

**AUSTRALIAN EDUCATION UNION**

**SUBMISSION**

**TO THE SENATE EMPLOYMENT,  
WORKPLACE**

**RELATIONS, SMALL BUSINESS AND**

**EDUCATION LEGISLATION COMMITTEE**

**Inquiry Into the Vocational Education and Training  
Funding Amendment Bill 2000**

**September 2000**

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**A SUBMISSION BY THE AUSTRALIAN EDUCATION UNION  
TO THE  
SENATE EMPLOYMENT, WORKPLACE RELATIONS, SMALL  
BUSINESS AND EDUCATION LEGISLATION COMMITTEE  
RE THE VOCATIONAL EDUCATION AND TRAINING  
FUNDING AMENDMENT BILL 2000**

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**Introduction**

The Australian Education Union represents 155,000 teachers and other education workers in public education. AEU members work as teachers, principals, administrators and allied education staff (including Aboriginal and Islander Education Workers) in preschools, schools, TAFE institutes and other public education settings.

The National TAFE Division of the AEU represents nearly 15,000 TAFE teachers and associated staff in TAFE Institutions across Australia.

The AEU is an advocate for a strong, high quality public education system that provides all 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 structures and resourcing of the vocational education system must be based on the recognition that TAFE is a vital public asset which underpins the whole vocational education and training system and plays complex and multi-faceted roles in the development of Australia's educational and skills base, in the achievement of broader governmental objectives and in the social, economic and educational development of community and national life. Well over one million students enrol in TAFE each year.

Governments have a responsibility to ensure that TAFE has the resources and supports needed to provide high quality vocational education and training and further education and, as the predominant provider of VET, is the quality benchmark setter.

The present inquiry into the Vocational Education and Training Funding Amendment Bill must be seen within the context of the current negotiations around a new ANTA Agreement.

In addition, the submissions and hearings related to the Senate Inquiry into the Quality of Vocational Education and Training in Australia will have provided much of the necessary context to the current matter. The AEU made a lengthy submission to that Inquiry which underpins these present remarks.

This submission argues that the Vocational Education and Training Funding Amendment Bill should be amended to provide for an additional \$310m for 2001.

**The 1998-2000 ANTA Agreement**

The Commonwealth funding commitment to VET has been substantially reduced since 1996. The 1996-97 and 1997-98 Commonwealth budgets contained a number of cost-cutting measures which had a direct impact on VET funding. The 1996-97 budget cut VET grants to the states, abolished the 5% real growth on base recurrent funding and cut ANTA operating expenses. The 1997-98 budget imposed a \$20 million 'benchmarking efficiency' on grants to the states. 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 the reduced funding base arising from the previous budget decisions.

Commonwealth funding for growth was abolished under the 1998 agreement. Instead, the Agreement required the states and territories to achieve 'growth through efficiencies'.

Planned outcomes for 2000 are expected to provide total growth over the three years from 1997 of about 21 million valid Annual Hours Curriculum (AHC), or approximately 160,000 additional student places.

Collectively the states and territories are also expected to yield an efficiency improvement of about 6.9% over that period.<sup>1</sup>

The states and territories have undertaken a range of strategies aimed at achieving growth and/or 'efficiency', including increased use of competitive tendering, increased fully on-the-job training for New Apprentices, increased focus on RPL (Recognition of Prior Learning), negotiated productivity improvements and development of flexible and on-line approaches to training delivery. Structural reforms are virtually perpetual.

The imposition of the 'growth through efficiencies' policy 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 has calculated that the loss of cumulative growth funding over the three years of the current agreement is around \$138 million for NSW, without taking into account other Commonwealth policies such as decreasing capital grants, the impact of the Youth Allowance and cuts to labour market programs.<sup>2</sup>

Between 1996 and 1997, average unit costs decreased in real terms from \$11.80 to \$11.40 per adjusted AHC.<sup>3</sup> The introduction of accrual accounting has inflated subsequent figures by an average of 20.8%, making direct comparisons with previous years impossible.

From 1997 to 1998, the average Australian cost per AHC declined from \$13.86 to \$13.38 in accrual

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<sup>1</sup> ANTA, 1999, *Directions and Resource Allocations for 2000*, Brisbane, ANTA.

<sup>2</sup> Department of Education and Training and TAFE NSW, 1999, Submission on behalf of the NSW Department of Education and Training and TAFE NSW to the General Purpose Standing Committee's Inquiry into the Proposed Closure of Seaforth TAFE.

