

# **Australian Education Union**



## **TAFE/VET Funding Report**

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## TAFE/VET FUNDING REPORT

May/June 2008

This report provides:

1. An overview of the most recently published statistical data about the operation of the public VET system<sup>1</sup>.
2. An analysis of the funding of the public VET system in 2006.
3. A summary and analysis of the TAFE/VET funding measures in the 2008-09 Budget.

### 1. THE PUBLIC VET SYSTEM STATISTICAL DATA

#### 1.1 Student Numbers

There were 1.68 million students enrolled in the public VET system in 2006, an increase of 25,200 students (1.5%) from 2005.

- 1.33 million students enrolled at TAFE and other government providers, an increase of 4.6%.
- Student enrolments with community education providers declined by 17.0% in 2006, with subject enrolments also declining (down 6.0%), but with hours delivered increasing by 1.2%.
- Commonwealth and state government funded students increased by 2.5% to 1.25 million students.
- Around one in nine people aged 15 to 64 years participated in the publicly funded VET system in Australia in 2006 (constant from 2005).
- The number of apprentices and trainees-in-training as at 31 December 2006 was 397,400.

**Table 1: Growth in student numbers by provider 2005-06<sup>2</sup>**

	2005	2006		2005-06
	<i>Number of students</i>		%	<b>Change</b>
TAFE and other government providers	1,267,200	1,325,100	79.1%	4.6%
Community education providers	199,700	165,700	9.9%	-17.0%
Other registered providers	177,500	178,700	10.7%	0.7%
Students attending various providers	6,400	6,500	0.4%	0.4%
<b>Total students</b>	<b>1, 650,800</b>	<b>1,676,000</b>	<b>100.0%</b>	<b>1.5%</b>

<sup>1</sup>The public VET system includes activity undertaken at technical and further education (TAFE) institutes, other government providers, community education providers and publicly funded delivery by private providers.

<sup>2</sup> Data Source: NCVET *Australian vocational education and training statistics: Students and courses 2006* p4

**Figure 1: TAFE share of total VET student enrolment 2002-2006**

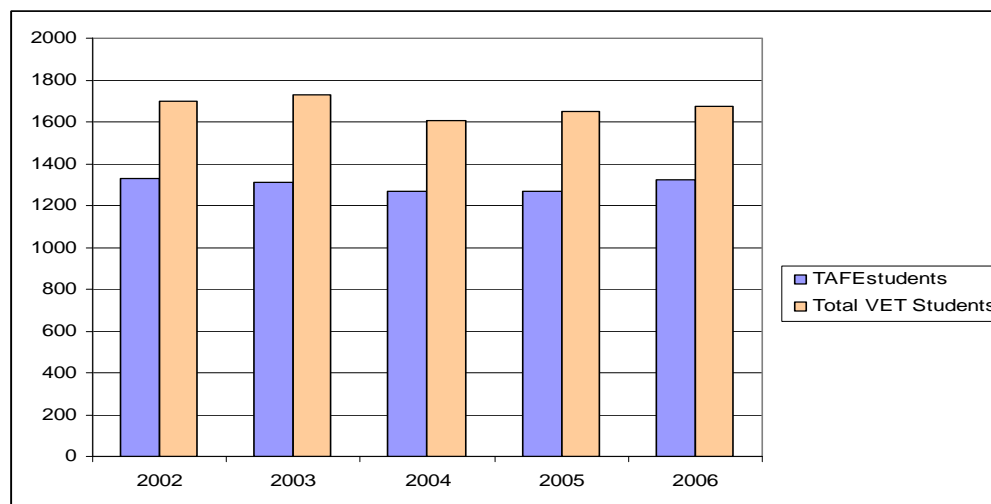
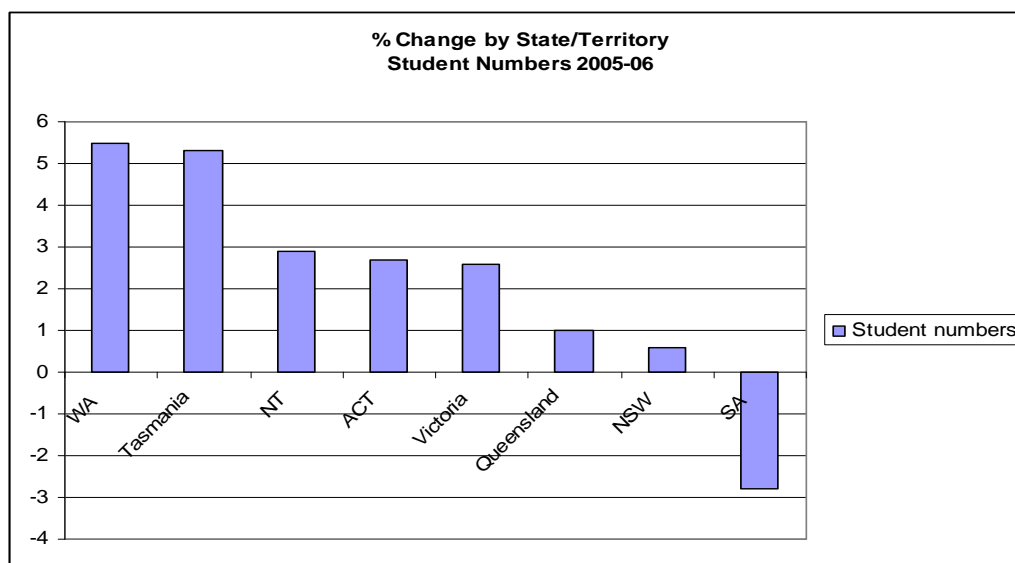


Table 2 provides a breakdown of the change in student numbers by States/Territories for the period 2005 to 2006, while Figure 2 maps the percentage change by State/Territory.

**Table 2: Number of students in VET by State/Territory, 2005–2006<sup>3</sup>**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
2005	562,100	459,100	290,400	125,200	130,100	39,700	21,300	23,000	1,650,800
2006	565,300	471,100	293,300	121,700	137,200	41,800	21,900	23,600	1,676,000
2005–06 change	0.6%	2.6%	1.0%	-2.8%	5.5%	5.3%	2.9%	2.7%	1.5%

**Figure 2: Student Numbers % Change 2005-06 by State/Territory**



<sup>3</sup> Data Source: NCVET Australian vocational education and training statistics: Students and courses 2006 p7

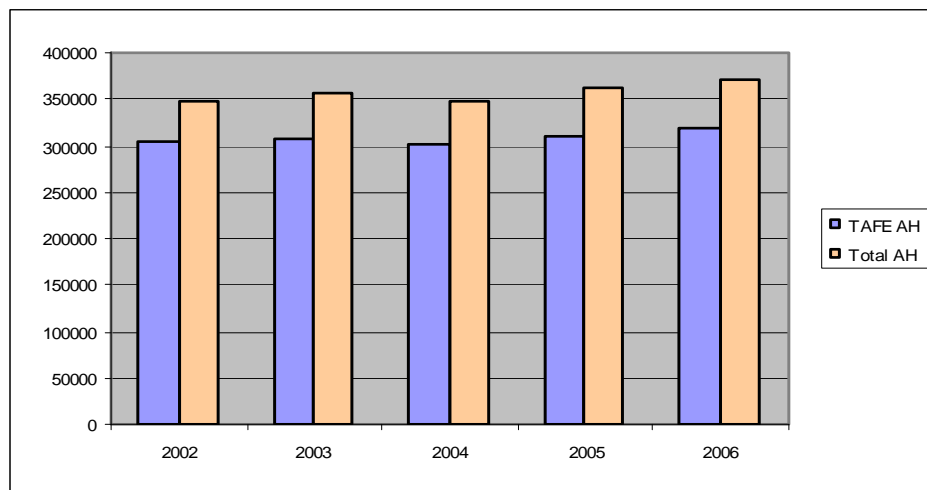
## 1.2 Number of Annual Hours

Total annual hours of delivery increased to 372.1 million hours, a 2.8% increase in total annual hours of delivery from 362.0 million in 2005.

**Table 3: Growth in annual hours of delivery by provider 05-06<sup>4</sup>**

	2005	2006		2005-06
	<i>Number of hours</i>		%	% change
TAFE and other government providers	309,620,700	318,411,500	85.6%	2.8%
Community education providers	14,654,900	14,829,300	4.0%	1.2%
Other registered providers	37,736,200	38,859,400	10.4%	3.0%
<b>Total annual hours</b>	<b>362,011,900</b>	<b>372,100,200</b>	<b>100.0%</b>	<b>2.8%</b>

**Figure 3: TAFE share of total VET Annual Hours 2002-2006**

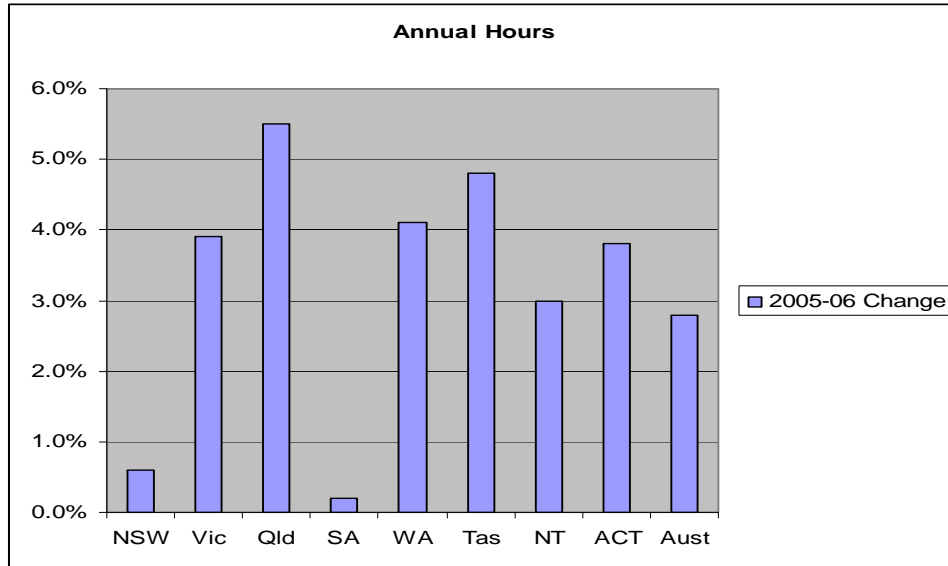


**Table 4: Total VET Hours of Delivery by State/Territory, 2005-2006**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
<b>2005</b>	124,420.4	104,535.2	56,639.7	23,130.8	35,065.0	7,797.6	3,985.0	6,438.3	362,011.9
<b>2006</b>	125,133.7	108,576.4	59,745.2	23,178.0	36,506.1	8,171.0	4,105.4	6,684.4	372,100.2
<b>Change</b>	0.6%	3.9%	5.5%	0.2%	4.1%	4.8%	3.0%	3.8%	2.8%

<sup>4</sup> Data Source: NCVET *Australian vocational education and training statistics: Students and courses 2006* p13

Figure 4: % Change in hours of delivery by State/Territory 2005-06<sup>5</sup>



### 1.3 Subject Enrolments

There was a 2.7% increase in total subject enrolments from 2005.

