



MONASH UNIVERSITY - ACER CENTRE FOR THE
ECONOMICS OF EDUCATION AND TRAINING

TAFE FUNDING AND THE EDUCATION TARGETS (AN UPDATE)

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In 2010, the AEU commissioned the Centre for the Economics of Education and Training (CEET) at Monash University to develop a paper discussing recent trends in public funding for VET and TAFE and the implications for future funding of government targets to improve the skills of the Australian population.

This paper updates the figures in the first table of that report to provide information up to 2009.

Past and Current Funding—Government recurrent expenditure per hour of training declined by 15.4% between 2004 and 2009—part of a longer term trend that has seen funding per hour decline by about 25.7% from 1997.

Government funding for TAFE has declined both because of the decline in recurrent public VET expenditure per hour and because of a shift of government recurrent funding away from the TAFE sector. If both expenditure per hour and TAFE's share of that expenditure had been maintained at even 2004 levels, TAFE's funding would have been about \$974m (or 18.9%) greater in 2009 than it actually was.

Recent expenditure per public hour of VET instruction has declined almost consistently in almost all jurisdictions over the last decade or so.

Recurrent expenditure per hour

Recent government recurrent funding of VET is characterised by a near year-on-year decline relative to provision. Nationally the resources available for providing an hour of public VET have declined from \$15.74 in 2004 to \$13.31 in 2009—a decline of 15.4% in 2009 dollars (Table A)¹.

Obtaining a longer time series for the change in VET funding is complicated by changes in accounting standards and, possibly perversely, efforts to improve consistency between the reporting standards of jurisdictions. Nevertheless, the recent experience of declining public expenditure per hour of public training seems consistent with longer term trends.

Table A includes estimates of expenditure per hour of training before 2003. These estimates are shaded in the table to indicate that they have been adjusted to make them more consistent

¹ The measurement of hours of training in Victoria changed from scheduled hours in 2006 to the national standard in 2007. Although the effect of this change is unclear, the size of the change between 2006 and 2007 for Victoria suggests that measurement changes may have contributed slightly to the measured decline in funding per hour.



with recent data.² The adjustment is empirically driven—it assumes that the percentage differences between two estimates for the same year calculated in different ways can be applied to other years. Revised Table 1 provides a sense of the direction and magnitude of the change in funding over a longer time period.

Table A
Government real recurrent expenditure per publicly funded annual hour, 1997 to 2009

(2009\$)	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<i>2009 dollars per annual hour of training</i>									
2009	12.08	11.96	16.55	13.38	14.20	15.44	15.96	25.30	13.31
2008	12.40	12.12	16.33	12.94	14.13	14.86	17.54	27.47	13.40
2007	13.32	12.37	16.00	13.91	15.79	15.19	16.86	26.17	13.95
2006	14.71	13.53	15.07	15.70	17.11	15.66	17.34	27.91	14.93
2005	14.66	13.73	16.41	16.64	16.54	15.89	18.59	32.30	15.30
2004	15.90	13.23	17.38	16.24	17.63	15.61	16.97	31.07	15.74
2003	15.60	13.36	17.42	17.09	17.70	15.59	17.36	33.80	15.80
2002	15.57	13.57	16.48	16.89	15.54	16.12	16.11	31.42	15.50
2001	15.18	13.33	16.11	15.92	13.02	18.00	15.72	29.58	14.98
2000	16.76	12.08	18.50	16.07	15.06	19.72	17.37	32.37	15.78
1999	17.89	12.09	17.80	16.86	14.64	20.62	21.09	31.80	16.16
1998	18.98	13.60	16.42	17.01	16.76	21.58	23.41	44.41	17.09
1997	18.58	13.63	19.75	19.16	19.30	24.91	23.83	46.07	17.92
<i>Percentage change to 2009</i>									
from 2004	-24.0%	-9.6%	-4.7%	-17.6%	-19.5%	-1.1%	-6.0%	-18.6%	-15.4%
from 1999	-32.5%	-1.1%	-7.0%	-20.7%	-3.0%	-25.1%	-24.3%	-20.4%	-17.7%
from 1997	-35.0%	-12.3%	-16.2%	-30.2%	-26.4%	-38.0%	-33.0%	-45.1%	-25.7%

Adapted from SCRGSP (Steering Committee for the Review of Government Service Provision) 2011, *Report on Government Services 2011*, Productivity Commission, Canberra (and other years). Comparing values over time is difficult because of changes in the definition of hours and/or expenditure, because of changes in the deflator used to correct for changes in the value of expenditure and because of changes in adjustments for differences in the mix of courses provided across jurisdictions.

- Values in the outlined block 2005/07-2009 are taken directly from the 2011 Report and are consistent in definition except as described in b) below. They may use a GDP deflator (as specified in the notes to tables) or a jurisdiction- and service-specific deflator (p. A26, Statistical Appendix) which is not further described. The approach outlined below addresses this problem regardless.
- In the published values, expenditure per annual hour is weighted to recognise the different proportions of relatively more expensive and less expensive training programs delivered by jurisdictions. The approach to this correction differs for the 2008-2009 and 2005-2007 values. This is a break in the series. No attempt has been made to correct for this break. It should not

² Values were first converted to 2008 dollars. Working back from 2008, the adjustment used the opportunity provided by estimates for the same year calculated in two different ways. An average percentage difference between estimates for common years was successively applied to the previous year. For instance, in 2008, values were provided for 2004-2008 and in 2007 values were provided for 2003-2007—the average percentage discrepancy between the 2007 and 2008 values for 2004-2007 was used to adjust the 2003 values.



affect national estimates (but may have done so) and its effect on estimates of longer-term changes should be modest.

- c) Other values result from first converting the published values to 2008 dollars using the GDP deflator and then converting those values to 2009 dollars using the deflator from the 2011 Report. For the purposes of this table, estimates of the service-specific deflator were calculated by comparing values for 2005 and 2006 in the 2010 and 2011 reports which were in 2008 and 2009 dollars respectively. The average of the deflator for these two years was used. Estimates for 2008 were influenced by changes to the corrections for differences in the provision profile across jurisdictions.
- d) Initial conversion to 2008 dollars (where used) was based on the implicit GDP price deflator from ABS, Australian National Accounts: National Income, Expenditure and Product 5206.0, Table 32. Expenditure on Gross Domestic Product (GDP), Chain volume measures and Current prices, Annual Series A2304682C.
- e) Shaded values are estimated from published values based on definitions of hours and/or expenditure that differed from those used in 2009. The published values for these years have been modified to provide values that are at best approximately consistent with the series for recent years. The modification consisted of first converting values to 2008 dollars using the GDP deflator. Then, working back from 2008, the modification used the opportunity provided by published estimates for the same year calculated in two different ways in different Reports. An average percentage difference between estimates for common years was successively applied to the previous year. For instance, in 2008, values were provided for 2004-2008 and in 2007 values were provided for 2003-2007—the average percentage discrepancy between the 2007 and 2008 values for 2004-2007 was used to adjust the 2003 values.