



Australian Education Union

Submission to the Inquiry into TAFE in South Australia

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The Australian Education Union (AEU) welcomes the opportunity to provide a written submission to the Senate Education and Employment References Committee Inquiry into TAFE in South Australia.

The AEU is an organisation of employees registered under the provisions of the *Fair Work (Registered Organisations) Act 2009*. It has approximately 187,000 members employed in government schools and public early childhood work locations, in TAFE and other public institutions of vocational education, in Adult Multicultural or Migrant Education Service and Disability Services centres as teachers, school leaders and education assistance and support workers.

This submission updates a number of AEU submissions made to various Federal Government inquiries in recent years including the 2013 House of Representatives Standing Committee on Education and Employment Inquiry into the role of the TAFE system and its operation; the 2014 submission to the Senate Committee on Education and Employment Inquiry into Technical and Further Education (TAFE) in Australia; the 2015 submission to the Senate Committee on Education and Employment Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia; the 2015 submission to the Senate Committee on Education and Employment Inquiry into the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015; the 2016 submission of feedback to the Department of Education and Training's Quality of assessment in vocational education and training discussion paper; the 2016 response to the Department of Education and Training's Redesigning VET FEE-HELP discussion paper; the 2016 submission to the Senate Committee on Education and Employment Inquiry into the VET Student Loans package, and the 2017 submission to the Department of Education and Training's Review of the National Vocational Education and Training Regulator Act 2011.

All these submissions are relevant to the current inquiry into SA TAFE because they provide evidence of the damaging effects of poorly conceived government policy, in particular the pre-occupation of federal, state and territory governments with market design and competition policy; and of funding and resourcing neglect. These policy settings combined with unprecedented budget cuts by governments have placed the future of the TAFE system, nationally and in South Australia, in jeopardy.

The TAFE system is the worst funded of all education sectors.¹ Various stakeholders lament the "second class" status of the sector, calling for all governments and for the community to recognize the significance of the sector to the economy and to society by elevating its status. However, at the core of the so-called status problem for TAFE and for vocational education is the strong message sent by governments that they hold the sector in low regard by refusing to support and resource it appropriately. Only a significant reinvestment of funding in TAFE by all governments will solve the substantial problems it is now facing including its perceived status problem and only this will restore the confidence of social partners, particularly students.

Government policy in the sector is incoherent and poorly conceived. For more than two decades, governments have persisted with the crude mantra that there needs to be a training market in vocational education to encourage competition, that the sector needs to be employer led, and that education needs to play a subsidiary role to training. Training packages and competency based

¹ S. Pilcher and K. Torii (2017) *Expenditure on education and training in Australia: Update and analysis*, Mitchell Institute policy paper No. 05/2017. Mitchell Institute, Melbourne. Available from www.mitchellinstitute.org.au

training have replaced curriculum and education, TAFE colleges have been gutted of resources and capacity, and the TAFE teaching workforce has been systematically de-skilled, over-worked and in more recent times, sacked. The AEU estimates that more than 15,000 TAFE teachers have been sacked from the system in the last five years. This represents a devastating loss of experience and knowledge to the sector, and highlights the fact that the system is currently in an unsustainable crisis, as it attempts to meet the immediate needs of students, the community and employers.

In this submission, we will focus on underfunding and outline the trend of recent years. We will also refer to the South Australian experiment with market design, *Skills for All*. South Australia was the second state to implement the requirements in the 2012 *National Agreement for Skills and Workforce Development*, and *National Partnership Agreement for Skills Reform*, which they argued were a requirement of access to federal government funding. The implementation of *Skills for All* ignored the already disastrous impact of the very similar reform process in Victoria. South Australia, like most other states and territories, refused to acknowledge the damage being done by government policy in the sector, and exposed their TAFE system to a reform process, which was already undermining the system.

But it is important to make the point that market design and underfunding alone have not brought the sector to its current state. For more than twenty years, competency based training and Training Packages have created a profitable pass time for groups which have attached themselves to the vocational education sector. The determination of governments to enact policies which prioritise Training Packages as the only mechanism whereby training organisations can access public funds, when combined with under-resourcing of TAFE, casualization and work intensification, and a refusal to acknowledge, fund or support qualifications for teachers in the sector have all had a scarifying effect on TAFE. The refusal of governments to support and resource the development of curriculum and courses to support the vocational education of students in TAFE has left the sector in its current precarious state. No examination of the state of TAFE across the country will be effective unless these issues are considered, especially in the context of the recent findings by the Australian Skills Quality Authority that more than a quarter of the 11,677 advertisements reviewed on providers' websites advertised a course duration below the minimum of the volume of learning range specified in the Australian Quality Framework, and that 49 per cent of its 1,441 audits found that providers did not offer a 'sufficient amount of training' to meet the requirements of the training package or VET accredited courses.²