<sup>3</sup> ANTA, 1998, *Annual National Report 1997, Australia's Vocational Education and Training System-Volume 3*, Brisbane, ANTA.

prices. This is a fall of 3.5% in real terms.<sup>4</sup>

Latest financial data from the National Centre for Vocational Education Research Ltd (NCVER) shows that the Commonwealth contribution to VET operating revenue has fallen from \$947.2m in 1997 to \$828.2m in 1999.<sup>5</sup>

This is a fall of \$119m, largely through declines in Commonwealth specific purpose programs in both 1998 and 1999. Over the same period, the contribution of the states and territories has increased by \$99m, effectively 'neutralised' by the Commonwealth cuts.

As a percentage of total VET operating revenue, the Commonwealth contribution has declined from 25% in 1997 to 22.1% in 1999.

Over the same period, revenue from the states and territories has increased from 56.1% to 59.3% of operating revenue.

Other sources of revenue have been relatively stable in aggregate.<sup>6</sup>

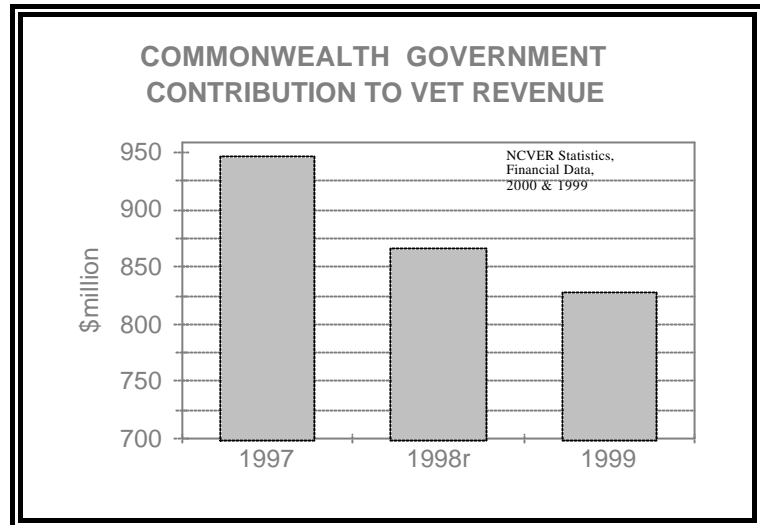


Figure 1

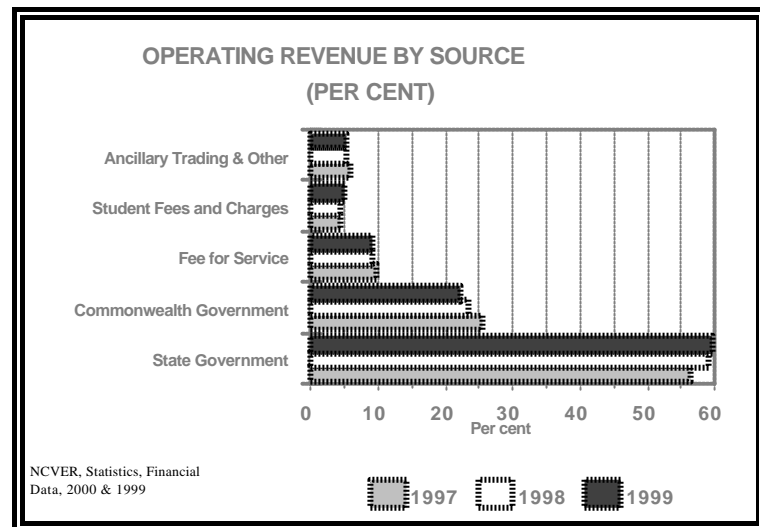


Figure 2

### 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.

<sup>4</sup> ANTA, 1999, *Annual National Report 1998, Australia's Vocational Education and Training System-Volume 3*, Brisbane, ANTA.