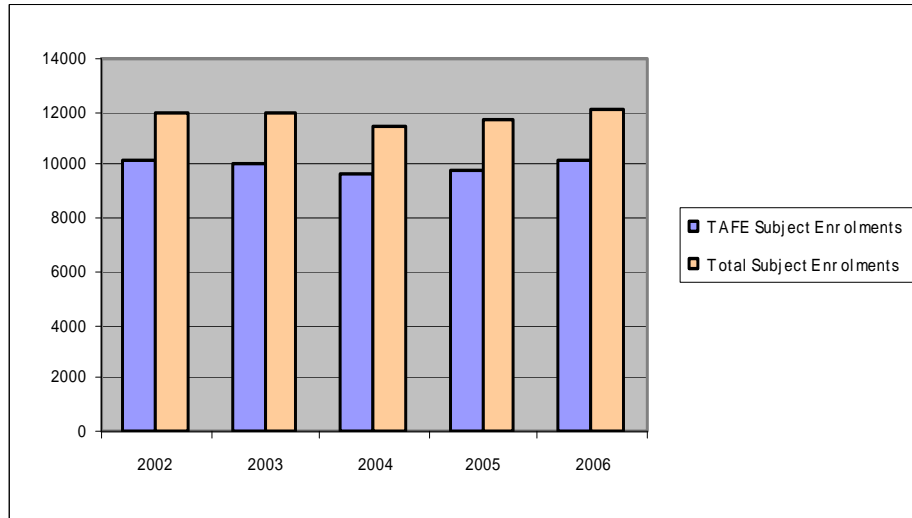
Table 5: Growth in subject enrolments by provider 2005-06<sup>6</sup>

	2005		2006		2005-06
	<i>Number of subject enrolments</i>		<i>%</i>		<i>% change</i>
TAFE and other government providers	9,785,700	10,124,600	84.2%		3.5%
Community education providers	523,800	492,400	4.1%		-6.0%
Other registered providers	1,404,700	1,414,200	11.8%		0.7%
<b>Total subject enrolments</b>	<b>11, 714,300</b>	<b>12,031,200</b>	<b>100.0</b>		<b>2.7%</b>

<sup>5</sup> Data Source: NCVET Australian vocational education and training statistics: Students and courses 2006 p4; p7; p19

<sup>6</sup> Data Source: NCVET Australian vocational education and training statistics: Students and courses 2006 p13

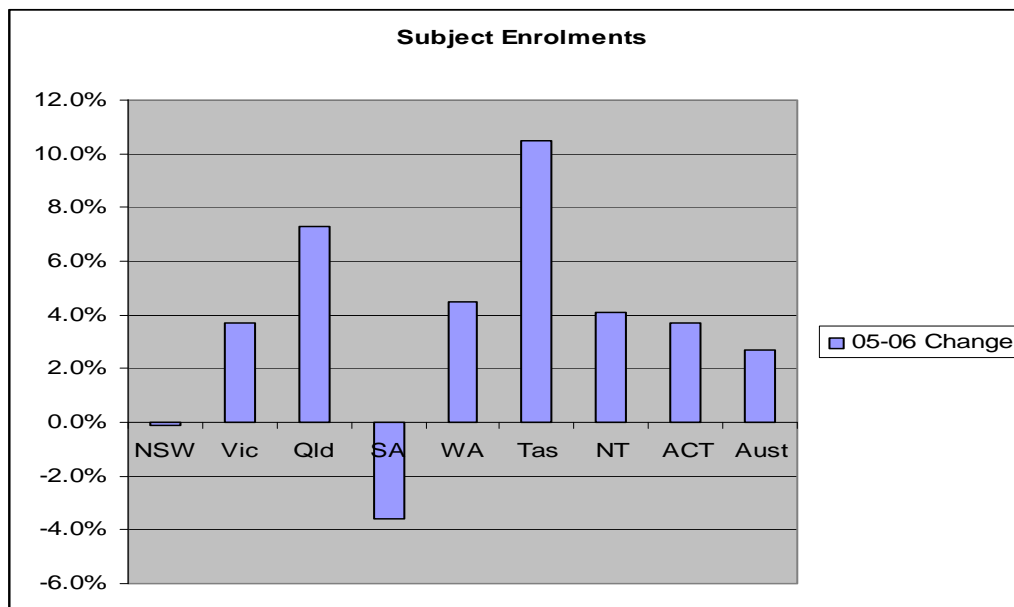
**Figure 5: TAFE share of total VET Subject Enrolments 2002-2006**



**Table 6: Total Subject Enrolments by State/Territory, 2005-2006**

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
<b>2005</b>	4,127.2	3,226.2	1,973.1	765.2	1,045.9	271.0	135.5	170.2	11,714.3
<b>2006</b>	4,121.1	3,344.0	2,118.1	737.9	1,093.3	299.4	141.1	176.4	12,031.2
<b>Change</b>	-0.1%	3.7%	7.3%	-3.6%	4.5%	10.5%	4.1%	3.7%	2.7%

**Figure 6: % Change in Subject Enrolments by State/Territory 2005-06**



## 1.4 VET System Growth 1997-2006

Since 1997:

Student enrolments have increased from 1,449,100 to 1,676,000; an increase of 15.75%.

Annual hours have increased from 291,795,000 to 372,100,200; an increase of 27.5%%.

## 1.5 Public VET Training Provision

Public VET training providers in 2006 included:

- 66 TAFE institutes
- 5 other government providers, including agricultural colleges and multi-sector higher education institutions
- 513 community education providers
- over 1400 other registered providers (private providers)

## 1.6 Student Demographics

Compared with 2005, in 2006:

- the number of male students increased by 3.1% compared to 0.1% for females.
- students residing in 'remote' areas increased by 5.6% and students in 'very remote' areas by 7.6%.
- Indigenous students increased by 7.9% to 67,800 students.
- students from non-English speaking backgrounds increased by 7.8% to 219,500 students.
- students reporting a disability increased by 5.7% to 102.4 thousand students.
- overseas full-fee paying students increased by 15%.

Students in the VET system comprised:

- 42.7% aged 24 years and under.
- 52.4% males.
- 89.0% studying part-time.

**Table 7: Student Characteristics, 2005–06<sup>7</sup>**

Student characteristics	2005(a)	2006(b)		2005–06(b) % change
			% of total students	
Male	851,900	878,200	52.4	3.1
Female	794,700	795,700	47.5	0.1
15–24 years	655,500	705,000	42.1	7.6
45 years & over	340,300	328,400	19.6	-3.5
Students with a disability	96,900	102,400	6.1	5.7
Indigenous	62,900	67,800	4.0	7.9
Non-English speaking background	203,600	219,500	13.1	7.8
Studying part-time	1,474,500	1,491,300	89.0	1.1
Studying full-time	176,300	184,700	11.0	4.8
Apprentices & trainees undertaking off-the-job training	299,700	320,000	19.1	6.8

<sup>7</sup> Source: NCVET National VET Provider Collection 2005-06

Figure 7: Changing Gender Pattern of VET Enrolment 2002-2006



Table 8: Overseas visa students studying onshore in VET, and other education sectors, 2002- 06<sup>8</sup>

Education or training sector	2002	2003	2004	2005	2006		2005-06
	('000)	('000)	('000)	('000)	('000)	%	
Higher education	115.9	135.4	151.5	163.8	172.3	44.9	5.2
<b>Vocational education and training</b>							
<b>Public sector</b>	17.4	17.2	16.8	17.2	20.5	5.3	19.6
<b>Private sector</b>	36.8	40.3	42.3	49.4	63.2	16.5	27.9
<b>VET sub-total</b>	<b>54.2</b>	<b>57.5</b>	<b>59.1</b>	<b>66.6</b>	<b>83.7</b>	<b>21.8</b>	<b>25.7</b>
School education	23.3	27.0	27.3	25.2	24.7	6.4	-1.7
English language intensive courses for overseas students	58.0	62.3	61.9	65.0	77.5	20.2	19.2
Other	23.5	25.7	25.6	25.6	25.7	6.7	0.2
<b>Total</b>	<b>274.9</b>	<b>308.0</b>	<b>325.4</b>	<b>346.1</b>	<b>383.8</b>	<b>100.0</b>	<b>10.9</b>

<sup>8</sup> Data Source: NCVET Australian vocational education and training statistics: Students and courses 2006 p17

## 1.7 Course and Qualification Characteristics

Selected course and qualification characteristics for 2006 show:

- 71.6% of students were undertaking AQF qualifications.
- Management and commerce was the most common field of education (19.4%) followed by Engineering and related technologies (17.0%).
- The highest number of students enrolled in a training package – 13.9% - were enrolled in the Business services training package.
- Full-time students were more likely to be studying for higher-level qualifications such as Certificate IV and above.
- Almost three-quarters of students (73.2%) attending 'TAFE and other government providers' undertook AQF qualifications in 2006.
- In comparison, less than two in five (38.1%) of students attending community education providers undertook AQF qualifications.
- The number of apprentices and trainees in-training as at 31 December 2006 was 397,400.
- 87.8% of graduates were employed or in further study approximately six months after their training in 2006.

