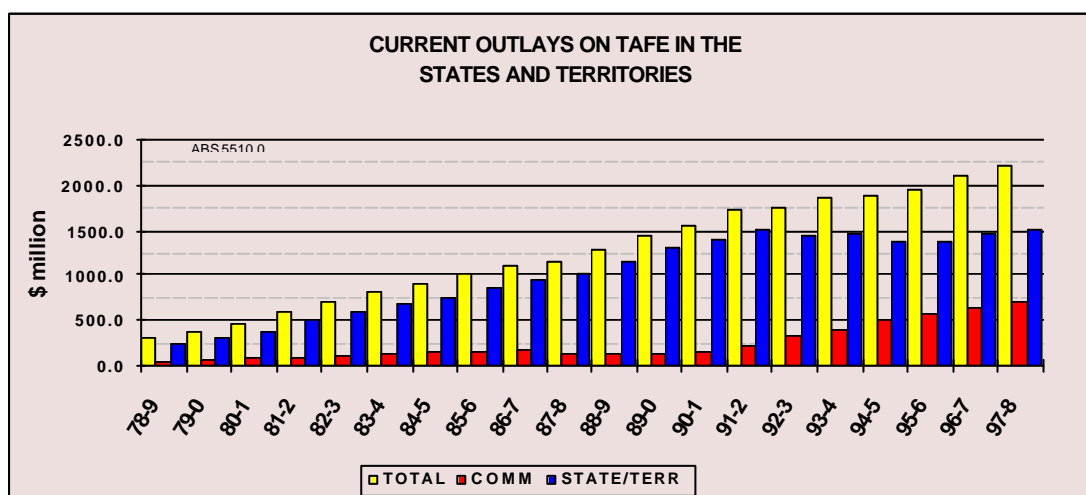
Commonwealth recurrent funding for TAFE has increased substantially since it began in 1974, the time of the Kangan report. So have enrolments: in 1973 there were 430,000 students enrolled in TAFE. In 2000 there were 1.3 million students in TAFE and 1.75 million in the VET system as a whole. This means that 13.2% of all 15-64 year old Australians participated in VET in 2000. (NCVER 2001b and earlier)

Overall, the Commonwealth provides about 30% of government funding for vocational education and training: about 27% of recurrent government funding and 55.6% of capital expenditure. The states and territories continue to provide the bulk of recurrent funding. The funding policies of both levels of government have a significant impact on TAFE systems.

Since 1992, national decisions about funding for TAFE and VET are largely made through the ANTA Agreements between the Commonwealth and the states and territories.

1.2 Commonwealth and state funding trends

The contributions of each level of government have fluctuated over time. During the early 1980s, for example, state outlays began to plateau while in the late 1980s the Commonwealth contribution declined, ironically just at the time that the Commonwealth began to strengthen its role in shaping the national directions for technical and further education. (Kronemann 1999)



ABS 5510.0

1.3 Funding by the states and territories

The early 1990s saw a significant expansion of the Commonwealth recurrent funding effort while there was an actual fall in the overall funding provided by the states and territories. When calculated as an index in which 1991-92 is the base (= 100), the contribution of the states and territories can be seen to have fluctuated in the 1990s, but at levels considerably

below their contribution in the 1991-2 base year. In 1995-96, the states and territories were, overall, contributing 85.7% in real terms of the funding they allocated in 1991-92, and in 1997-98, they were contributing 90.3% of the funding they provided in 1991-92. (ABS 5510.0) The extent of the change has varied from system to system. Unfortunately this data too stops at 1997-98 but recent NCVER data shows that the states and territories have continued to increase their overall funding effort since.

1.4 TAFE's role

TAFE funding structures from Kangan on generally recognised the complex educational, social and economic roles of a vocational education and training system.

The 1974 Kangan report was the one that first used the acronym 'TAFE'. As Ross Free noted in his analysis of its role, Kangan itself provided a broad humanistic picture of VET and TAFE - serving and empowering the individual. Kangan, he said, placed TAFE squarely in the education continuum and justified lifelong learning, TAFE as a mechanism for social justice and social mobility, and public investment in vocational education and training to create a public good. (Free in Kearns and Hall 1994, p. 18)

The TAFE system has largely continued to provide the broad range of courses and services needed by students, by industry and the wider community. There is growing evidence, however, that much of this success is despite, rather than because of, the current national structures and policies.