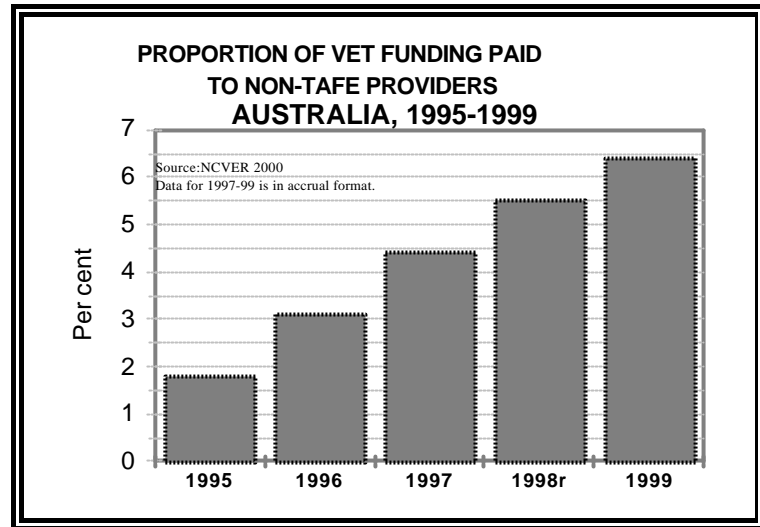
<sup>5</sup> NCVER, 2000, *Statistics 1999, Financial Data*, Leabrook South Australia; NCVER, 1999, *Statistics 1998, Financial Data*, Leabrook South Australia

<sup>6</sup> Ibid

While in 1995 \$21 million was committed to the training market, the total level of contestable funding was projected to be \$441 million in 2000.<sup>7</sup>

In effect, resources are being redirected from TAFE to private providers. In 1995, the total funding for non-TAFE providers was \$58.6 million, and by 1999 it had increased to \$251.6m, or 6.4% of total operating expenses.<sup>8</sup>

The real reduction in Commonwealth funding for public TAFE systems is thus considerably greater than the gross fall in the Commonwealth contribution to VET revenue.



**Figure 3**

The impact of this redirection of funds to private providers must be understood within the context of the other resource pressures on TAFE institutes.

Appendix 1 of the AEU Submission to the Senate Inquiry into the Quality of Vocational Education and Training in Australia instanced Queensland and Victoria as detailed examples of the impact of resource pressures on TAFE systems.

It noted that in Queensland in the two years to June 1998, the combination of new administrative procedures, budget cuts and 'efficiency' savings affected 47% of Queensland institute budgets. The result was a cut in public funding for TAFE institutes, a decline in industry funded training, increased administration costs and a decline in the quality of programs offered in Institutes. Left unchanged, Queensland institutes would have faced an annual operating loss by the year 2000 of between \$44.6m and \$84.6m.<sup>9</sup>

The Queensland Labor Government has subsequently provided some additional funding to TAFE, including increased resources directed at non-metropolitan TAFEs.

<sup>7</sup> ANTA, 1995, *Vocational Education and Training, Directions and Resource Allocations for 1996*, Report to the Ministerial Council, Brisbane, ANTA: ANTA, 1999, *Directions and Resource Allocations for 2000*, Brisbane, ANTA.

<sup>8</sup> NCVET, 2000, *Statistics 1999, Financial Data*, Leabrook South Australia: NCVET (1996) *Selected Vocational Education and Training Statistics 1995*, Leabrook, South Australia.

<sup>9</sup> Bannikoff (1998) *A Report of the TAFE Review Task Force, a plan to safeguard TAFE Queensland*, Queensland Government; cited in Kronemann M., 1999, 'Learning from history: towards a new deal for TAFE', Appendix 1, AEU 1999, *A Submission by the Australian Education Union to the Senate Employment, Workplace Relations, Small Business and Education Committee re An Inquiry into the Quality of Vocational Education and Training in Australia*.

Likewise in Victoria, the new Labor Government identified similar concerns about the funding pressures on TAFE institutes, with a number of Victorian institutes also on the brink of insolvency. The Victorian Government has also provided initial emergency relief and subsequent budget increases for TAFE institutes, with additional resources for beleaguered regional institutes and reimbursement for fee concessions.<sup>10</sup>

Queensland, Victoria and Tasmania have frozen contestable funding to allow for reviews of current arrangements.

As the NSW Department of Education and Training has argued:

*Competitive tendering means that providers compete on price and there is less emphasis on quality and services as the basis of competition...Around Australia, these policies have forced the reduction of services and rationalisation of facilities upon public providers.*<sup>11</sup>

### **The impact of the resource pressures**

The AEU submission to the Senate Inquiry re the Quality of Vocational Education and Training in Australia commented in some detail on the various impacts of the current resource pressures on TAFE systems. Some of the key points are summarised below.