**Table 9: Students by major courses and qualifications, 2005–06<sup>9</sup>**

	2005	2006		2005–06
	('000)	('000)	%	% change
AQF qualifications				
Diploma or higher	173.1	167.7	10.0	-3.1
Certificate IV	179.1	177.6	10.6	-0.9
Certificate III	437.7	463.5	27.7	5.9
Certificate II	249.3	292.6	17.5	17.4
Certificate I	96.7	98.3	5.9	1.7
<i>AQF sub-total</i>	<i>1 135.9</i>	<i>1 199.7</i>	<i>71.6</i>	<i>5.6</i>
Non-AQF qualifications				
Other recognised courses	277.5	279.9	16.7	0.9
Non-award courses	94.7	90.7	5.4	-4.2
Subject only—no qualification	142.7	105.6	6.3	-26.0
<i>Non-AQF sub-total</i>	<i>514.9</i>	<i>476.2</i>	<i>28.4</i>	<i>-7.5</i>
Field of education				
Natural and physical sciences	5.7	5.5	0.3	-3.6
Information technology	57.9	57.0	3.4	-1.6
Engineering and related technologies	263.5	284.8	17.0	8.1
Architecture and building	104.4	112.0	6.7	7.3
Agriculture, environmental and related studies	81.0	77.4	4.6	-4.4

<sup>9</sup> Data Source: NCVET *Australian vocational education and training statistics: Students and courses 2006* p9

Health	78.0	80.2	4.8	2.7
Education	47.8	46.7	2.8	-2.2
Management and commerce	316.1	324.5	19.4	2.6
Society and culture	163.3	170.6	10.2	4.5
Creative arts	44.2	44.4	2.6	0.5
Food, hospitality and personal services	151.9	166.5	9.9	9.6
Mixed •eld programs	194.2	200.8	12.0	3.4
Subject only—no •eld	142.7	105.6	6.3	-26.0
Type of accreditation				
National training package quali•cations	866.6	956.2	57.1	10.3
Nationally accredited courses	345.7	332.5	19.8	-3.8
Other courses	295.9	281.6	16.8	-4.8
Subject only—no accreditation	142.7	105.6	6.3	-26.0
<b>Total students</b>	<b>1 650.8</b>	<b>1 676.0</b>	<b>100.0</b>	<b>1.5</b>

**Table 10: Students by type of qualifications by provider type, 2002–06<sup>10</sup>**

	2005	2006		2005–06
	('000)	('000)	%	% change
<i>AQF qualifications</i>				
TAFE and other government providers	909.4	970.2	57.9	6.7
Community education providers	62.4	63.1	3.8	1.1
Other registered providers	157.7	160.3	9.6	1.6
Students attending various providers	6.3	6.1	0.4	-2.5
<i>Total AQF students</i>	<i>1 135.9</i>	<i>1 199.7</i>	<i>71.6</i>	<i>5.6</i>
<i>Non-AQF qualifications</i>				
TAFE and other government providers	357.7	354.9	21.2	-0.8
Community education providers	137.2	102.6	6.1	-25.3
Other registered providers	19.7	18.5	1.1	-6.5
Students attending various providers	0.2	0.4	0.0	
<i>Total non-AQF students</i>	<i>514.9</i>	<i>476.2</i>	<i>28.4</i>	<i>-7.5</i>
<b>Total students</b>	<b>1 650.8</b>	<b>1 676.0</b>	<b>100.0</b>	<b>1.5</b>

**Table 11: Students by top 10 major parent training package, 2002–06, Australia<sup>11</sup>**

	2002	2003	2004	2005	2006
	('000)	('000)	('000)	('000)	('000)
BSB – Business Services	88.8	117.6	119.4	124.7	132.6
THH – Hospitality	71.6	73.4	73.9	77.8	100.0
CHC – Community Services	67.5	72.7	77.2	85.0	91.6
ICA – Information Technology	60.3	63.8	55.3	52.1	54.9
MEM – Metal and Engineering Industry	26.2	30.2	33.7	40.5	48.7
WRR – Retail	38.4	40.0	37.6	38.6	42.6
AUR – Automotive Industry Retail, Service and Repair	23.5	28.2	31.0	36.2	42.4
BCG – General Construction	20.5	24.1	28.0	32.3	38.5
TDT – Transport and Distribution	27.5	30.8	29.4	29.4	34.9
FNS – Financial Services	25.3	31.5	37.8	33.6	33.7
<i>Top 10 training packages</i>	<i>449.3</i>	<i>512.4</i>	<i>523.2</i>	<i>550.4</i>	<i>619.9</i>

<sup>10</sup> Data Source: NCVET *Australian vocational education and training statistics: Students and courses 2006* p9

<sup>11</sup> Data Source: NCVET *Australian vocational education and training statistics: Students and courses 2006* p12

<i>Other training packages</i>	244.9	278.5	290.6	316.2	336.3
<b>Total training packages</b>	<b>694.3</b>	<b>790.9</b>	<b>813.9</b>	<b>866.6</b>	<b>956.2</b>

**Table 12: Number of qualifications completed, 2002–05<sup>12</sup>**

	<b>2002</b>	<b>2003<sup>(b)</sup></b>	<b>2004</b>	<b>2005</b>	<b>2004–05</b>
	('000)	('000)	('000)	('000)	% change
<i>AQF qualifications</i>					
Diploma or higher	40.7	40.4	38.0	42.3	11.2
Certificate IV	54.2	56.4	53.0	58.5	10.3
Certificate III	94.7	100.4	102.6	112.5	9.6
Certificate II	78.3	69.2	64.2	64.7	0.9
Certificate I	21.7	18.6	16.8	20.1	19.6
Senior secondary	0.2	0.2	0.2	1.6	<sup>(c)</sup>
<i>Type of accreditation</i>					
National training package qualifications	175.3	205.9	211.7	237.8	12.3
Nationally accredited courses	114.6	79.3	63.0	61.8	-2.0
<b>Total qualifications completed</b>	<b>289.9</b>	<b>285.2</b>	<b>274.8</b>	<b>299.7</b>	<b>9.0</b>

Preliminary estimates indicate that there were 264,200 qualifications completed in 2006.

<sup>12</sup> NCVET National VET Provider Collection 2004-06

## 2. VET SECTOR FUNDING DATA

The majority of data in this section is from the annual NCVET publication *Australian Vocational Education and Training Statistics: Financial information* which provides information on how public vocational education and training (VET) in Australia is financed and where the money is spent.

### ***Australian vocational education and training statistics: Financial information 2006*<sup>13</sup>**

The Department of Education, Employment and Workplace Relations [DEEWR] – formerly DEST – produces an annual publication *Annual National Report of the Australian Vocational Education and Training System* which provides information on VET performance measures and the relationship between the hours of training undertaken by students and the associated cost of this training.

It is usually published in November of the following year, but publication of the 2006 Report (due November 2007) has been delayed. DEEWR have confirmed that it will be published in mid-June, but is not available at the time of preparing this report.

In its absence some categories that have been reported in previous years' AEU TAFE/VET reports cannot be included in this report at this time:

- Fee for Service Provision as % of VET Hours
- Changes in the number of Fee for Service Hours by State/Territory
  - Domestic Students
  - International Students
- Changes in VET Expenditure per Hour by State/Territory
- Students by Funding Source
- VET Student Hours by Funding Source

The relevant information will be provided as soon as possible after its eventual publication.

The NCVET statistics are the most useful for comparisons over time as the DEST statistics include funding for programs that were not previously included in the NCVET or ANTA reports.

### 2.1 SOURCE OF FUNDS

VET funds come from:

- the Commonwealth
- the States and Territories
- Fee-for-Service Activity
- Student Fees and Charges
- Ancillary Trading and other activities.

The Commonwealth and the States/Territories provide both recurrent funding and capital funding.

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<sup>13</sup> The publication is based on 2006 data provided by the Commonwealth, state and territory departments responsible for administering public funds for Australia's VET system. The financial data collection focuses on VET administered or provided by the main training authority or training department within each state and territory, their public training providers and Department of Education, Science and Training. Public funding for training delivery paid to private providers by Department of Education, Science and Training and state and territory training authorities or departments is also included in this collection.

## Operating revenues

Governments are the primary source of recurrent funding which is reported as *Operating Revenue*. Revenues received from fee-for-service initiatives, student fees and charges and ancillary trading and other activities are also included in this category, but it does not include funding for capital infrastructure and equipment.

Operating revenues for the total VET system in 2006 were \$5324.7 million, an increase, in nominal terms, of \$298.5 million (5.9%) when compared with \$5026.2 in 2005.

## Operating Revenue by Source

Table 12 and Figure 5 show the breakdown in operating revenue by source and share for 2006.

**Table 12: Operating Revenue by Source and %Share 2006**

2006	\$m	% Share
State Govt	2840.9	53.4%
Commonwealth Govt	1231.9	23.1%
Fee for Service	728.6	13.7%
Ancillary Trading & Other	279.7	5.3%
Student Fees & Charges	243.6	4.6%
Total	5324.7	

**Figure 8: 2006 Operating Revenue by Source**

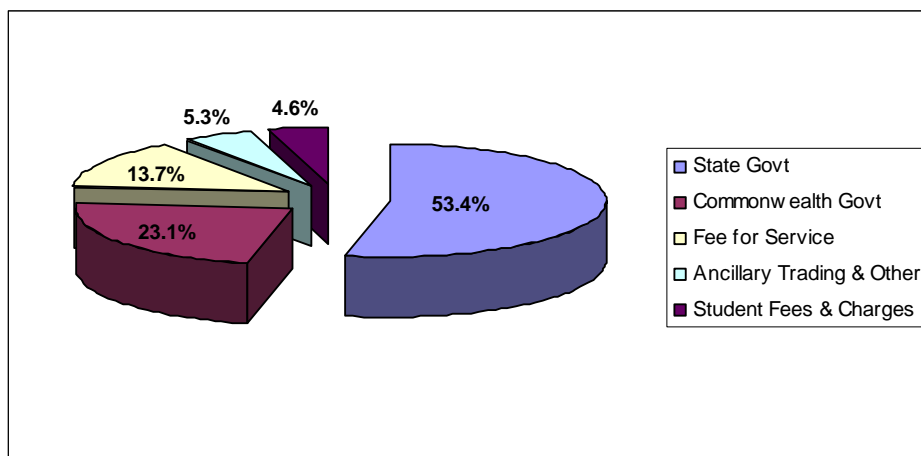


Figure 9 shows the change in revenue source from 2005 to 2006 while Figures 10 and 11 show changes for selected years.