The 1998 House of Representatives Standing Committee report found, for example, that while 'TAFE institutes have a clear sense of their role and mission, Governments at both Commonwealth and State/Territory levels have not clearly articulated their vision for and expectations of TAFE' (HRSCEET 1998, p6). There has for some time been growing evidence of a divide between education communities and national/government policy makers about purposes and structures. In recent years, the public focus on VET has tended to be narrow, with its emphasis on an 'industry-driven' system and on new apprenticeships. Yet there has again been increasing emphasis on lifelong learning, which requires a broader conceptualisation of TAFE's role.

The 2000 Senate inquiry report argued that:

'national VET objectives be renegotiated to include the objective of ensuring that there is equitable access for all Australians to vocational education and training that enhances their capacity to participate in society and take advantage of emerging opportunities in employment and in further education and training'. (SEWRSBERC 2000)

There are now widespread concerns about quality, sustainability and social justice goals which have finally become impossible to ignore.

2. Funding structures in the 1990s

2.1 The 1992 ANTA Agreement

The ANTA Agreement arose out of a recognition of the need for national portable qualifications and a competency based training system linked with industrial awards to build a highly skilled workforce.

It was recognized that a national coordinating authority was needed to develop a national system and in 1992, the ANTA Agreement between the Commonwealth and states and

territories was concluded. The new national structures included ANTA, a Ministerial Council (MINCO) made up of Ministers responsible for vocational education from the states and territories and the Commonwealth; an ANTA Board, national ITABs and a range of national bodies.

Under the 1992 ANTA Agreement, the then Labor Commonwealth Government provided an initial \$100m for VET and then an additional \$70m per year (cumulative) to fund enrolment growth. In return the states and territories were required to maintain their training effort. State effort was measured in terms of funding, annual hours and enrolments. There were both technical and political complexities in the judgements of whether states and territories had maintained effort. Nonetheless, the fact that Commonwealth growth funding was conditional on maintenance of effort was important in setting national goals and objectives.

2.2. Commonwealth budgets, 1996 and 1997

The Howard Government came to power in 1996 and both the 1996-97 and 1997-98 Commonwealth budgets imposed cost-cutting measures.

These measures imposed a \$240 million cumulative reduction in Commonwealth funding for VET over the budget forecast periods. Other budget measures, such as the massive cuts to labour market programs, also impacted on VET funding.

The Commonwealth commitment to maintain real funding levels under the 1998 ANTA Agreement was on the basis of this reduced funding base.

2.3 The 1998-2000 ANTA Agreement: growth through efficiencies

Commonwealth funding for enrolment growth was abolished under the 1998 ANTA agreement. Instead, the states and territories were required to achieve 'growth through efficiencies' in return for the Commonwealth maintaining its funding in real terms. Imposition of the Commonwealth funding freeze has been a central element in the resource pressures felt increasingly by TAFE institutes and systems around the country.

The NSW Department of Education and Training (1999) estimated that the loss of cumulative growth funding over the three years of the 1998-2000 agreement was around \$138 million for NSW, without taking into account other Commonwealth policies such as the impact of the Youth Allowance and cuts to labour market programs. Given that NSW provides about 36.6% of total VET effort, their loss would extrapolate out to around \$377m across the country.

In addition, contestable funding was increasing and 'user choice' was implemented in relation to apprenticeships and traineeships.

2.4 Outcomes

The states and territories have undertaken a range of strategies in relation to achieving growth and/or efficiency, including increased use of competitive tendering, increased fully on-the-job training for New Apprentices, increased focus on RPL, negotiated productivity improvements and development of flexible and on-line approaches to training delivery. Structural reforms are virtually perpetual. The states have nonetheless had to pick up some of the additional costs of increased enrolments.