The current round of reviews has identified key concerns about quality in relation to traineeships, with the Queensland report finding that 19% of trainees received no training and 20% in Victoria believing they were not learning new skills. Of particular concern has been the issue of fully on the job training, leading to a recommendation in the Victorian report that no Victorian training funds should be applied to such training.<sup>12</sup> It is noted that fully on the job training has been listed by ANTA as a commonly reported strategy to achieve 'growth through efficiencies'.<sup>13</sup>

More generally, of the more than 200 TAFE responses to the 1999 ACTU Working Time and Job Security Survey, 89% agreed with the statement that 'I don't feel I can provide the right level of service or quality because there is too much work to be done'.<sup>14</sup>

Damon Anderson has identified concerns about the fall in the proportion of total expenditure allocated to student services, in a context where a growing proportion of students are disadvantaged and more money is being transferred to private providers who offer relatively little support.

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<sup>10</sup> Kronemann 1999 op cit: Campus Review 24-30 November 1999

<sup>11</sup> Department of Education and Training and TAFE NSW, 1999, op cit.

<sup>12</sup> Schofield K, 1999, *Independent Investigation into the Quality of Training in Queensland's Traineeship System*, DETIR; Schofield K., 2000, *Delivering Quality, Report of the Independent Review of the Quality of Training in Victoria's Apprenticeship and Traineeship system*, Office of Post-Compulsory Education Employment and Training.

<sup>13</sup> ANTA, 1999, *Directions and Resource Allocations for 2000*, Brisbane, ANTA.

<sup>14</sup> Gale L., 1999, *Beyond the Limits, Public Education Workers Running on Empty; Analysis of the ACTU Working Time and Job Security Survey in relation to the Technical and Further Education Workforce*, circulated paper, AEU.

He has argued that over one third of the people who dropped out of education courses in the last five years did so for reasons that could potentially have been addressed through student services.<sup>15</sup> Expenditure on student services has dropped from \$164.6m in 1997 to \$137.7m in 1999, or from 4.3% to 3.6% of operating expenditure.<sup>16</sup>

This has serious implications for the capacity of TAFE institutes to meet the educational needs of their communities. The reality is, of course, that the biggest group of clients in TAFE are individual students, who come with a wide range of aspirations and objectives. TAFE students are more likely to belong to a greater number of targeted equity groups than those who study with other providers.<sup>17</sup> Many of the very complex roles that TAFE plays in meeting community needs are not seriously addressed in the current national agenda.

The resource pressures have also seen employee costs fall as a proportion of total costs, from 68.4% of expenditure in 1994 to 60.8% in 1999.<sup>18</sup> This is despite the continued growth in enrolments and Annual Hours, which have increased by 57.8m hours, or 21%, to 331m hours over that time.<sup>19</sup>

There has been a growth across Australia in the proportion of contract and casual/sessional staff. In 1995, 58% of teaching hours were provided by full time staff and 42% by part time staff.<sup>20</sup> (Mather in ANTA 1997). The growth in precarious employment impacts on staff but also on their capacity to provide quality education to students.

It is also linked to reduced access to professional development, particularly for the casual teachers themselves. Victorian data shows that they were 20% of staff and received 3% of the staff development expenditure.<sup>21</sup>

There are gender implications of the shift in employment mode. Data from Victoria, for example, indicates that more females than males have been employed in recent years. Because of the shift to contract and casual employment, women are more likely to be employed in those modes.<sup>22</sup>

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<sup>15</sup> Anderson D., 1999, 'Student services, fees and failure: some facts about TAFE', Keynote address to the 1999 Annual Conference of the Victorian TAFE Students and Apprentices Network, circulated paper

<sup>16</sup> NCVER, 2000, *Statistics 1999, Financial Data*, Leabrook South Australia; NCVER, 1999, *Statistics 1998, Financial Data*, Leabrook South Australia.

<sup>17</sup> Golding B. & Volkoff V., 1999, *Creating Outcomes: Individuals and Groups on the VET Journey*, Brisbane, ANTA.

<sup>18</sup> NCVER, 2000, *Statistics 1999, Financial Data*, Leabrook South Australia

<sup>19</sup> NCVER 2000, *Statistics 1999 in detail*, Leabrook South Australia; ACVETS 1995, *Selected Vocational Education and Training Statistics 1994*, NCVER.