Figure 9: Operating Revenue by Source 2005-2006

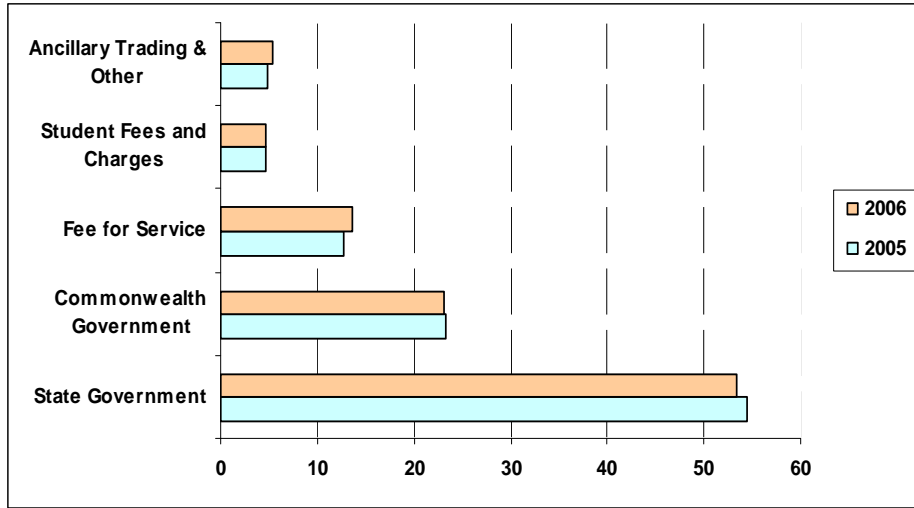


Figure 10: Operating Revenue by Source 1997 and 2006

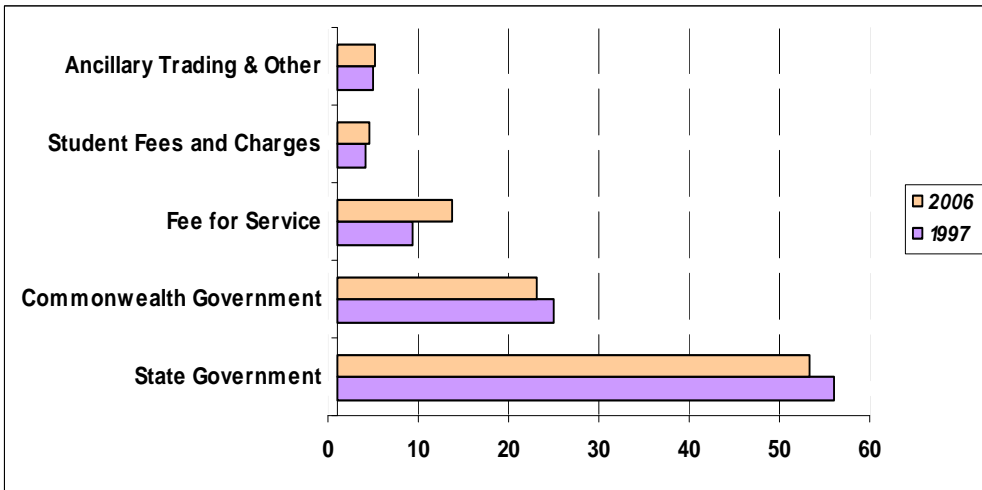
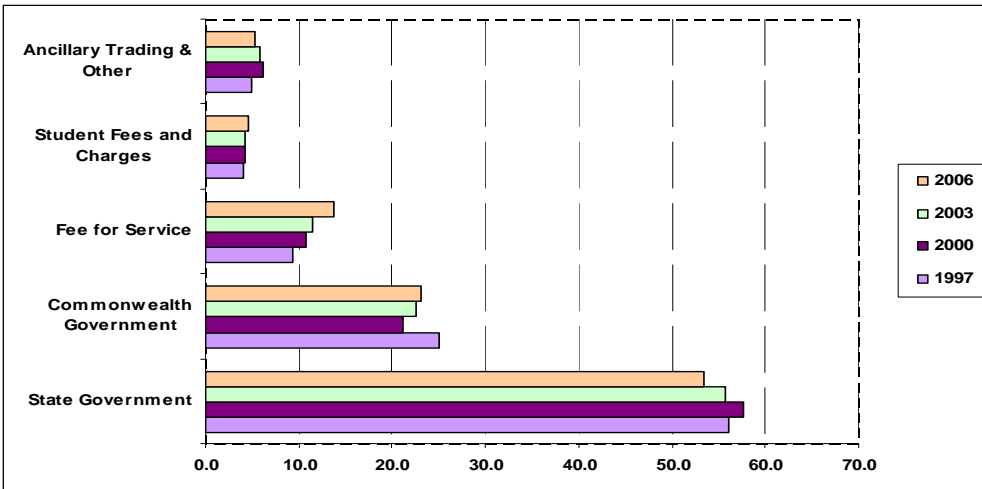


Figure 11: Operating Revenue by Source 1997, 2000, 2003 and 2006



This shows that the proportion of total operating revenue coming from the Commonwealth has fallen from 25% in 1997 to 23.1% in 2006.

The States' contribution has fallen from 56.1% to 53.4%.

The big increase has been in revenue from Fee for Service, which has increased from 9.7% in 13.7% in 2006.

**Figure 12: Operating Revenues by Category as a Proportion of Total Operating Revenues 2002 to 2006**

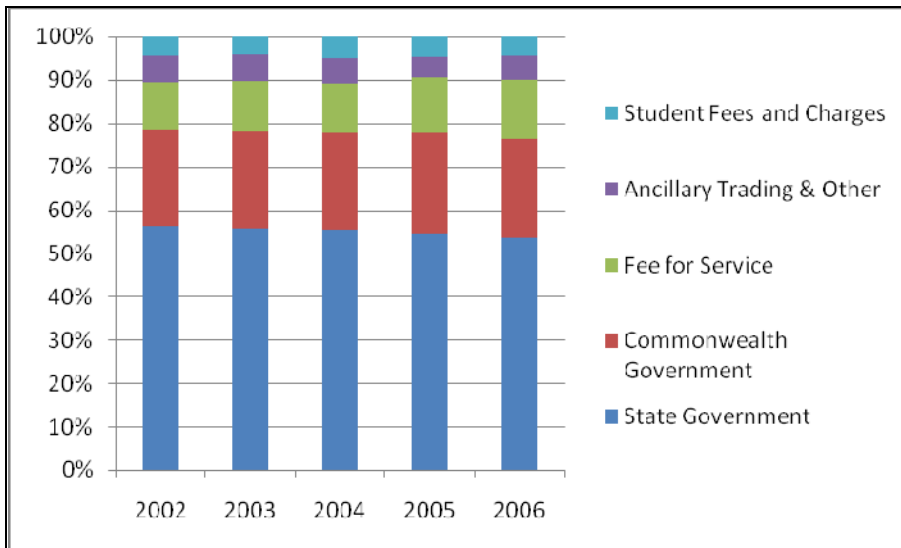


Figure 13 shows the changing *levels* of operating revenue by source from 1996 to 2006 (unadjusted) while Figure 14 shows the changing *share* of operating revenue by source over the decade from 1996 – 2006.

**Figure 13: Funding [nominal value] by source 1996-2006**

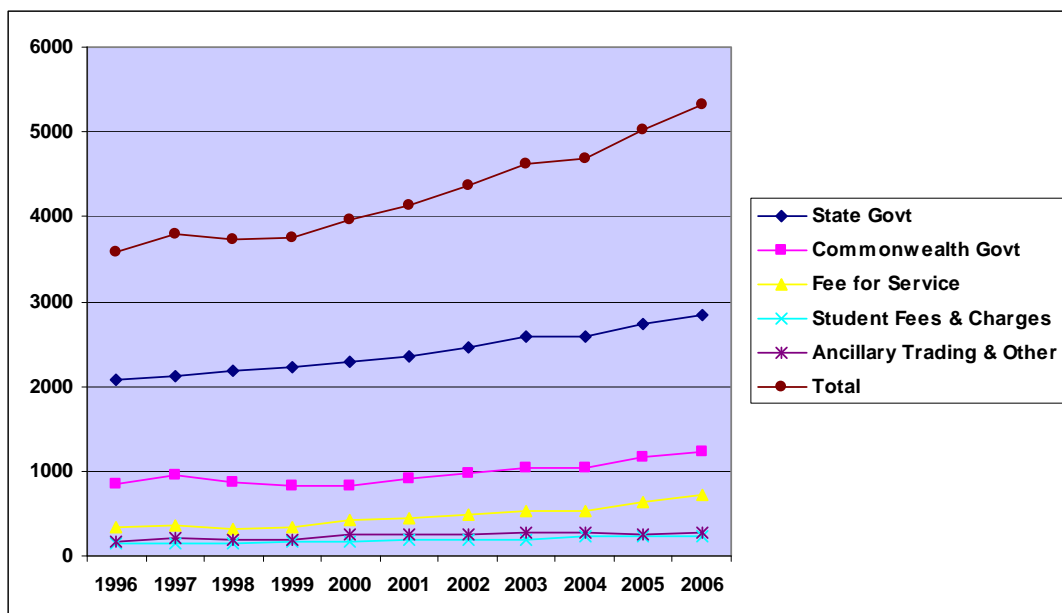
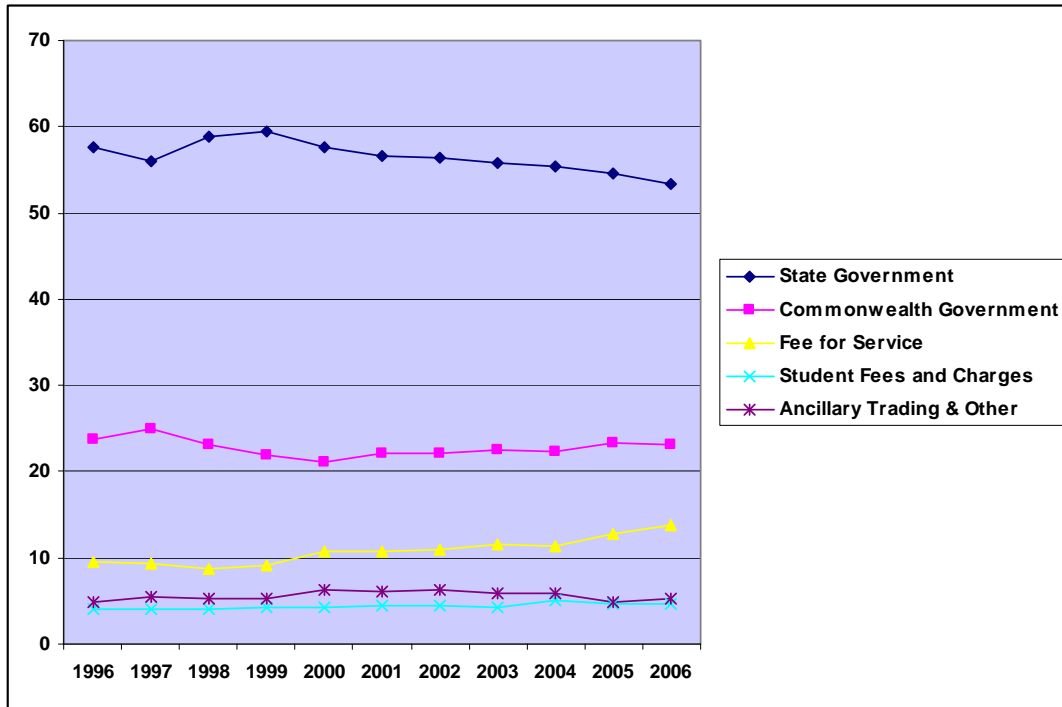