Yet at the same time, planned outcomes for 2000 were expected to provide total growth from 1997 of about 27.9 million adjusted Annual Hours Curriculum, or 268,000 additional student places. Collectively the states and territories also expected to yield an ‘efficiency improvement’ of about 12.5% over that period. (ANTA, 2001) Actual outcomes indicate an increase of 290,800 students (19.9%) and 32.4 million AHC over that period. (NCVER 2001b, 2001a, 1998)

It is becoming increasingly evident that current funding arrangements have placed serious constraints on the capacity of TAFE institutes to meet business, student and community needs and in some cases, to remain viable at all. As the 2000 AEU national survey of TAFE teachers has made abundantly clear, the pressure on teachers’ workloads and conditions has been immense. (Kronemann 2001)

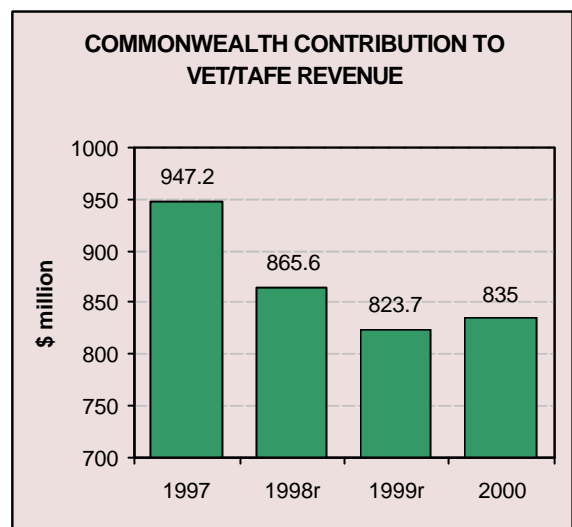
3. The Commonwealth funding contribution in the 1990s

3.1 Commonwealth funding for VET 1997-2000

The Commonwealth contribution to VET operating revenue has fallen from \$947.2m in 1997 to \$835m in 2000. (NCVER, 2001, & 1999)

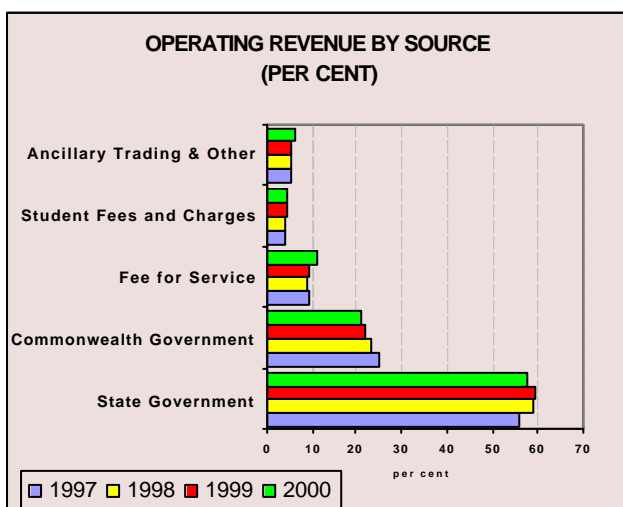
This is a fall of \$112.2m, largely through declines in Commonwealth specific purpose programs in both 1998 and 1999, since the bulk of funds under the ANTA Agreement had been maintained in real terms.

The decline in Commonwealth contributions effectively ‘neutralised’ most of the increased contribution of \$152.2m by the states and territories since 1997.



NCVER Statistics, Financial Data 2001and 19

3.2 Commonwealth share of operating revenue



NCVER Statistics, Financial Data 2001and 1999

As a percentage of total VET operating revenue, the Commonwealth contribution has declined from 25% in 1997 to 21.1% in 2000.

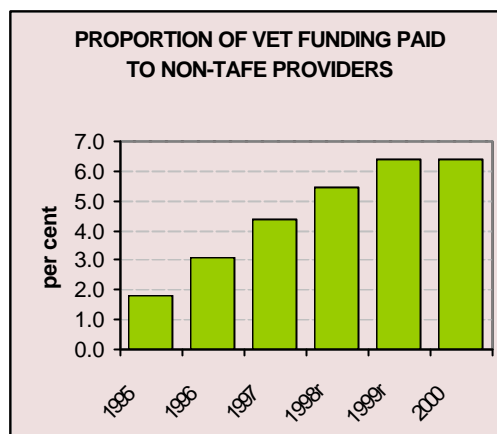
Revenue from the states and territories has increased from 56.1% in 1997 to 57.6% of operating revenue in 2000, down from a peak of 59.4% in 1999.

