



# ***Parliamentary Brief***

## **Vocational Education and Training Funding Amendment Bill 2000 Background Paper**

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The Bill is intended to amend the Vocational Education and Training Funding Act 1992.

The Bill increases funding for 2000 from \$918,352,000 to \$931,415,000 in order to provide for cost supplementation, and provides for a base funding allocation for 2001 at the same level.

### **Immediate context**

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. The ANTA Agreement for 1998 - 2000 expires this year.

Negotiations on a revised ANTA Agreement are to continue at the November meeting of Ministers following the failure of the June MINCO meeting to reach agreement.

This follows the Commonwealth Minister's reported rejection of an alternative funding proposal tabled by NSW and supported by the states and territories (other than South Australia, which reserved its position) at the June meeting of MINCO. (*Campus Review*, July 5-11, 2000)

The proposal from the states and territories 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.

(Aquilina J., *News Release*, 29 June 2000.)

## **AEU Concerns with the Amendment Bill**

- C The development of a high quality national vocational education and training system requires a 'spirit of cooperation and partnership at a national level', as the current ANTA Agreement says. This Bill is more likely to provide a Commonwealth constraint on the negotiation of a revised ANTA Agreement than to provide an appropriate base for such negotiations.
- C The Bill reflects the Commonwealth position and ignores the views of the states and territories as well as other stakeholders who have argued that Commonwealth funding must increase to meet the costs of growth in demand and the impact of Commonwealth initiated policies.
- C Should the ANTA negotiations not go to the satisfaction of the Commonwealth, it would appear that the Minister could determine a zero allocation. Clause 9B of the Vocational Education and Training Funding Act 1992 empowers the Minister to make or vary a determination and thus the Bill sets a maximum but no minimum.
- C The Minister's Second Reading Speech refers to finalisation of an Agreement but does not acknowledge the possibility of further amendment should the outcome of the negotiations lead to agreement for additional Commonwealth funding.
- C Projected growth in demand is estimated between at least 2.8% and up to 5.7% per year. The next three year ANTA agreement would thus require a minimum of around \$450m and up to more than \$900m in 1998 price terms to fund growth in demand.
- C The Minister's position, upon which the Bill is based, would mean the continuation of the existing Commonwealth funding freeze for a further three years. This would require the states and territories to resource growth in demand within already highly stretched systems. This is without dealing with the existing funding pressures arising from the 'growth through efficiencies' demanded under the current ANTA Agreement. Nor does it deal with the recognition by state and territory Ministers that development of a fully integrated national vocational education and training system will have significant resourcing impacts.

## **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 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.

(ANTA, 1999, *Directions and Resource Allocations for 2000*, Brisbane, ANTA.)

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.

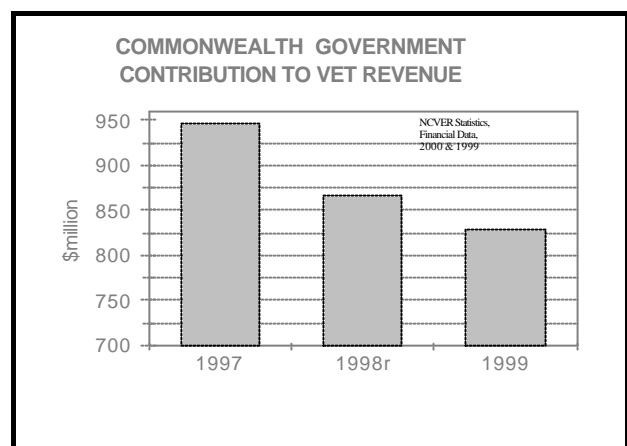
(Department of Education and Training and TAFE NSW, 1999,  
Submission to the General Purpose Standing Committee's Inquiry into the Proposed Closure of Seaforth TAFE.)

## The resource pressures on TAFE

The Commonwealth contribution to VET operating revenue has fallen from \$947.2m in 1997 to \$828.2m in 1999. (NCVER, 2000 & 1999, Statistics, Financial Data)

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

The other major pressure on TAFE resources has been the significant growth in competition and contestable funding, driven by national policies. 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. (NCVER, 2000, op cit: NCVER 1996) 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.



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.*

(Department of Education and Training and TAFE NSW, 1999, op cit.)

## Impact of the resource pressures

The AEU submission to the Senate Inquiry re the Quality of Vocational Education and Training in Australia gave detail of the various impacts of the current resource pressures on TAFE systems. Some TAFE institutes have been placed on the brink of insolvency by these pressures.

- The Schofield reports have identified key concerns about quality in relation to traineeships, with 19% of Queensland trainees received no training and 20% in Victoria believing they were not learning new skills.

(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*, PETE.)

C 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, 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. (NCVER, 2000 & 1999, op cit.)

C 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, despite the continued growth in enrolments and Annual Hours. (NCVER 2000 & 1999 op cit) The growth in precarious employment impacts on staff but also on their capacity to provide quality education to students.

C There has also been a massive increase in teacher workload. In their responses to the 1999 ACTU survey, 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. (Gale L. ,1999, *Beyond the Limits, Analysis of the ACTU Working Time and Job Security Survey in relation to the Technical and Further Education Workforce*, circulated paper, AEU)

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.

### **Proposed amendment**

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.

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. This provides for an additional increase of \$210m in the first year to address the pressures created by the funding freeze, to be used 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.**

Authorized R. Durbridge, Federal Secretary, AEU