Figure 14: Changing Share of Operating Revenue 1996-2006



### Government Funding of Publicly Provided VET

#### Capital Revenue

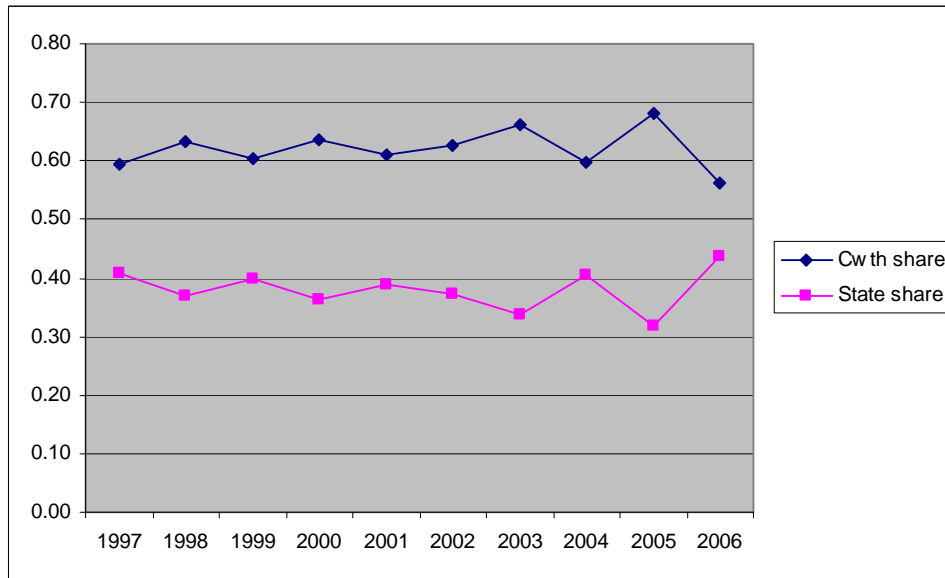
2006 'Revenue from Government' data shows that in 2006 the Commonwealth provided \$193,727,000 in capital funding; State/Territory governments \$150,183,000.

The table shows the changing share of total capital revenue between the Commonwealth and the States/Territories.

Table 13: Capital Revenue Share between Commonwealth and State 2002-2006

	2002	2003	2004	2005	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Commonwealth Capital	211,135	197,220	177,963	189,343	<b>193,727</b>
State Capital	126,112	100,307	120,561	88,099	<b>150,183</b>
Total Capital	337,247	297,527	298,524	277,442	<b>343,910</b>
Cwth Share Capital	63%	66%	60%	68%	<b>56%</b>
State Share Capital	37%	34%	40%	32%	<b>44%</b>

**Figure 15: Changing Capital Revenue Share 1997 - 2006**



## Recurrent and Capital Revenue

**Table 14: Recurrent and Capital Revenue by Commonwealth and State/Territory Source 2002-2006**

	2002	2003	2004	2005	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Commonwealth General Purpose Recurrent	899,579	972,534	993,746	1,000,490	1,060,176
Commonwealth Capital	211,135	197,220	177,963	189,343	193,727
Total Cwth Recurrent plus Capital	1,110,714	1,169,754	1,171,709	1,189,833	1,253,903
State Recurrent	2,351,143	2,430,047	2,449,370	2,628,857	2,776,501
State Capital	126,112	100,307	120,561	88,099	150,183
Total State Recurrent plus Capital	2,477,255	2,530,354	2,569,931	2,716,956	2,926,684
Total Recurrent	3,250,722	3,402,581	3,443,116	3,629,347	3,836,677
Total Capital	337,247	297,527	298,524	277,442	343,910
<b>Cwth Share Recurrent</b>	<b>28%</b>	<b>29%</b>	<b>29%</b>	<b>28%</b>	<b>28%</b>
<b>Cwth Share Capital</b>	<b>63%</b>	<b>66%</b>	<b>60%</b>	<b>68%</b>	<b>56%</b>
<b>State Share Recurrent</b>	<b>72%</b>	<b>71%</b>	<b>71%</b>	<b>72%</b>	<b>72%</b>
<b>State Share Capital</b>	<b>37%</b>	<b>34%</b>	<b>40%</b>	<b>32%</b>	<b>44%</b>

### Total Revenue from Government – All Sources

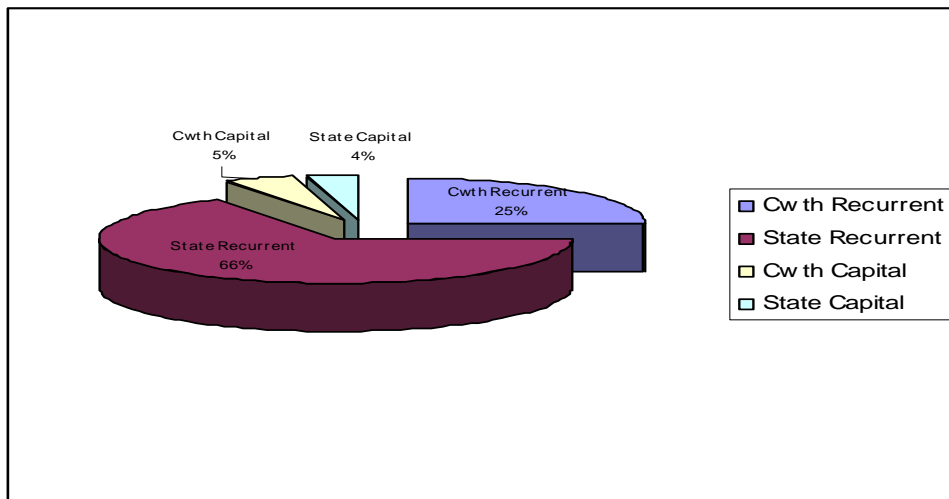
Total government funding for VET in 2006 was \$4.4 billion, of which \$2.9 billion was provided by the states and \$ 1.5 billion by the Commonwealth.

### The Commonwealth Role in Funding VET

The Commonwealth provided about 34 per cent of total government funding for vocational education and training; about 28 per cent of recurrent government funding and 56 per cent of capital funding.

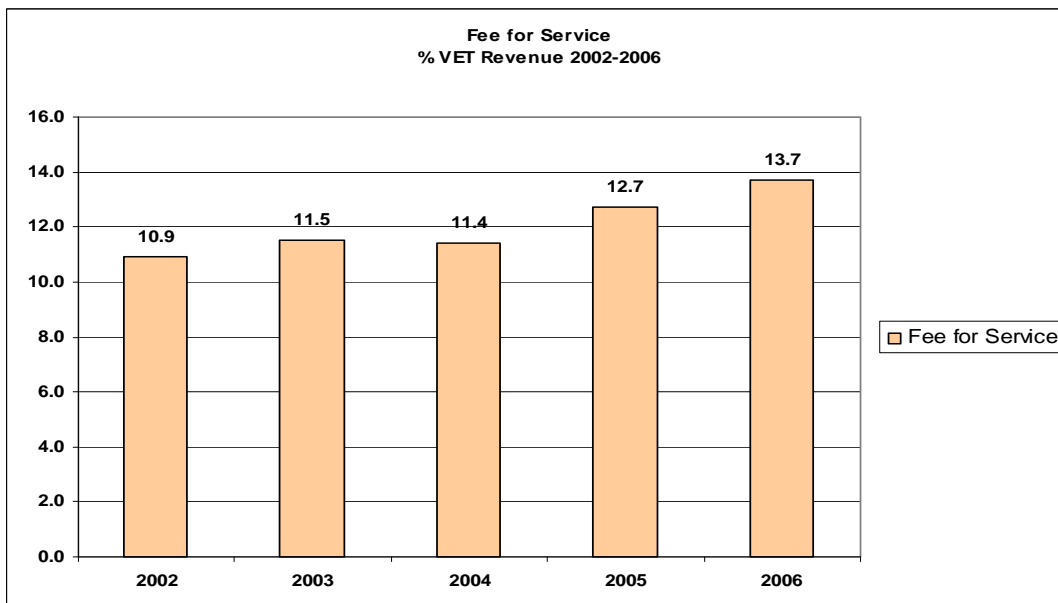
The states and territories continue to provide the bulk of recurrent funding.

Figure 16: 2006 Recurrent and Capital Funding by Source



### Fee for Service

Figure 17: Fee for Service as a Proportion of VET Revenue 2002-2006



## Student Fees and Charges

Figure 18: Student Fees as a Proportion of VET Revenue 1997-2006

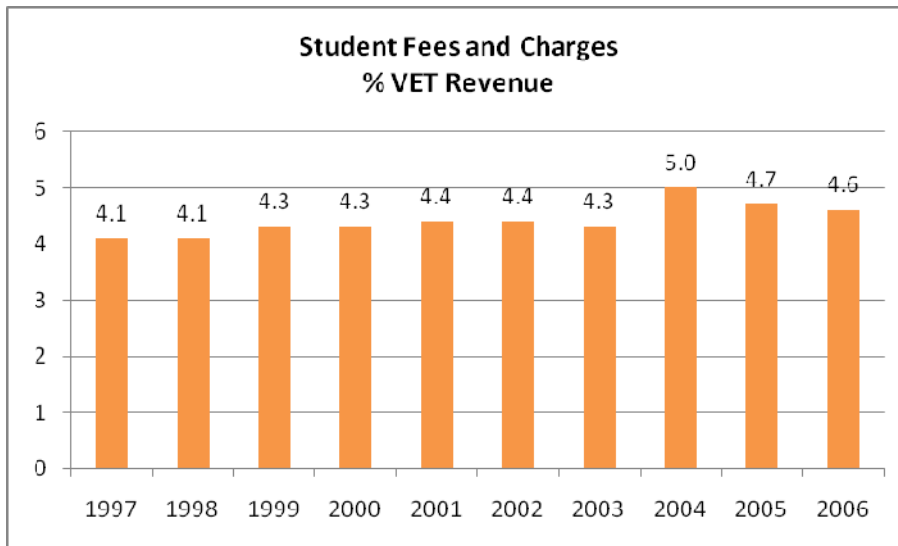
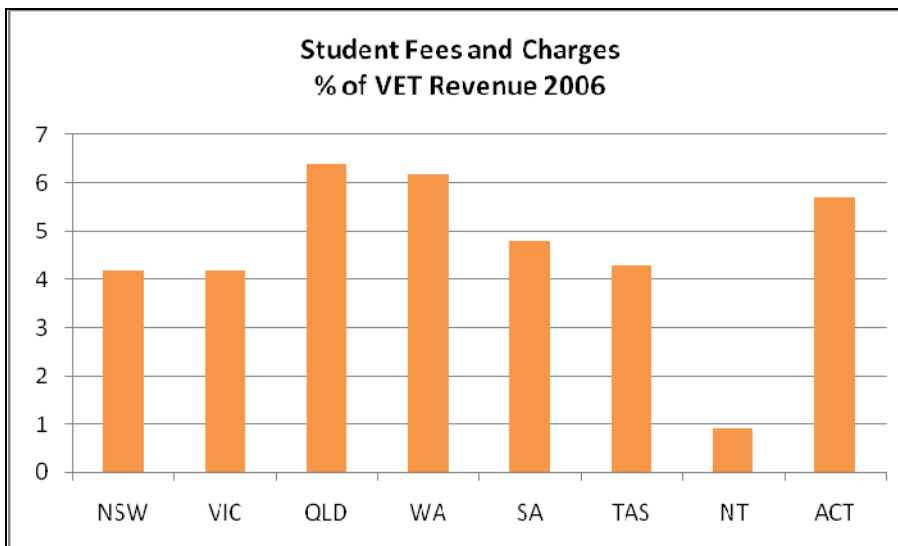


