

AGM 2009

Welcome to the 2009 National TAFE Council.

In my report this year, I want to touch on the key events of 2008, and cover the issues that I think will underpin and give a context to our work in 2009.

In order to do that I will start where the year started for us in 2008 – with the *Boston Consulting Group Report*, released finally by the government in April, but the subject of much speculation before that.

The Report was commissioned by the Howard government and state and territory ministers mid-way through 2007. Its content remained a secret to the broader VET community until February 2008, when the AEU was leaked copies.

The report argues that any future VET funding agreement between the States, Territories and Commonwealth needed to drive the development of:

a truly competitive national VET market ... to extend national competition policy reforms to cover the VET sector and enable Government to use market mechanisms rather than input requirements to drive increases in flexibility and responsiveness ... (because) genuinely contestable funding would provide strong incentives for both public and private providers to improve responsiveness and quality, and would also help to break down geographically based barriers to competition over time.<sup>1</sup>

My point in again drawing your attention to the content of the report is not so much to focus on what the report argues should be done in the VET sector, but rather to highlight the assertions in the *BCG Report* that market mechanisms will increase flexibility and responsiveness in the VET system and that genuinely contestable funding will “incentivise” quality from providers.

I want to stress the point that the recommendations about the introduction of much greater levels of competition are not based on any evidence, but rather on mantra-like assertions about the benefits that competition will have on the VET sector.

The *BCG Report* argues for more arms-length governance arrangements, giving individual TAFE Institutes increased levels of autonomy, and forcing them to compete for government funds “fairly”, both between themselves, across state and territory borders, and with private providers. Perhaps though, it is the recommendations around National Competition Policy competitive neutrality principles which are the most ideological and least substantiated of all. The *BCG Report* wants to:

remove the unfair advantages of public ownership such as exemption from taxes, lower costs of finance due to government guarantees, and exemption from regulations affecting private sector activity. The (competitive neutrality) principles also remove the impediment to efficient resource allocation that arises from the regulatory advantage of government owned businesses.<sup>2</sup>

The *BCG Report* poses as a dispassionate set of objective well-considered recommendations which, if implemented, would result in significant improvements to the effectiveness and efficiency of the VET system in Australia.

---

<sup>1</sup> BCG report

<sup>2</sup> IBID p.22

There are frequent appeals to ‘fairness’ and ‘unfairness’ in the language of the market.

But how is public ownership an ‘unfair’ advantage?

Does it give TAFE institutes an ‘unfair’ advantage in their teaching and learning programs? Does it give them an advantage over private providers in their capacity to offer adult literacy and numeracy programs, or innovative ‘new economy’ courses?

Why is there a problem if public ownership confers an advantage on TAFE institutes? What makes an advantage ‘unfair’?

The market design approach is sloppy in two fundamental ways – its proponents do not always make clear what the problems that need to be fixed are, and scant evidence is provided of the virtues of imposing market design principles on the sector.

In a recent article in Campus Review, Robin Ryan, a contributor to the Deveson report in 1990, says:

enthusiasm for market solutions ran ahead of development of the conceptual infrastructure that is essential for rational policy development and effective implementation.<sup>3</sup>

Not much has changed since that time.

He described how the few paragraphs on market forces in VET found their way into the Deveson report. They were added late one night after most of the report was finished:

Committee member Barry Hughes commented that the draft contained no comment whatever on market forces and surely we should say something. He sent out for pizzas and, with the secretariat, drafted the essence of what now appears. It was perfectly sensible stuff, but it has zero research content and we never troubled the other committee members for their views.<sup>4</sup>

Ryan refers in his article to Damon Anderson’s work on markets in VET:

Anderson’s initial problem was discovering what market-based policies were supposed to be for: they were touted as a universal solution, but the issues they were resolving were seldom articulated.<sup>5</sup>

As Ryan says:

Ideological fervour still seems a stronger driving impulse than research and testing (in VET policy development)<sup>6</sup>.

This is particularly ironic given the current rhetoric about the need for ‘evidence-based policy’, which if it were genuine would mean public policy informed by rigorously established objective evidence.

Market reform of VET dominated the political agenda in 2008, and perhaps the only surprising thing about this is that many of us were surprised. Was it naive to think that a new

---

<sup>3</sup> Robin Ryan – Campus Review – 18/11/08

<sup>4</sup> CR 18/11/08

<sup>5</sup> IBID

<sup>6</sup> IBID

Labor government would approach policy development and reform differently than the previous government? Or for that matter, differently than they had during their previous term of office? For almost six months the DPM's office perpetuated the myth that the *BCG Report* "was merely one of a number of documents" that the government was considering.

The *BCG Report* is at one level, 'more of the same' and at another, a radical ratcheting up of the market reform agenda. And even though the latter part of 2008 saw some significant shuffling from governments around the issues, both state and federal governments appear committed to pursuing a market agenda in VET.