<sup>20</sup> Mather in ANTA, 1997, *Research Reports into Professional Development*, Brisbane, ANTA

<sup>21</sup> State Training Board of Victoria, 1997, (Hamerston M., chair) *Staff Training and Development in the TAFE Sector of the State Training System*, East Melbourne, STBV.

<sup>22</sup> Kronemann 1999, op cit.

There has also been a massive increase in teacher workload. Victorian data shows that between 1993 and 1997, the average student contact hours per EFT teacher increased by 14.8%. In their responses to the ACTU survey, 32% of TAFE workers indicated that they were working at least 45 hours per week, 48% of full time workers said that the hours per week they usually work has increased and 74% that the pace of their work has increased. In total 72% of the TAFE respondents indicated that they have considered resigning due to workload pressures, a situation even more alarming in the face of the emerging teacher shortage across all education sectors.<sup>23</sup>

As the previous AEU submission argued, all of these factors are indicators that there is growing evidence of a crisis in our national vocational education and training system. The resource pressures are the most critical element of this situation and must be addressed as a matter of national urgency.

Enrolment growth must be properly funded. National policy frameworks and directions must be centred on quality and effectiveness as the most critical elements of the system, rather than the current obsession with cost-cutting measures. They must recognise and build on the vital, complex and multi-faceted roles that TAFE plays as a public education system and community asset which underpins the vocational and education training system as a whole.

System and national reviews should be undertaken 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.

In broad terms, subject to the detailed outcomes of those reviews, a framework for a new funding structure can be proposed, which involves both Commonwealth and State elements.

- C Base funding for TAFE must be increased to address the transfer of institute funding to private providers, to redress the reductions in overall state and territory contributions since 1991-92 and the impact of the Commonwealth cuts/freeze since 1996 and to ensure viable allocations per Annual Hour Curriculum. This would ensure stability of profile funding and enhance TAFE's capacity to meet complex community needs, to reduce current fees and charges to students and to withdraw from the trend to a casualised teaching force.
- C Commonwealth funding for growth must be reinstated to meet current levels of unmet demand and to enable all young people to access at least one year of post-compulsory education.
- C The Commonwealth should contribute additional funds on a dollar for dollar basis to the states and territories to assist TAFE institutes enrolling a disproportionately large number of disadvantaged students, as per the 1998 House of Representatives' Standing Committee recommendation.

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STBV 1997, Gale 1999, in Kronemann 1999 op cit.

- C A Quality Improvement Fund should be jointly funded by the Commonwealth and States and Territories, additional to Profile funding to provide for quality improvement strategies, including staff development, product/curriculum development, quality innovation projects, planning and consultation with local communities and stakeholders and increased cooperation between TAFE and schools in the delivery of VET.
- C The Commonwealth and states and territories should jointly establish an Education Equity Program which would ensure that services, programs and support structures meet the needs of disadvantaged students and local communities. Such a program should 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, job placement, education and training and community welfare support and services.

Without such changes, the role of TAFE as public provider and community asset will increasingly be undermined by the current directions. The current round of reviews and the outcomes to date identify some of the challenges and suggest that new perspectives are possible.

In addition, new representative consultative and advisory bodies should be established at system and national levels to allow for the participation and representation of all stakeholders in the shaping of TAFE directions, including relevant education unions, students, the union movement, industry, community groups and state training authorities and governments.

### **The Vocational Education and Training Funding Amendment Bill 2000**

The Bill provides for cost supplementation for 2000 and a base funding allocation for 2001 at the same level of \$931.4m.

The immediate background to the Bill lies in the proposal by the Minister for Education, Training and Youth Affairs, Dr. Kemp, to maintain Commonwealth funding for the next three years in real terms. The Minister indicated that, whilst not seeking to continue the growth through efficiencies provisions of the current Agreement, a commitment from the states and territories to strive for ongoing 'efficiency improvements' would be sought by the Commonwealth. Despite the proposal to drop the formal commitment to 'growth through efficiencies', in effect this would amount to a continuation of the current Commonwealth funding freeze for a further three years and would require the states and territories to resource growth in demand within already highly stretched systems.