Figure 19: Student Fees and Charges as a % of VET Revenue 2006 by State/Territory 2006



## Expenditure on Non-TAFE Providers

Figure 20: Proportion of VET Funding to Non-TAFE Providers 2006

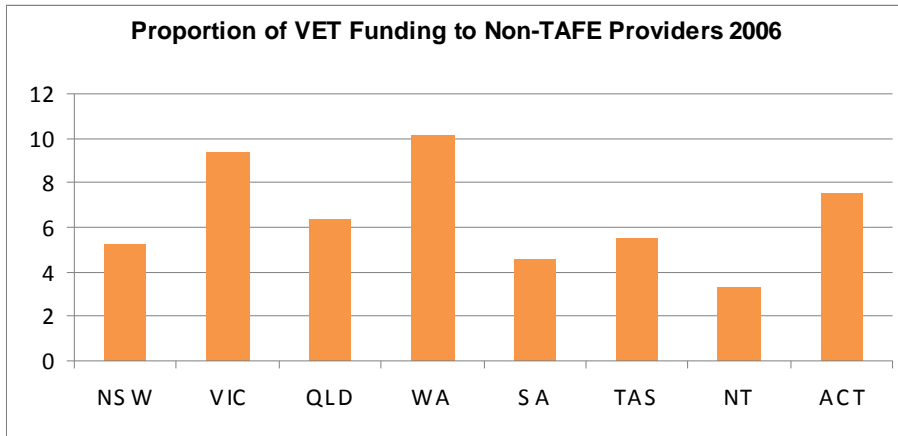
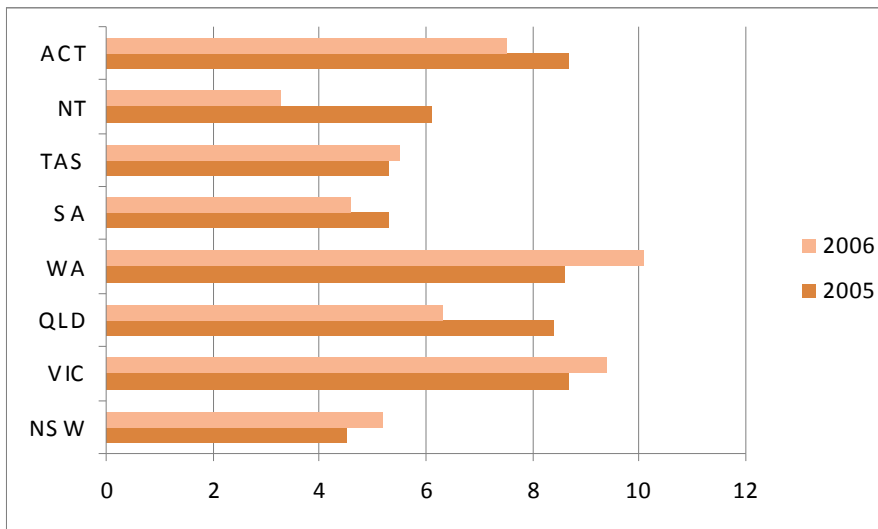


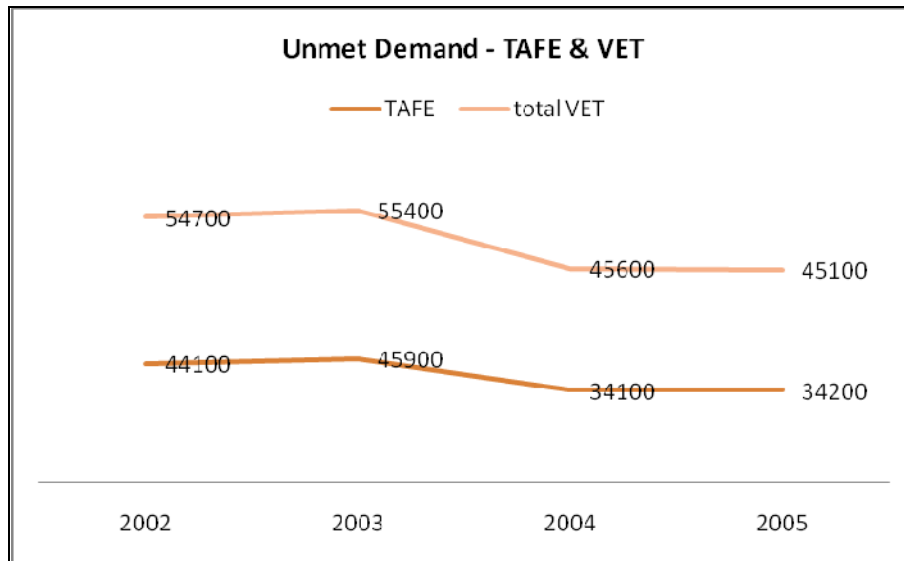
Figure 21: Proportion of VET funding to Non-TAFE Providers by State/Territory 2005-2006



## Unmet Demand TAFE and VET

The data shows a decrease in unmet demand for VET and TAFE over the last several years. Unmet demand for VET slowed from 2004 to 2005, while unmet demand remained constant for this period.

Figure 22: Unmet Demand TAFE and VET 2002-2005



Source: DEST Annual National Report of the Australian Vocational and Technical Education System 2005 Table C4

### 3. FEDERAL BUDGET 2008-09

#### 3.1 The 'Education Revolution' Budget

The Rudd Government came to power promising an 'Education Revolution'. For public education it offered the promise of addressing eleven years of underfunding and chronic and systematic neglect of public education and training by the Howard Government.

The crucial thing in this Budget for all the public education and training sectors was how far the Rudd Government would go to repair the damage wrought by the Howard Government to the public system, and the extent of new funding measures designed to implement its 'Education Revolution' election commitments.

It was a bitter disappointment that the Budget failed to deliver specific measures to repair the damage the Howard Government inflicted on public education and training. Funding election commitments is welcome, but it is not enough to redress years of chronic and systematic neglect.

#### 3.2 Total Education Expenditure Budget Papers 2008-09

Source: 2008-09 Budget Paper 1: Budget Strategy and Outlook

Total education expenditure covers expenditure for higher education institutions; vocational education and training providers (including technical and further education institutions); and government (State and Territory) and non-government primary and secondary schools.

**Table 15: Total Education Expenditure Budget Papers 2008-09**

EDUCATION					
	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
<b>Higher Education</b>	6,333	6,018	6,974	7,001	7,365
<b>Vocational and Other Education</b>	<b>1,640</b>	<b>1,654</b>	<b>1,735</b>	<b>1,784</b>	<b>1,826</b>
<i>Non-Govt Schools</i>	6,392	6,406	6,812	7,265	7,723
<i>Government Schools</i>	3,126	3,138	3,324	3,397	3,546
<b>Schools</b>	9,518	9,545	10,137	10,662	11,269
<b>Student assistance</b>	486	485	479	481	484
<b>General administration</b>	22	26	44	64	77
<b>School Education - specific funding</b>	620	1036	908	776	778
<b>Total Education</b>	<b>18,620</b>	<b>18,764</b>	<b>20,276</b>	<b>20,768</b>	<b>21,800</b>

Source: Education Table 7 'Summary of Expenses' Budget Paper 1, 6-14 2008-09 Budget Papers

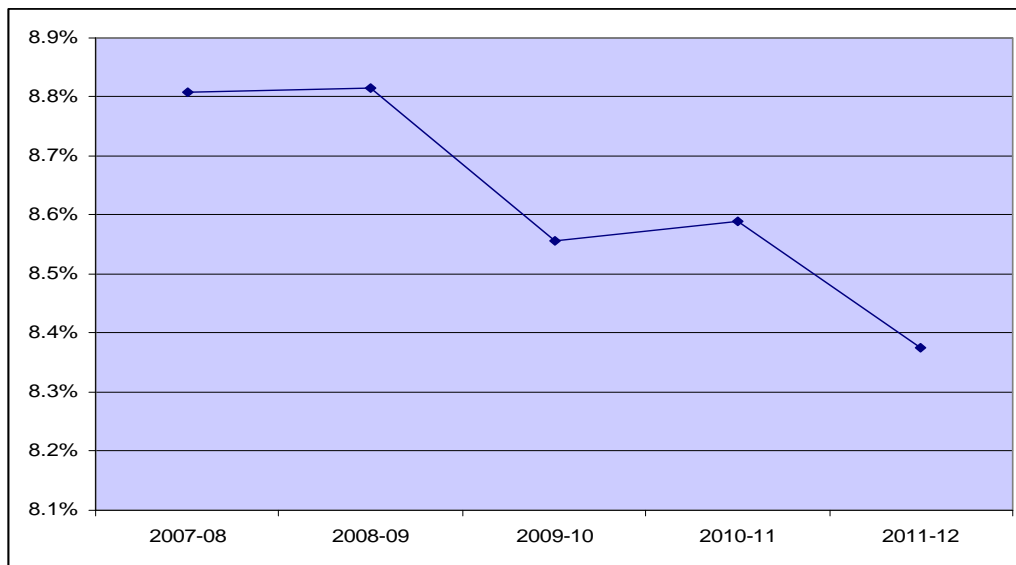
Analysis of the figures for total education expenditure shows the % share of the total education budget for each of the Budget line.