Having said this, there are differences ideologically in the approach of the Howard and Rudd government to market reform, and I will touch on at least one difference later.

Market reform has been pursued with particular zeal in one state. The Victorian government has moved well ahead of the pack, revolutionising the organisation of their TAFE system. Their shift to open all funding for VET places to full competition through the mechanism of a student entitlement system will have significant consequences for students and for the community.

And despite the fact that markets are on the nose in the financial sector, the government does have support for this doctrinaire approach.

*Learning for jobs*, the OECD report from the review of VET in Australia conducted in 2008, supports increasing student choice through entitlement funding. It says:

Since entitlement ties funding to the student rather than to the provider, it is a natural basis for a market.<sup>7</sup>

It also says:

In an idealised world of perfect competition, competitive pressures increase cost effectiveness and student performance, and create a system better tailored to student need.<sup>8</sup>

Do they?

No evidence of this is provided in the report.

The *Bradley Review into Higher Education*, released in mid-December last year, takes up the theme. Recommendation 29 calls for the federal government to introduce a demand-driven entitlement system for domestic higher education students. If fully implemented it would be, as Gavin Moodie has said:

[o]ne of the most thorough marketisation of tertiary education in the wealthy English-speaking world.<sup>9</sup>

The government is yet to make a decision about the Bradley recommendations. However, it is abundantly clear that there is a trend emerging, and that the previous Howard government's proclivity for market-based solutions to the organisation of education is shared, perhaps with

---

<sup>7</sup> Learning for Jobs p.22

<sup>8</sup> IBID

<sup>9</sup> the Australian 17/12/08

even greater enthusiasm by the Rudd government. And there is more than a whiff of the myth perpetuated by the DPM's office about the *BCG Report* in the air.

Louise Watson is sceptical about the effects of vouchers or student entitlements:

In education ... some clients are cheaper to serve than others, so providers have an incentive to attract concentrations of the easy-to-serve clients.<sup>10</sup>

Watson argues that no voucher scheme has yet been able to solve the problem of thin markets for services. Bradley is frank in her report about the risk to smaller outer metropolitan and regional university campuses of a voucher or student entitlement system.

Watson makes the link between what she calls 'simplistic market solution(s)', and working and employment conditions for teachers:

The introduction of voucher schemes can affect the quality and supply of staff who deliver services. Private for-profit providers ... have a strong incentive to keep wages and training costs to a minimum.<sup>11</sup>

At the CoAG meeting in December, 2008, the Deputy Prime Minister told state and territory Ministers that the government was postponing the market reform agenda.

At the meeting, however, ministers supported the National Partnership for the *Productivity Places Program (PPP)*, part of the Federal Government's *Skilling Australia for the Future* initiative. The Productivity Places have been a key way to introduce further market mechanisms into the sector.

The conditions of PPP funding require the states and territories to establish:

- A process for establishing contestability of funding
- A process for ensuring that the minimum 10% private contribution is levied
- A process for establishing that the training funded is additional to existing effort.

The Commonwealth has agreed to fund 100% of job seeker places and 50% of new worker places. States have to fund 40% of the existing worker places, with 10% from **private contributions**.

Despite the fact that the Rudd government has been a stickler for wanting to appear to stand by their election promises, this represents a significant move away. In their election announcements in 2007, **employers** were to contribute the remaining 10% of the existing worker places funding in the Productivity Places Program.<sup>12</sup> In the Federal Government's PPP discussion paper *Skilling Australia for the Future*, released early in 2008, it was proposed that **employers** would make a contribution of 10% of the costs of training existing workers.<sup>13</sup>

I think it is fair to say that a 10% contribution to the costs of training from industry would be seen as a small price to pay for the influence they have over the training that occurs in the sector and for the enormous benefits to employers accrue from education and training. This calculated shift of costs onto individual students is a huge concern.

---

<sup>10</sup> Louise Watson, CR 19/8/08

<sup>11</sup> LW CR 19/8/08

<sup>12</sup> Skilling Australia for the Future - election

<sup>13</sup> Skilling Australia for the Future – Discussion paper

Victoria's overhaul of their funding arrangements, and in particular their introduction of a demand-driven student entitlement model and full contestability of funding, have been rewarded by the federal government which has allowed Victoria to treat its PPP funding in the same way as base funding for purposes of accountability and reporting. Other states which move to a student entitlement-driven system will be able to treat their PPP funding in the same way.

At the November CoAG, the Deputy Prime Minister advised Ministers that the National Partnership on Market Reform would not be considered. It was agreed that:

the reform agenda needed to be progressed, understanding the implications of the global financial crisis, the looming recessions in many nations and the implications for Australia's economy.<sup>14</sup>

Ministers agreed to develop reform options around market design for future consideration.