Other sources of revenue have also grown as a proportion of total revenue. Fee for service revenue has grown from 9.3% to 10.8%: student fees and charges from 4.1% to 4.3%: and ancillary trading and other from 5.5% to 6.2%. (NCVER 2001, 1999)

3.3 Competitive tendering and user choice

The other major pressure on TAFE resources has been the significant growth in competition and contestable funding, driven by national policies. In effect, resources are being redirected from TAFE to non-TAFE providers.

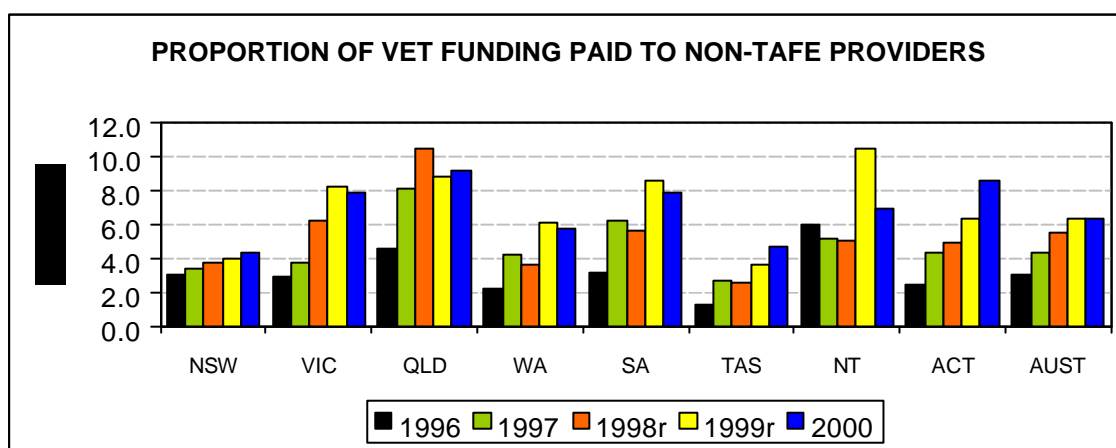
In 1995, the total funding for non-TAFE providers was \$58.6 million, and by 2000 it had increased to \$268m, or 6.4% of total operating expenses. (NCVER, 2001: NCVER 1996)



NCVER Statistics, Financial Data 2001 and 1999

3.4 Funding of non-TAFE providers in the states and territories

There is considerable variation between states and territories in the proportion of funds going to non-TAFE providers.



NCVER Statistics, Financial Data 2001 and 1999

The pressures on TAFE led three (Labor) states to freeze user choice and to undertake reviews of key aspects of current policies and directions. (NSW from the beginning reserved its position on user choice.)

While Queensland was the only system to show a reduced proportion of funding going to non-TAFE providers in 1999, this is true for a number of systems in 2000, including Victoria Western Australia, South Australia and the Northern Territory. Queensland has again increased slightly but not to 1998 levels. The overall proportion of funding paid to non-TAFE providers has been stable at 6.4% in 1999 and 2000.

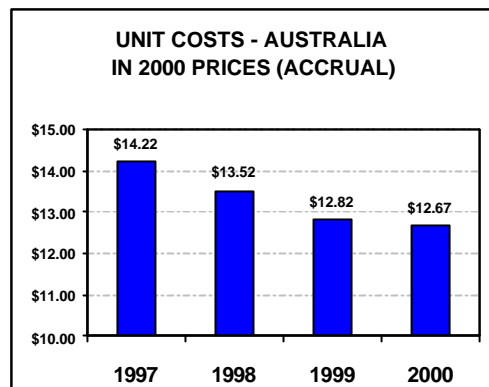
‘Other’ registered providers (ie non-TAFE/government, non-community) now enrol 11.5% of students and provide 12.3% of total annual hours. (NCVER 2001)

The real reduction in funding for public TAFE systems is thus considerably greater.