**Table 16 : % Share of Total Education Budget**

	2007-08	2008-09	2009-10	2010-11	2011-12	% Change 07-08 to 11-12
<b>Higher Education</b>	34.0%	32.1%	34.4%	33.7%	33.8%	- 0.2%
<b>VET</b>	8.8%	8.8%	8.6%	8.6%	8.4%	- 0.4%
<b>NGS</b>	34.3%	34.1%	33.6%	35.0%	35.4%	1.1%
<b>GS</b>	16.8%	16.7%	16.4%	16.4%	16.3%	- 0.5%
<b>All Schools</b>	51.1%	50.9%	50.0%	51.3%	51.7%	0.6%
<b>Student assistance</b>	2.6%	2.6%	2.4%	2.3%	2.2%	- 0.4%
<b>General Administration</b>	0.1%	0.1%	0.2%	0.3%	0.4%	0.3%
<b>Schools Ed - Specific Funding</b>	3.3%	5.5%	4.5%	3.7%	3.6%	0.3%

Source: Calculated from above table

**Figure 23: VET Share of Total Education Budget 2007-08 to 2011-12**



### Expenditure on private schools relative to other sectors

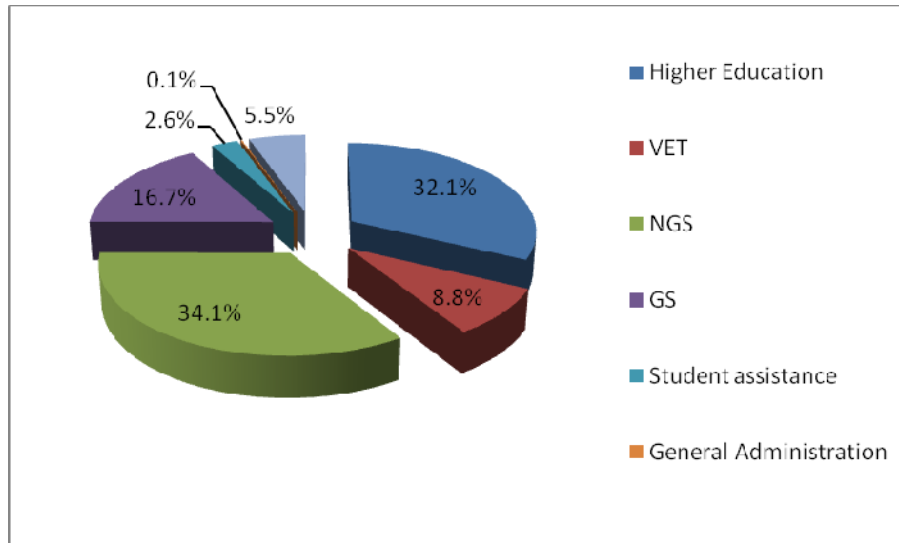
The budget allocation for private schools continues to be higher than that for the entire university sector across the country and four times that of the VET sector.

**Table 19: VET Expenditure relative to Higher Education and Private Schools**

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Higher Education</b>	34.0%	32.1%	34.4%	33.7%	33.8%
<b>VET</b>	8.8%	8.8%	8.6%	8.6%	8.4%

NGS	34.3%	34.1%	33.6%	35.0%	35.4%
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Figure 24: Total Education Expenditure 2008-09



The Budget papers attribute the increases in the forward estimates for the *Vocational and Other Education* sub-function to *Skilling Australia for the Future* which the Government claims will deliver up to 630,000 additional funding places over five years. Also, contributing to the vocational and other education expenses is the impact of increased migration places in the skilled, family and humanitarian categories. In addition a new measure, *School Grants for On-The-Job Training*, will increase expenses in this sub-function.

### 3.3 2008-09 Education Expenditure as a Proportion of Total Federal Government Expenditure

Analysis of last year's Budget, the last Howard Government Budget, showed little evidence of the much-vaunted boost in education expenditure. In the context of the total Budget [Federal Government Expenditure], the education share of the Budget actually declined. Nothing has changed.

Table 17 : 2007-2008 and 2008-09 Education Expenditure [Major Areas] as a Proportion of Total Federal Government Expenditure

	07-08	08-09
<b>Total Education Budget</b>	6.64%	6.42%
<b>Higher Education</b>	2.26%	2.06%
<b>VET</b>	0.58%	0.57%
<b>Non-Government Schools</b>	2.28%	2.19%
<b>Government Schools</b>	1.11%	1.07%
<b>All Schools</b>	3.39%	3.26%
<b>School Education – Specific Funding</b>	0.22%	0.35%

**Table 18 : 2007-08 to 2011-12 Education Expenditure as a Proportion of Total Federal Government Expenditure**

	Estimates		Projections			% Change 07-08 to 11-12
	2007-08	2008-09	2009-10	2010-11	2011-12	
<b>Total Ed Budget</b>	6.64	6.42	6.53	6.43	6.43	-0.21%
<b>Higher Education</b>	2.26	2.06	2.25	2.17	2.17	-0.09%
<b>VET</b>	0.58	0.57	0.56	0.55	0.54	-0.04%
<b>Non-Government Schools</b>	2.28	2.19	2.19	2.25	2.28	0.0%
<b>Government Schools</b>	1.11	1.07	1.07	1.05	1.05	-0.06%
<b>All Schools</b>	3.39	3.26	3.26	3.30	3.32	-0.07%
<b>Student assistance</b>	0.17	0.17	0.15	0.15	0.14	-0.03%
<b>General Administration</b>	0.01	0.01	0.01	0.02	0.02	0.01%
<b>Schools Ed - Specific Funding</b>	0.22	0.35	0.29	0.24	0.23	0.01%

Source: Calculated from BP 1: pp6-45 and 6-14 2008-09 Budget Papers

Analysis of the 2008-09 projections shows that despite all the talk of the Education Revolution, the education share of the budget will continue to decline, in all but one of the major education budget lines:

- a further decline in total education expenditure as a proportion of the total budget
- a decline in higher education funding share of the total
- a decline in VET share of the total
- a decrease in public school share of the total

### 3.4 'Evidence Base' For New Initiatives

Source: BP 1 Budget Statement 4 Boosting Australia's Productive Capacity: Infrastructure and Skills 'The Scope for better outcomes in education and training' 4-19 – 4-21

Kevin Rudd and Julia Gillard make much of the need for a rigorous 'evidence base' for their reforms.

Budget Paper 1 contains a section 'The Scope for Better Outcomes in Education and Training' which outlines their 'evidence base' for their new initiatives in Australia's early childhood and school education, VET and higher education.

The section on VET is quoted in its entirety below as it makes their agenda abundantly clear:

#### **Vocational education and training**

*Within the VET sector there is evidence that the effectiveness of training is variable. Many of the trades with low completion rates are also occupations that regularly appear on the national skill shortages list discussed earlier in this statement (NCVER 2006).*

*While it is not possible with the available evidence to attribute low completion rates to the training or to broader workforce issues, **it is clear that increasing the number of people participating in training alone is unlikely to be a cost-efficient way of addressing reported skills shortages in these areas.** Hence, the vocational training system requires reform to ensure that greater investment will deliver more responsive, higher quality training that will contribute to higher productivity growth.*

*To maximise the effectiveness of vocational education and training in Australia, a fundamental principle should be that those institutions that offer the highest quality and most relevant training to employers and industry should not be excluded from competing for government funding.*

***More competition should be a goal in a more contestable training market.***

### 3.5 VET Funding

Within the context of the Federal Budget, funding for VET delivery generally combines funding reported as the *Vocational and Other Education* sub-function as part of the *Education* function in the Budget Papers and funding described as *Vocational and Industry Training* reported as part of the *Other Economic Affairs* function in the Budget Papers.

**Table 20 : Vocational and Other Education sub-function – Education function**

	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
<b>Vocational Education and Training</b>	1,288	1,314	1,335	1,357	1,384
<b>Adult Migration English Program</b>	182	198	211	221	228
<b>Careers Transitions and Partnerships</b>	118	126	142	144	146
<b>Other</b>	52	17	46	62	68
<b>Total</b>	<b>1,640</b>	<b>1,654</b>	<b>1,735</b>	<b>1,784</b>	<b>1,826</b>

Source: BP 1 6-15

**Table 21: Vocational and Industry Training sub-function - Other Economic Affairs function**

	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m		\$m	\$m
<b>Tourism and area promotion</b>	193	184	182	182	180
<b>Vocational and Industry Training</b>	1,146	1,161	1,350	1,585	1,592
<b>Labour market assistance to job seekers and Industry</b>	2,093	2,196	2,100	1,966	1,899
<b>Industrial Relations</b>	594	582	526	504	502
<b>Immigration</b>	1,126	1,198	1,189	1200	1,230
<b>Total Labour and employment affairs</b>	4,958	5,137	5,166	5,256	5,223
<b>Other economic affairs nec</b>	1,315	1,449	1,470	1,407	1,387
<b>Total other economic affairs</b>	<b>6,467</b>	<b>6,770</b>	<b>6,818</b>	<b>6,844</b>	<b>6,791</b>

Source: Table 3: Summary of Expenses, Australian Government Budget, Vocational and Industry Training 2008-09 (BP1, p. 6-32)

**Table 22: Vocational and other Education plus Vocational and Industry Training Expenditure as a Proportion of Total Federal Government Expenditure**

	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
<b>Vocational and Other Education</b>	1,640	1,654	1,735	1,784	1,826
<b>Vocational and Industry Training</b>	1,146	1,161	1,350	1,585	1,592
<b>Total</b>	2,786	2,815	3,085	3,369	3,418
<b>Total Commonwealth Budget</b>	280,551	292,470	310,513	323,083	339,241
<b>% Share</b>	0.99%	0.96%	0.99%	1.04%	1.01%

Calculated from BP 1, pp. 6-5, 6-9, 6-22

According to the Budget papers, total expenses for the *Other Economic Affairs* function are estimated to remain “relatively stable” over the period 2007-08 to 2011-12. The Government says this reflects “lower growth in expenditure in the labour market assistance to job seekers and industry and industrial relations sub-functions, offset by expected growth in the vocational and industry training function as a result of measures in this Budget.”

The growth in estimated expenses in the vocational and industry training sub-function is “mainly due to the introduction of the Government’s election commitment measure, *Skilling Australia for the Future*.”

The growth in expenses in the immigration sub-function between 2007-08 and 2008-09 is “mainly due to new measures announced in the 2008-09 Budget to increase migration places in the skilled, family and humanitarian categories, and increase support to newly arrived migrants in the areas of language and work skills training. The impact from these new measures on expenses will gradually tail off in future years while expenses relating to short-term visas for international students and tourists are expected to continue to increase during the same period.”

### 3.6 Education and Training Budget Measures 2008-09

Source: Budget Paper No. 2 Budget Measures 2008-09

#### 'The Education Revolution'

*The **Education Revolution** is a package of new initiatives designed to drive future productivity improvements within the Australian economy and is targeted to the key areas of early childhood education, schools, vocational education and higher education.*

#### VET

*The Government's **Education Revolution – Skilling Australia Package** will implement a number of strategies that will ensure that Australian workers have the skills they need so that Australian industry can compete effectively in the global marketplace.*

**Table 23: 'Skilling Australia' Budget Measures**

	2007-08	2008-09	2009-10	2010-11	2011-12	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>EXPENSE MEASURES</b>						
<b>Education Revolution – Skilling Australia</b>						
– Skilling Australia – school grants for on-the-job training	-	14.0	28.0	28.0	27.9	98.1
– Skilling Australia – Skilling Australia for the Future	33.3	232.6	412.2	620.3	620.3	1,918.6
– Skilling Australia – Skills Australia	2.6	3.0	4.0	5.0	5.0	19.6

#### **Skilling Australia for the Future**

The 5 year \$1.9 billion package, *Skilling Australia for the Future*, is designed to deliver up to 630 000 new training places. It comprises the following five elements:

- \$884.6 million to provide an additional 238,200 vocational education and training places to people currently outside the workforce
- \$704.6 million to provide an additional 391,800 places for people within the workforce
- \$242.2 million for an additional 85,000 Australian apprenticeship places
- \$83.2 million for strengthened industry skills councils
- \$4.1 million for skills and training information centres.