This proposal from the Commonwealth Minister has been made in the context of the resource pressures outlined earlier, and in the face of projected growth in demand of at least 2.8% per year on Departmental figures and up to 5.7% per year on the estimates provided by ANTA chief executive officers from the state training authorities. The ANTA CEOs estimated that each one per cent expansion in demand equates to a resource requirement of \$26.64m in 1998 dollars.

Growth in demand over the life of the next three year ANTA agreement would thus require a minimum of around \$450m and, on the CEO projections of likely demand, up to more than \$900m in 1998 price terms.

This is without dealing with the existing funding pressures that have resulted from funding arrangements of recent years. Nor does it deal with the recognition by the June MINCO meeting that achievement of a fully integrated national VET system will have significant resourcing impacts that must also be addressed in negotiations for a future ANTA agreement.

It is reported that at the June meeting of MINCO, the states and territories (other than South Australia, which reserved its position) supported the alternative agreement proposal from NSW.<sup>24</sup> That proposal was to lift the Commonwealth funding freeze and increase Commonwealth funding consistent with Commonwealth projections of increased demand and with former growth funding arrangements, with additional support for implementing national consistency and quality arrangements. NSW Minister John Aquilina indicated that if demand growth is 5.7% per year, the states will need an additional \$1 billion under the new agreement.<sup>25</sup> This proposal was, as we understand it, rejected by Dr. Kemp, leaving further negotiation of the next ANTA agreement to the November MINCO meeting.

In his Second Reading speech, the Minister for Education, Training and Youth Affairs argued that the Bill reflects the Commonwealth proposal to the states and territories to maintain funding in real terms for a further three years, subject to finalising a satisfactory amended ANTA agreement. Yet the reports of the MINCO meeting suggest that Dr. Kemp has rejected any proposal to reinstate growth funds or increase Commonwealth funding.<sup>26</sup>

The AEU submits that in its current form, the Bill is more likely to provide a Commonwealth constraint on the negotiation of a future ANTA agreement than to provide a stable base for such negotiations. This is not a basis for achieving the 'spirit of co-operation and partnership at a national level' which is the first of the principles underpinning the current ANTA agreement

- C The Bill provides for only one year of funding rather than the three year commitment that is the norm.
- C The proposed amendment reflects the Commonwealth position as put to the states and territories but ignores the views of the states and territories as well as other stakeholders who have argued for the need for increased Commonwealth funding to meet Commonwealth initiated policy costs.
- C Clause 9B of the Vocational Education and Training Funding Act 1992 empowers the Minister to make a determination or vary a previous determination under section 9 or 9A. The Bill thus sets a maximum consistent with the Commonwealth view but empowers the Minister to determine a lower amount. Should the ANTA negotiations not go to the satisfaction of the Commonwealth, it would appear that the Minister could determine a zero allocation.
- C The Minister's Second Reading Speech provides no indication of a possibility of further

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<sup>24</sup> *Campus Review*, July 5-11, 2000

<sup>25</sup> Aquilina J., *News Release*, 29 June 2000.

<sup>26</sup> *Campus Review*, July 5-11, 2000

amendment should the outcome of the negotiations lead to agreement for additional Commonwealth funding.

### **Proposed amendment to the Vocational Education and Training Funding Amendment Bill**

The AEU submits that the Bill should be amended to reflect the concerns of the states and territories and other stakeholders about the need to ensure increased Commonwealth funding to resource what are largely Commonwealth driven policies and the continued development of a high quality national vocational education and training system. This will provide the base for meaningful negotiations between the Commonwealth and states and territories about the terms of a new ANTA agreement. In its unamended form the Bill does not provide the foundation for meaningful negotiations and could undermine the cooperation and partnership upon which the development of a national system must be based.

The AEU has proposed an alternative ANTA Agreement which recognises the funding pressures imposed by the Commonwealth funding freeze; the need to address unmet demand; the need to ensure quality and innovation; and the need to resource enrolment growth.

The AEU proposes an additional increase of \$210m in the first year to address the pressures created by the funding freeze. These additional funds are to begin to implement the 'youth guarantee' and to address unmet demand through an initial injection of \$100m, to provide \$100m for innovative national delivery strategies and, through a \$10m national staff development program, to begin to address the professional development needs of VET staff resulting from changes in skills requirements of occupations and industries.

In addition, the Commonwealth should provide annual funding to address the expected growth in enrolments for the period. The AEU has proposed that this be an additional \$100m.

**The AEU recommends that the amount included in the Bill for 2001 be amended to \$1,241,415,000.**