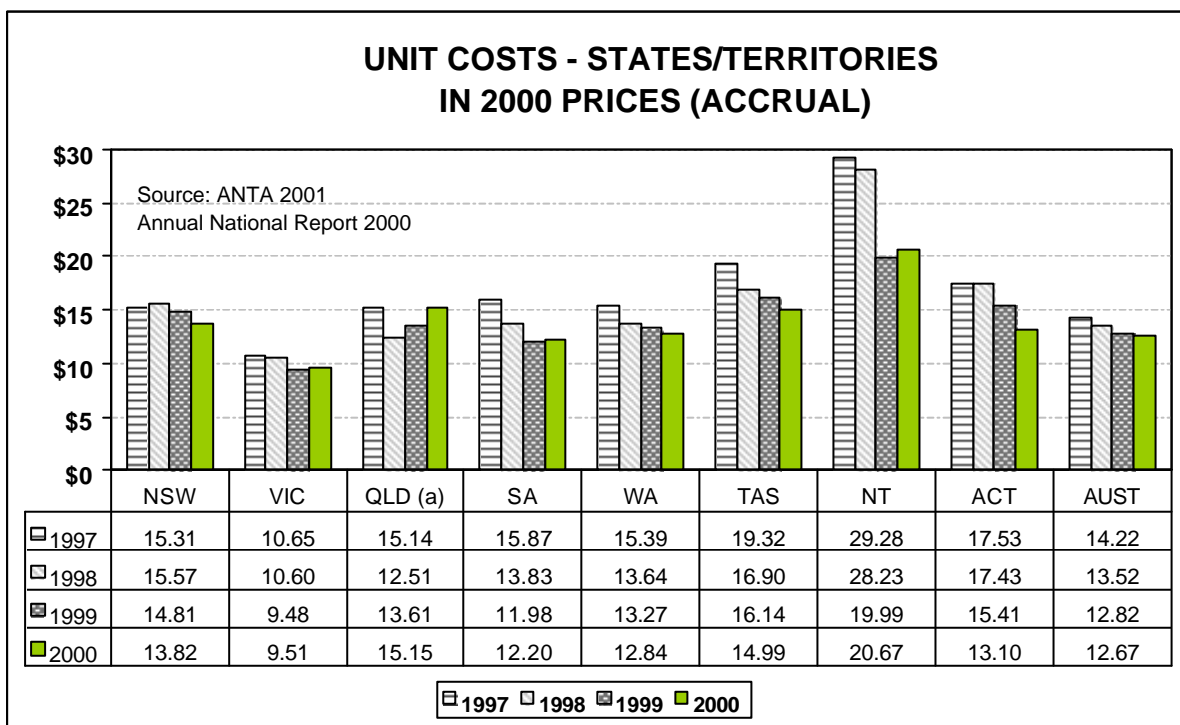
3.5 Unit costs per AHC

Given the enormous increase in enrolments in TAFE, a clearer picture of what these funding changes have meant is offered by looking at the costs per annual hour.

Across Australia, the cost per adjusted Annual Hour Curriculum (AHC) has fallen from \$14.22 in 1997 to \$12.67 in 2000, in 2000 price terms. This is an overall cumulative decline of 10.9% per AHC in real terms. (ANTA 2001a)



ANTA 2001a, *Annual national report 2000 Volume 3, Vocational Education & Training Performance*



ANTA 2001a, *Annual national report 2000 Volume 3, Vocational Education & Training Performance*

(a) Queensland has advised that abnormal expenses of \$23m have significantly impacted on their 2000 unit cost. These expenses relate to depreciation /amortisation, losses on asset sales and the treatment of capital expenditure on information technology as recurrent. Excluding these abnormal expenses Queensland's unit cost for 2000 is approximately \$14.55.

