

BUDGET 2011— Key issues

By Pat Forward

THE key issue for TAFE in the budget is the content of the new *National Partnership to reform the Vocational Education and Training (VET) system*. During the budget briefings, it was clear that increasing competition for funding in the sector remains a key trajectory of the government, although it also appears that this is contested. With two states well down the path of full competition for all VET public funding, the sector is precariously balanced. This shift to full competitive tendering and a so-called 'student demand-driven' system is the result of policy settings established by the Federal government in the last *National Agreement for Skills and Workforce Development (NASWD)* and *National Partnership PPP*. This required states and territories to implement full contestability of funding in their public TAFE systems in order to access additional funding.

The Federal Government considers itself to have been only partially successful in achieving the outcomes because only two states have moved to this model. As well, the Federal Government is very concerned about cost shifting in the states — not only have a number of states not moved to full competition, they have also, according to the Federal Government, failed to put any new money for training into their VET systems, and merely used the increased federal funding.

It is the obsession with competition and also with the failure of states to maintain their VET funding effort which is driving the Federal Government's current policies in the sector. The third driver is coming from business and to some extent some of the unions. Employer organisations and a number of key unions are continuing to argue that the system is not 'industry driven' enough.

The Department of Prime Minister and Cabinet is currently reviewing the last *National Agreement for Skills and Workforce Development (NASWD)* (due to expire July 2012) and the results of that review are expected soon. This will set the parameters of the next NASWD, and the proposed new *National Partnership to reform the Vocational Education and Training (VET) system* between the Federal government and the states and territories.

On May 3, Skills Australia released their roadmap for VET *Skills for prosperity*. Amongst



Bush Tucker Garden opening ceremony, TAFE SA Port Pirie Campus.

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"I enjoy working with a range of staff across the state, who are just as determined as I am to see students succeed."

Marg Mibus explained that in their first meeting with students TSOs also discuss other issues such as housing, health and income, that the student may be facing, which could prevent them from attending classes. The officer then either acts as an advocate or a link between the student and the agency which can assist.

"TSOs assist students to deal with behavioural and other conflict issues and act as a liaison with broader TAFE program staff where issues may arise. Students have the same TSO throughout their study time, building rapport and a trusting relationship that provides them with a sounding board and problem solving mentor," Ms Mibus said.

Another project that TAFE SA Aboriginal Access Centres are involved with is the training component for the OZ Minerals pre-employment program at Prominent Hill.

Students study to gain mining qualifications as part of OZ Minerals Mining Technicians Program through the AAC based at TAFE SA Port Augusta Campus. OZ Minerals initiated the pre-employment training program in partnership with the AAC, Bungala CDEP, Complete Personnel and Baptist Care SA to increase local employment at its Prominent Hill mine.

In addition to the Mining Technicians Program, the AAC has delivered training for two other pre-employment courses at OZ Minerals. All program participants who successfully complete the program and meet the program criteria are offered employment at the Prominent Hill mine site.

Dylan Keneally, 27, of Port Augusta

started the Mining Technicians Program after working in civil construction.

"Work had become quiet in civil construction, so I wanted to gain training to start work in the processing part of mining," Mr Keneally said.

"I was happy to find out that I had been accepted into the Mining Technicians Program and three days later flew to the Prominent Hill mine for my first day on the course.

"The course has been good, really informative and the students get along well.

"I am looking forward to finishing the course and starting work with OZ Minerals. After this course, I want to continue studying the Certificate III and grow my knowledge and skills further."

The Mining Technician's program is the seventh training program offered by OZ Minerals, and the program's success has recently been awarded with the inaugural Premier's Social Inclusion in Mining & Energy Award for excellence in community programs.

The award recognises the pre-employment training programs at Prominent Hill and OZ Minerals role in providing employment opportunities and building positive relationships with indigenous communities in remote areas.

There are more than 50 TAFE SA campuses in Adelaide and regional South Australia. Aboriginal Access Centres can be found on TAFE campuses in Adelaide City, Berri, Ceduna, Coober Pedy, Gawler, Kadina, Mount Gambier, Murray Bridge, Nepabunna, Noarlunga, Port Adelaide, Port Augusta, Port Lincoln, Port Pirie, Salisbury, Scotdesco, Yalata. ❖

TAFE and VET s in the budget for the AEU

other things, it advocates a much larger role for industry in the determination of skills and in workforce development strategies.