In addition the Government has announced:

- \$98.1 million for grants that will enable year 9-12 students to participate in on-the-job training
- \$19.6 million to create the statutory body, Skills Australia.

The Government says it has already begun delivering on its commitment by creating the first 20,000 new training places for job seekers at a cost of \$33.3 million during 2007-08.

The program will deliver increased funding for Industry Skills Councils of \$83.2 million over 5 years. System and an additional \$19.6 million over 5 years for the formation of Skills Australia to advise the Government.

### **3.7 Infrastructure**

#### ***The Education Investment Fund***

The new \$11 billion Education Investment Fund will provide for capital expenditure and renewal and refurbishment in universities and VET institutions.

It will be funded by \$5 billion from the 2007-08 and 2008-09 Budget surpluses and \$6 billion from the Higher Education Endowment Fund (HEEF), with the potential for money from future surpluses to be channelled into the fund.

Unlike the HEEF, which allowed only for the interest earned to be spent, there will be no cap on yearly allocations from the EIF. Decisions about annual disbursements from the EIF will occur through the annual appropriation process and annual levels of investment will take into account the sectors' needs and "overall macroeconomic conditions"

There will be no disbursements from the EIF in the 08-09 financial year to ensure allocations align with the recommendations of the Higher Education Review and priorities of the university and VET sectors.

The Future Fund Board of Guardians will be responsible for managing the fund.

The advisory board of the EIF will advise the Minister on "the relative merits of funding applications" and will be involved in the transition to the new EIF advisory arrangements.

### **3.8 Federal Government Payments to the States**

Source: Budget Paper No.3 Australia's Federal Relations 2008-09

The Budget Papers contain a restatement of the new Government's commitment to 'co-operative federalism' – aka "a modern framework for federal financial relations" - genuinely collaborative working arrangements with the States, through "a reinvigorated COAG" to "drive a new wave of economic and social reform" including reforming our education and training systems to provide quality learning opportunities for all and addressing social inclusion and closing the gap on Indigenous disadvantage.

#### **The new framework for federal financial relations**

The Government says that the new COAG-driven framework for federal financial relations will focus on:

- reducing Commonwealth prescriptions on service delivery by the States;
- significant rationalisation of payments for specific purposes;
- a clearer specification of the roles and responsibilities of each level of government; and
- an improved focus on outcomes-based public accountability.

The new framework for federal financial arrangements will commence from 1 January 2009 with the reform of payments for healthcare to be implemented by 1 July 2009.

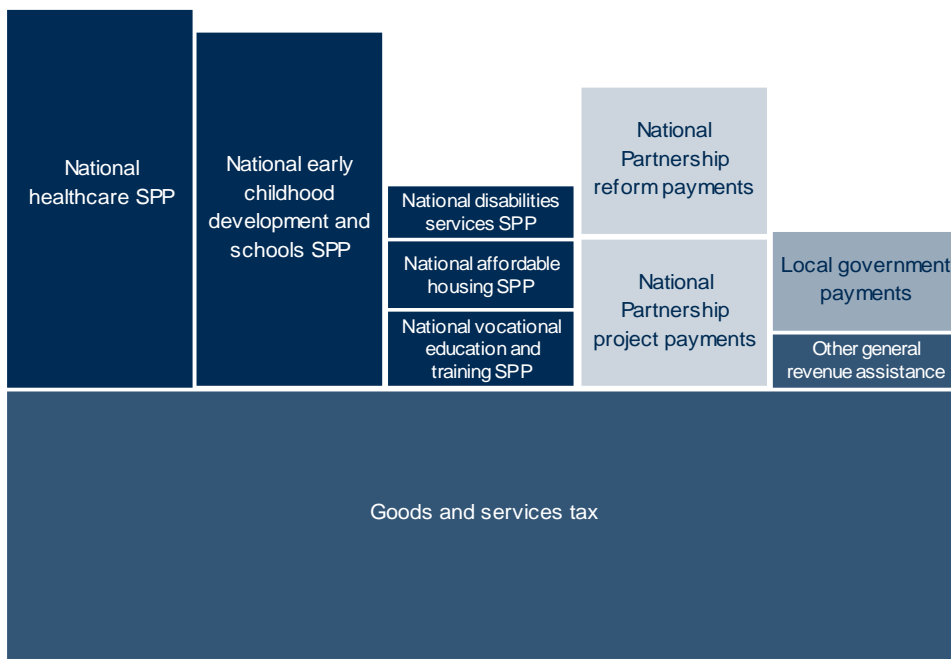
## Implications for payments of the new federal financial framework

The number of payments for specific purposes will be significantly reduced, without reducing the overall quantum of payments.

The States will continue to receive all GST revenue, but payments for specific purposes (which currently number more than 90) will be rationalised into:

- five or six new specific purpose payments (SPPs) supported by new national agreements in the areas of:
  - healthcare;
  - early childhood development and schools;
  - vocational education and training;
  - disabilities services; and
  - affordable housing.
- some general revenue assistance in respect of payments where there are no compelling national objectives associated with the payment; eg payments to Western Australia and the Northern Territory for offshore petroleum royalties and mining royalties respectively.
- National Partnership payments to:
  - support the delivery of specified projects (such as land transport projects through AusLink);
  - facilitate reforms; or
  - reward the achievement of reform-based performance benchmarks
- continuing financial support for local governments.

**Chart 1: Schematic of payments to the States in the new financial framework**



Source: Chart 1.1 *Schematic of Payments to the States in the New Financial Framework* BP 3 p7

**Table 24 : Estimated SPPs to support state education services under the new National VET Agreement, by year and State/Territory**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	TOTAL
2008-09 National VET Agreement	213,448	158,835	124,173	64,146	48,320	15,032	10,977	6,688	641,618
<i>2008-09 Skilling Australia's Workforce*</i>	213,448	158,835	124,173	64,146	48,320	15,032	10,977	6,688	641,618
2009-10 National VET Agreement	434,095	323,158	252,809	130,517	98,149	30,541	22,318	13,574	9,832,118
2010-11 National VET Agreement	441,386	328,585	257,055	132,708	99,797	31,054	22,693	13,802	1,327,080
2011-12 National VET Agreement	450,205	335,149	262,191	135,360	101,790	31,674	23,147	14,077	1,353,593

Source: Constructed from BP 3 *Australia's Federal Relations* Table B.3 pp100-104

\* Final contribution under the *2005-2008 Commonwealth-State Agreement for Skilling Australia's Workforce*

### **Funding**

All payments will be paid directly by Treasury to each State treasury who will be responsible for distributing the funding within their jurisdiction. Payments are currently provided by Commonwealth portfolio departments to the relevant state agencies; each with its own payment and administrative arrangements.

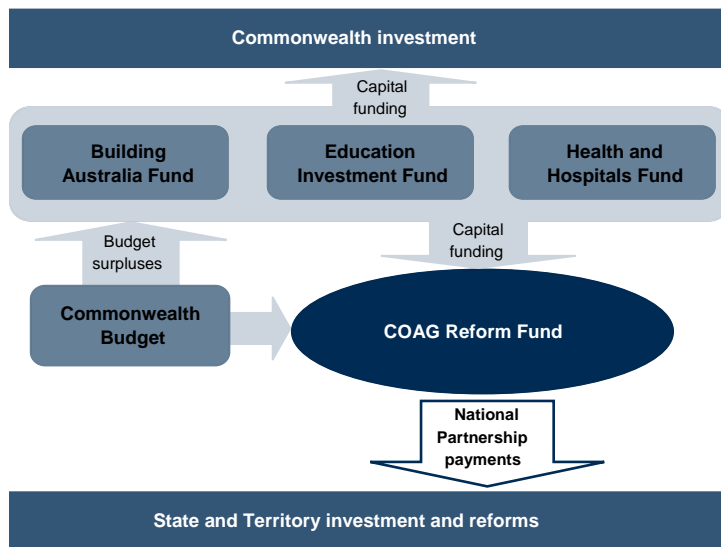
### **National Partnership Reward Payments**

These will be provided to the States which deliver reform progress. They will be structured in a way which "encourages the achievement of ambitious performance benchmarks", to be assessed by the COAG Reform Council.

### **The COAG Reform Fund**

The new fund will receive contributions directly from the Commonwealth Budget as well as from three other funds being set up by the Government for capital investment – the Building Australia Fund; Education Investment Fund; and Health and Hospitals Fund. The funds will be financed largely from future budget surpluses and are intended to underpin future progress on investment and reforms.

### **Chart 2: Commonwealth Investment Fund**



At the centre of the education reform plan will be new national agreements in respect of early childhood development and schools, and vocational education and training, with additional National Partnership payments to support systemic reforms in the delivery of education services.

COAG has also developed implementation plans for the Government's election commitments, including:

- universal access to early childhood education for children in the year before formal schooling;
- the \$2.5 billion *Trade Training Centres in Schools Program*;
- the \$1.2 billion *Digital Education Revolution*; and
- up to an additional 630,000 training places over five years under the \$1.9 billion *Skilling Australia for the Future* policy.

*COAG has agreed to a set of aspirations, outcomes, progress measures and future policy directions in the key areas of early childhood, schooling and skills and workforce development. These agreed objectives will form the basis of a substantive further reform agenda to be developed over the course of 2008.*

In order to guarantee funding for this long-term productivity agenda, the Government will establish an Education Investment Fund, which absorbs and extends the Higher Education Endowment Fund.

The Education Investment Fund will provide financing for investment in higher education and vocational education and training facilities. Subject to final budget outcomes for 2007-08 and 2008-09, the Government will make an initial contribution to the fund of around \$5 billion, bringing the total size of the fund to around \$11 billion.

The capital and the earnings of the fund will be drawn down over time to invest in the nation's future education and training needs, with funding for specific projects subject to rigorous appraisal criteria. Under these arrangements, the amount of funds available for capital investment in higher education and vocational education and training in coming years will be substantially greater than under the previous arrangements for the Higher Education Endowment Fund.

Drawdowns from the Education Investment Fund will not occur before 2009-10.