There have been some minor fluctuations within individual systems but the overall trend has been down. Leaving aside abnormal factors, this is true for Queensland too, where recent years have seen some growth in funding. All states and territories have reduced their unit costs since 1997 - or, as ANTA reports it, have 'improved their level of efficiency'. (ANTA 2000) In 2000 a number of systems showed an increase in unit cost, but the overall trend remained unchanged.

ANTA reported that many of the factors cited by the states and territories as their 'growth through efficiencies' contributed to this overall downward trend.

These include:

- increased contestability leading to price reductions
- improved management systems
- expansion of alternative delivery modes
- improved planning, quality improvement and resource allocation models.

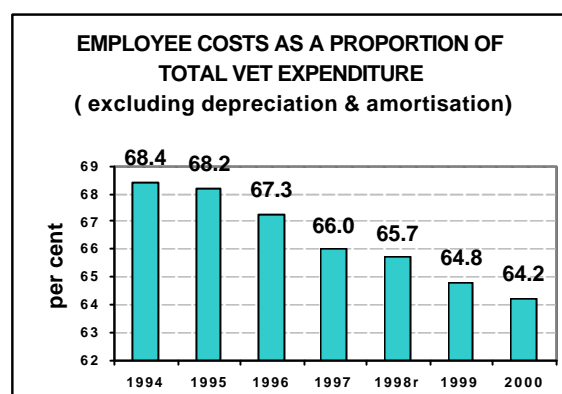
3.6 Falling unit costs

The reality is that TAFEs have been under enormous financial pressure as a result of growth through efficiencies and other cost-reducing measures.

From 1997 to 2000 there was an increase of almost 180,000 student places in TAFE, yet:

- Expenditure on student services has fallen from \$164.7m to \$95m, or from 4.3% to 2.3% of total expenditure. (NCVER 2001, 1999)
- Employee costs have fallen from \$2456.9m to \$2397.7m, or from 66% to 64.2 % of total expenditure (less depreciation). (NCVER 2001, 1999)

Small wonder that report after report has been raising concerns about quality and effectiveness.



NCVER Statistics, Financial Data 2001 and 1999

3.7 Unmet demand for TAFE

In 1999, there were 92,300 Australians unable to gain a place in post-school education and training. Of these, 58,999 wanted to do vocational education and training, which is equivalent to 3.6% of total VET enrolments in 1999.

Unmet demand for TAFE increased from 35,200 in 1998 to 45,800 in 1999. It fell to 40,500 in 2000, reflecting an overall drop in the unmet demand for post-school education and training to 86,000. This is still higher than the 1998 level. (ANTA 2001a)

Estimates of future growth have varied from between 2.8% and 5.7% per year. The national TAFE system does not have the resources to meet this level of unmet demand.

4. Impact of the resource pressures

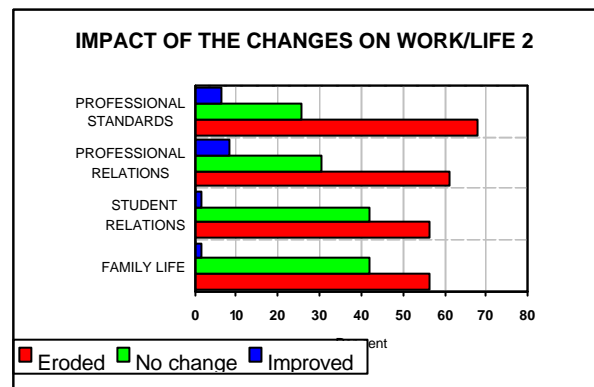
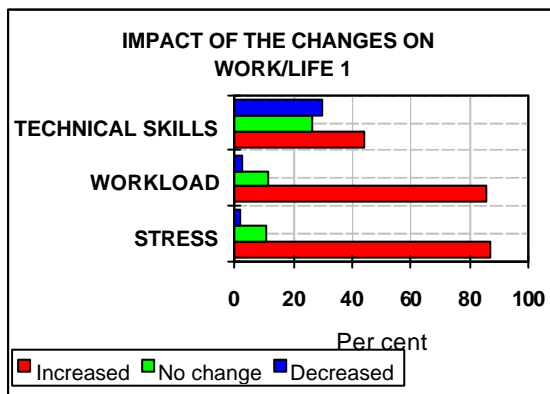
4.1 Overview of impact

- The Schofield reports identified key concerns about quality in relation to apprenticeships and traineeships, with 19% of Queensland trainees receiving no training and 20% in Victoria believing they were not learning new skills.
- The 2000 Senate Report also found major problems with the Australian Recognition Framework and the quality of apprenticeships and traineeships.