The budget announcements of a *National Workforce and Productivity Agency* and a *National Workforce Development Fund* are in part a response to the calls from industry to give them a larger say in both policy and funding allocation. A senior bureaucrat described the *National Workforce and Productivity Agency* as 'business taking control' and 'business purchasing skills directly'.

The decision to abolish the Quality Skills Incentive is a major blow for TAFE. This initiative was worth a modest \$172.8 million. Nothing had yet been spent, but there was an expectation that the majority of the money would go to TAFE institutes for initiatives around teaching and learning.

It appears that there is very little new spending in the budget for VET — somewhere between \$255 and \$741 million over the next four years. New VET funding of \$2.27 billion has been offset by about \$1.53 billion in VET funding cuts. Of the remainder, \$400 million is being shared with higher education, \$49 million with employment programs, and \$36 million with other international education sectors. That excludes the \$7.2 billion but includes the \$1.75 billion, which in fact is only \$715 million over three years, most of it has been back-ended to the 5th and 6th year.

Increased competition – more of the same

The *National Partnership to reform the Vocational Education and Training (VET)* system was described as a mechanism for driving greater efficiency and increased competition in the VET sector. It is very clear that the threat of increased competition, in an environment where the Federal Government has come up with no other mechanism or proxy to enact improved efficiency or responsiveness, is alive and well. Discussions around the parameters of the next funding agreement and the attendant National Partnership are occurring now. Once this has concluded, the Federal Government will commence negotiations with the states and territories.

ANTA revisited

There are some additional unknowns in the Budget package. It is unclear whether the *National Workforce and Productivity Agency* will be confined to distributing only the new *National Workforce Development Fund* or whether its role will grow so that it has a say in the distribution of funding in the new National Partnership. At this stage, it is proposed that the agency will comprise the morphed Skills Australia Board (or part thereof) and the Critical Skills Investment Fund Advisory Board (all industry representatives). The composition of the new agency will be hotly contested, with those advocating a much more powerful role for business, and greater competition and privatisation ranged against those who will argue that it should have a broader representation (including providers and educationalists). The composition of the board will in the end be influenced by whether the government intends to give it a broader role than administering the \$558 million National Skills and Workforce Development Fund. Someone has already described this as an ANTA Board without the states and territories.

‘It is the obsession with competition and with the failure of states to maintain their VET funding effort which is driving the Federal Government’s current policies in the sector.’

Employer driven, or student driven?

There is an apparent tension between the Budget announcements, the Skills Australia paper, and policies being pursued in some of the states and territories at the moment. This tension does not necessarily represent contradictory policy, but it is interesting. An employer or industry driven system sees

employers purchasing training, often with large components of public money, directly from providers as a way, its proponents argue, of making qualifications responsive to the needs of employers. Student driven is in some ways more desirable because it at least promotes the notion of students being able to choose the course they are doing, rather than their bosses. However, what governments mean when they talk about student driven is effectively vouchers or entitlements which are held by students, in contrast to funding allocated directly to providers to provide places. Student driven entitlements almost inevitably come with a requirement that students pay for some component of their course or training — because, it is argued, they benefit either immediately or further down the track. Governments use this as a way of implementing Income Contingent Loans or HECS.

The budget appears to come down strongly on the side of an employer driven system. Skills Australia has it both ways, arguing for an industry led system and a student entitlement. The Victorian reforms have come down on the side of a student driven system. Skills Australia has a very clear proposal for a student entitlement system underpinned by an income contingent loan scheme. DEEWR officials made it very clear at the budget briefing that the issue of an income contingent loan scheme is very alive for the Federal Government, arguing that an existing incentive exists for states and territories to implement income contingent loans in the current NASWD. They also made it clear that this incentive would continue in the next funding agreement.

Increased competition underpins this somewhat faux argument between student and industry driven VET systems.