As well the Federal government has agreed to support all jurisdictions that engage in significant reform of the training system, including by offering Commonwealth support through the extension of Income Contingent Loans.

So where does this leave us now, and what does it all mean?

The work of this meeting is to assist us in shaping and forming the strategies of the AEU throughout the year as we work with our members in the industrial, political and professional arena. I hope that we have put together an agenda which contributes to that process.

So let me make a few comments in framing the business of the meeting.

However much it may sometimes feel as if we are stuck in a groundhog day, doomed forever to relive the policy determinations of bureaucrats and governments far removed from the real work of TAFE and vocational education, 2009 is a different moment than before, and we need to understand what that means.

We are involved in a contest of ideas about the future of TAFE. At the centre of the debate for TAFE teachers are the students they teach.

And that is a good thing.

Despite the federal government's adherence to a market agenda in VET, students are at least rhetorically the centre of the debate for them, and social justice and equity are now more genuinely on the table than they have been for more than a decade.

This marks the difference in approach between this Federal Government, and Howard.

The political landscape has changed.

But what does it really mean for TAFE?

At the core of any campaign we run must be an argument which says that we have to move beyond ideological assertions about the role of market reform in organising our sector. Let us learn from history.

Marketisation has combined with managerialism in TAFE and VET to create a sector which apes the worst aspects of commercial organisations. It has, in some cases, resulted

---

<sup>14</sup> CoAG Communique

in poor management and an obsession with competition for funding. This has contributed to the hiatus in the sector.

Market reforms are still presented as the only solutions to problems which are poorly defined. There is little evidence of the efficacy of the reforms.

Market reform is lazy public policy. It washes its hands of the detail, setting abstract frameworks as disciplining tools for the sector.

At its core, market reform appeals to government because it shifts the responsibility for funding and resourcing from governments onto individuals.

And a brief word about enterprise bargaining.

Six out of eight states and territories have been involved in enterprise bargaining this year. Three had been negotiating with employers throughout 2007. The negotiations have wasted the time and energy of all parties. In no case has the union put forward unreasonable wage claims, or unreasonable workload claims.

By the end of 2008, only one state had reached agreement, and two more had reached in principle agreements to be finalised early this year. That means that bargaining in three states remains unresolved, and in each case the blame must be laid squarely at the feet of the employer.

I want to ask governments (who are the employers in most cases) and TAFE directors who are supposedly the employers in others, this question.

Teachers in TAFE increase their productivity each year, and have done for almost a decade, on many measures, the crudest being that they have consistently produced more student contact hours each year for less money since 1997. The sector is facing huge challenges as a result of short-sighted employment, professional development and recruitment practices.

How can governments and employers publicly lament the state of the workforce and champion the need for strategies to deal with the impending shortages when they persist in approaching industrial negotiations so ineptly?

How do they plan to deal with the serious problems in the sector when they continue to exclude TAFE teachers from any meaningful role in the development of policy and strategies for change?

Which really takes me to the last point that I want to make today, and it is relevant to both the issues around the market agenda, and around enterprise bargaining.

If we accept, as I think we should, that students should be at the centre of TAFE, then we should ask:

What is the defining feature of TAFE and vocational education? What is it that makes the local TAFE different than the local bank or the local hospital?

It is the teaching and learning, it is the relationships between students and teachers, and the relationships between teachers and society that define the work of TAFE.

People come to TAFE to learn. They don't come to TAFE to negotiate their entry into the economy as market citizens. The effect and even the purpose of their learning may be that they become productive citizens in society, but the way they do that is by learning.

I want to say to government ministers that TAFE is not an abstract thing - the object of policy experimentation around dry bureaucratic tables.

Neither is TAFE the construction of a bygone era. It is a very contemporary organisation, a network of diverse, dynamic and vibrant institutions, dealing with the contradictions of its multiplicity of missions, a task made more difficult by the overwhelming constraints of diminishing funding.

The defining feature of the Howard era was arrogance and exclusion. The secrecy, exclusiveness and lack of open debate and discussion which have surrounded the CoAG processes around VET, including in the last few months, are a matter of great shame for this government.

In October, 2008, Kevin Rudd , discussing the global financial crisis, said:

This crisis bears the fingerprints of the extreme free market ideologues who influence much of the neo-liberal economic elite. Free market ideologues who have a naïve belief that unrestrained markets are always self-correcting and that markets left to themselves will always achieve optimum outcomes. <sup>15</sup>

Our challenge to all governments is to shed for a moment the ideological baggage which clouds strategy and judgement, to take an honest look at TAFE, to talk and listen to the people who learn and work in the sector, and to work openly and collaboratively to position TAFE to continue to play a crucial role in the Australian community.

---

<sup>15</sup> Kevin Rudd speaking at the, Federal Labor Business Forum about the current financial crisis, 3 October 2008