- Many systems have seen higher class sizes, rationalisation and reductions in TAFE courses, cuts to student services, amalgamations and closures and colleges facing significant financial difficulties.
- The overall failure/withdrawal rate for students has increased from 13.7% in 1997 to 17.3% in 1999 and 18% in 2000. (NCVER 2001b, 2000b and NCVER 1998)
- There has been a 15.1% increase in the number of cancellations and withdrawals from apprenticeships and traineeships for the 12 months to December 2001. (NCVER 2002)
- There has been a growth across Australia in the proportion of contract and casual/sessional staff. Of the total 24,800 teaching staff across Australia, 45% are part time. In general, it would seem that about 30%-40% of TAFE teachers are permanent/ongoing. (Kronemann 2002)
- The recent AEU national survey of TAFE teachers shows how teachers have borne much of the costs of the resource pressures.

4.2 Impact of the changes on teachers work and life

The AEU survey shows that workloads have increased and intensified, stress is high and the majority of teachers say their ability to maintain professional standards/provide quality education has been eroded.



There are some complexities in looking at hours of work, because of interstate differences describing total paid hours or attendance time requirements. But on average, full time teachers are working 43.8 hours a week. This is an average of 7 hours unpaid overtime a week, although the spread is obviously pretty wide, with 57% working more than 40 hours a week and 34% working more than 45 hours a week.

Without getting into the intricacies of the calculations, this unpaid overtime done by full time teachers would be roughly equivalent to 2160 additional effective full time teachers.

When you add in the unpaid work undertaken by teachers who work part time or irregular hours, on a rough estimate, TAFE teachers, both full time and part time, are doing the work of something like an extra 6500 teachers around the country.

What do teachers see as priorities for the union? Restoring a viable quality TAFE system is the issue that three out of four teachers identified. Security of employment and improved conditions are also issues for the majority of TAFE teachers. (Kronemann 2001)

The AEU survey also shows that the vast majority of precariously employed TAFE teachers see their main career as teaching in TAFE and get their main income from TAFE.

The majority of teachers employed in casual positions hope to get a fixed term contract or a permanent/ongoing position in TAFE. (Kronemann 2002)

5. The new ANTA Agreement

5.1 A new ANTA Agreement, 2001-2003

The 1998 ANTA Agreement expired at the end of 2000. Through a number of often tense meetings, the states and territories demanded an end to growth through efficiency policies and the restoration of Commonwealth funding for growth. This was accompanied by months of strong campaigning by union and employer bodies including of course the AEU.

At the December 2000 meeting of the Ministerial Council (MINCO), Commonwealth Minister Kemp finally offered the states and territories growth funding, of \$20m, \$25m and \$30m (ie \$140m on a cumulative basis) over three years, conditional on the states providing twice that amount themselves. This offer was rejected unanimously. It was again tabled at the March 2001 MINCO, and again rejected by all but the Coalition Ministers in SA, NT and the ACT.

State Labor Training Ministers continued to refuse to sign off on a new ANTA Agreement unless the Commonwealth provided \$152m per annum in growth funding to address projected enrolment growth of up to 5.7% per year. In the absence of an Agreement, funding for 2001 was allocated on the same basis as for 2000, leaving the states starved for funds.

The 2001 Federal budget brought down in May saw yet another offer to the states, of \$230m over three years, conditional on signing up to a new ANTA Agreement and other factors.

The state and territory Ministers agreed in principle to this proposal at the June 8, 2001 MINCO meeting in Brisbane and the VET Funding Amendment Bill was passed through both Houses.