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Building Australia's Future Workforce package

1. National Workforce Development Fund, National Workforce and Productivity Agency

'Putting industry at the heart of the training system'

- \$558M over four years for a National Workforce Development Fund

The National Workforce Development Fund (NWDF) is comprised of \$359.3 million over four years (11-12 \$74.8m, 12-13 \$77.2m, 13-14 \$77.4m, 14-15 \$126.3m), and it will absorb the Critical Skills Investment Fund (\$200 million over four years). This is a total of \$558.5 million over four years — and the government says it will deliver 130,000 new places. None of the CSIF had yet been expended. DEEWR says it has been oversubscribed, and \$50M from the CSIF will be spent in the next 12 months in the lead up to the establishment of the new fund and agency. Industry must contribute funding if they are to access funds. Large employers will contribute 66% of the cost of training, medium employers 50% and small enterprises 33%. The NWDF will 'build on successful programs such as the Enterprise Based PPP and the Critical Skills Investment Fund'. Priority areas in 2011-12 will be construction and aged care.

- \$20.1M over four years for Productivity Education and Training Fund (but in reality \$10M in 2011-12 and \$10M in 2012-13)
- \$24M over three years to establish the National Workforce and Productivity Agency

2. National Partnership to reform the Vocational Education and Training (VET) system:

'Investing to meet the longer-term needs of the economy through a reform focused National Partnership with States and Territories worth \$1.75 billion over five years (from 2012-13)'

- \$1.75B over five years from 2012-13

The **National Partnership for reform of the Vocational Education and Training (VET) system** will provide \$1.75 billion over five years from 2012-13. This involves \$238.3 million each year in 2012-13, 2013-14, 2014-15 and then \$516.3 million each year in 2015-16 and 16-17. The agreement will promote reforms that will lead to 'a more transparent VET system' and funding will be available to state and territory governments who make a genuine commitment to achieving reforms which complement the objectives of the revised National Agreement on Skills and Workforce development (NASWD).

3. Apprenticeship Reform:

'Reforming the apprenticeship system to make it modern and flexible including accelerated apprenticeships and mentoring support.'

Australian Apprenticeship mentoring package:

- \$21.5 million over two years for guidance, \$79.9 million over four years for mentoring

Accelerated Apprenticeships package:

- \$99.25 million over four years plus industry co-investment, \$0.75 million in 2011-12 — Skills Builder scoping study.

4. Skills to support/promote increased participation:

'Increasing workforce participation by giving disadvantaged Australians the skills they need to get a job.'

- \$143.1 million for increased access to LLNP — an additional 30,000 places from 1 July 2011
- \$19.7 million for the continuation of Access program
- \$20 million for expansion to the WELL program — an additional 13,000 training places

New National Skills and Workforce Development Agreement 2012–2017 (5 years):

- \$7.2 billion over five years — \$1.4 billion per year, commencing 1 July, 2012

'Funding will be available for those states and territories that are prepared to partner with the Commonwealth on more ambitious reforms for VET. This includes the delivery of a more productive and responsive system that is supported by improved outcomes such as higher level qualifications, increased completions and transparency, better recognition of skills and catering to disadvantaged learners and regions.'

New money or re-directed spending?

DEEWR officials say there is only \$200 million 'new' funding in the whole package for VET, which includes all four packages outlined above.

- **The Quality Skills Incentive** has been abolished. That will save \$172.8M over the next four years — none of it had been spent. This is a real disappointment — it was the only allocation of funding in the last budget which would have gone directly to TAFE, or at least the majority of it, for quality improvements, and from our perspective was the centrepiece of the last budget. It has been redirected into the Building Australia's Future Workforce package.
- **The Productivity Places Program** funding has been 're-directed', a saving of \$853.9 million over four years. It has been re-directed in the following ways:
 - \$360 million over two years Trade Apprenticeship Income Bonus
 - \$94.5 million over three years for the New Enterprise Incentive Scheme
 - \$399.4 million over four years for the Building Australia's Workforce package
- **Employer Incentives** have been cut by \$59 million over 4 years (ie \$14 million per year will be saved from CII incentive payments, except for equity and disadvantaged groups, which will be quarantined). In 2010-11 the Gillard government expended \$1090M in industry incentives up from \$600 million in 2006-7, so you can see that business really is doing it hard in this budget. ❖

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