5.2 The Agreement for 2001 - 2003

For the first time since 1997, the Commonwealth is providing growth funding to the states and territories, of \$50m in 2001, \$25m in 2002 and \$25m in 2003, a cumulative total of up to \$230m over the three years. This funding is conditional on the states and territories matching the Commonwealth growth funds on a dollar for dollar basis.

The states and territories are required to commit to increasing New Apprentices by 20,000 by June 2002 and are also required to comply with User Choice Policy and Principles. (www.anta.gov.au/NEWS/userchoice.htm)

In addition to growth funding, the Commonwealth will maintain current levels of base funding in real terms (ie indexed for cost increases) during the life of the Agreement. The states and territories will maintain outputs or outcomes, measured on an agreed basis. They will also 'strive for ongoing efficiency improvements'. They will have flexibility to use up to their respective share of \$30m in capital funds for recurrent purposes.

The 2001 Agreement provides about one third of what the states and territory ministers said that they needed in 2001.

The total value of their claim for growth funding was just over \$900m extra over three years, compared to the \$230m provided by the Commonwealth (\$460m if the states and territories provide matching funds).

Despite the Government focus on providing over \$1 billion in 2001, the facts are that the 1995/96 Labor federal budget forecast spending more than \$1 billion by 1997/98 to expand TAFE/VET places. We just back to this target now, despite the massive increase in enrolments.

6. The AEU Alternative ANTA Agreement.

6.1 A National Plan for TAFE

During the course of the ANTA negotiations and in the lead up to the federal election in 2001, the AEU campaigned for an Alternative ANTA Agreement, which included increased resources and addressed other issues.

The key elements of a National Plan for TAFE are included in the AEU's Alternative Agreement and include:

- emphasis on the role of TAFE as community and industry training provider as well as meeting its community service obligation and ensuring access and equity for all;
- a requirement for industry to invest in training;
- AEU representation as an industry representative on the ANTA Board and the National Quality Training Council (NQTC) ensuring a voice for the profession on the quality, continuity and reliability of the system;
- student representation at state level and on the ANTA Board and recognition of other groups in decision making bodies;
- formation of an Education ITAB to set national standards and plan for the needs of the system;
- development of a national plan for TAFE underpinned by the ANTA Agreement;
- growth funding to compensate for 3 year funding freeze to be matched by the states;
- co-operative rather than competitive training arrangements.

The AEU believes there should be system and national reviews of current funding levels and financial situations of TAFE institutes across Australia, as well as the impact of funding models, user choice and contestable funding on the quality of programs, general and specific services and on student and community access.

The AEU believes the federal government should establish an education equity program, to be linked to a disadvantaged regional areas program which would provide resources for a whole of government approach combining industry policy, labour market programs, job creation, education and training and community welfare and support services.

6.2 AEU Federal funding claim

On funding, the AEU's Alternative ANTA Agreement says future TAFE funding needs to ensure:

- a 'youth guarantee' of at least one year full time TAFE course for all school leavers unable to access university or fulltime work;
- reduction in unmet demand and funding for growth;
- compensation for 3 years without growth funding.

Increased federal funding would help to provide:

- reductions in unmet demand (currently 40,000);
- future growth in enrolments, including the youth guarantee;
- innovative national delivery strategies;
- quality improvement programs such as teacher education and professional development with an initial allocation for a national staff development program (NSDP) of \$10m

The 2001 AEU funding claim called for an additional federal allocation of \$310m in 2001, \$410m in 2002 and \$510m in 2003 to address these needs.

The claim has been amended to take account of the growth funds provided in the current ANTA Agreement. The AEU Federal Budget submission for 2002 calls on the Commonwealth Government to provide an additional \$285m for TAFE quality improvement programs and enrolment growth in 2002. (www.aeufederal.org.au/Debates/)

The current ANTA Agreement falls far short of these requirements. The AEU will continue to campaign for the resource levels that TAFE needs to ensure a quality national system accessible to all Australians.

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Further Reading

See the TAFE page of the AEU web site at <http://www.aeufederal.org.au>

Authorised and published on the internet by R. Hewett, AEU Federal TAFE Secretary, 120 Clarendon Street, Southbank Victoria 3006