The vocational education sector has lurched from crisis to crisis because each example of failure of government policy has been dealt with in isolation, rather than in the context of policy overall. The recent VET FEE-HELP debacle, which has cost individual students millions of dollars in debt, and has wasted billions of dollars of tax payer funds was ineffectively and belatedly dealt with as if it were an aberration. Despite calls by many in the sector throughout the last five years for the Federal Government to address the scandalous behaviour of for-profit private providers, vocational education remains the only sector where institutions can operate on a for-profit basis, with public funds the source of profit for shareholders. In the meantime, the reality of VET FEE-HELP and income contingent loans in general, has resulted in a wholesale shift in the funding and organisation of the sector. Very few Diplomas and Advanced Diplomas are now publicly subsidised, and students must

² Australian Skills Quality Authority, A review of issues relating to unduly short training, 2017
https://www.asqa.gov.au/sites/g/files/net3521/f/strategic_review_report_2017_course_duration.pdf

now pay full cost for these qualifications, and defer payment for them. Vocational education students studying at TAFE in higher-level vocational education qualifications receive no government subsidy for these qualifications, unlike their university counterparts, whose degrees are subsidised by the Commonwealth Government. In the period of time since the introduction of income contingent loans (VET FEE-HELP and the new VET Student Loans) course costs have escalated, and in many cases it is now more expensive for students to study at TAFE than at university.

Funding

There is a funding crisis in the Australian TAFE sector and this exacerbates the problems caused by successive Australian governments' persistence with market "reforms". The Productivity Commission recently said that the VET sector was a mess, echoing the concerns of all major stakeholders.³ The Business Council of Australia warns that the residualisation of TAFE will 'fail to deliver a good long term outcome'. They argue that governments need to define the role of the public provider in order to 'maintain a sustainable TAFE network across the country'.⁴

The National Centre for Vocational Education Research's 2016 *Financial Information*⁵ confirms the fact that vocational education is in dire straits. The sector lost one-sixth of its financing in 2016, with operating revenues falling 16.8 per cent to \$8.14 billion. Commonwealth revenue fell 27.3 per cent or \$1.25 billion, while the states and territories withdrew an additional \$425 million. Claims by the Federal Government that the figures reflected the federal clampdown on the VET FEE-HELP catastrophe do not stand up to scrutiny. Overall government funding for the sector has plunged 23 per cent since 2012 once funding for VET FEE-HELP is eliminated from the statistics.⁶

The 2016 figures are consistent with the trajectory that the sector has been on for more than ten years. Since 2005, government real recurrent VET expenditure has increased 4.1 per cent, while the number of government funded annual hours has increased 51.8 per cent. As a result, government real recurrent expenditure per annual hour has declined 31.5 per cent over the past 10 years — from \$16.64 in 2005 to \$11.40 in 2014 — at an average annual rate of decline of 4.1 per cent.⁷

The underfunding and cuts to the embattled TAFE system continued in the 2017/18 Federal Budget. The replacement of the *National Partnership Agreement for Skills Reform* with the *National Partnership Skilling Australia Fund* represents a cut of \$177 million to the states and territories in 2017/18, and annual cuts thereafter. This includes a \$13 million cut to South Australia (a reduction in funding of 35 per cent).

The *Skilling Australia Fund* is to be funded by a levy imposed by the government on employers using temporary and permanent migration programs. It requires matched contributions from the states and territories and the amounts available to them will depend on how much they contribute to the fund and

³ Productivity Commission 2017, *Shifting the Dial: 5 Year Productivity Review*, Report No. 84, Canberra p86

⁴ Business Council of Australia 2017, *Future-proof: protecting Australians through education and skills*, Melbourne, Business Council of Australia, p. 77

⁵ NCVER 2017, *Australian vocational education and training statistics: financial information 2016*, NCVER, Adelaide

⁶ Ibid

⁷ SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, *Report on Government Services 2016*, Productivity Commission, Canberra

will also be contingent on them meeting certain criteria – yet to be made public by the government. Modelling shows that the new charge is unlikely to raise enough money to finance the scheme.⁸

No other Commonwealth-state agreements have been funded by such a mechanism. The uncertain revenue will make it difficult for the federal government to negotiate deals with the states.

So far, no agreement has been reached with states and territories nor has the enabling legislation been passed by the Australian Parliament.

Along with these cuts, structural system changes have also been flagged, including universities being allocated Commonwealth Supported Places for sub degree programs. The Federal Government's decision to expand the demand-driven system in higher education to sub-degree programs will devastate TAFEs' delivery of higher level vocational education qualifications. Diplomas and Advanced Diplomas are estimated to be about 30 per cent of TAFEs current delivery.

The number of government funded vocational education students has fallen by almost 17 per cent since 2012 across all jurisdictions, but in TAFE, student numbers have fallen by 25 per cent, as all states and territories endure cuts to campuses, courses and staff.⁹

In NSW, Victoria, Queensland and South Australia, job losses have gutted the TAFE sector. 17 per cent of the workforce at TAFE in South Australia has been cut. This has undoubtedly affected not only students, but the remaining staff and teachers. It represents an irreplaceable loss of knowledge and expertise to the system, and demonstrates the crisis in the sector.

⁸ The levy extracts \$1200 a year from organisations that hire skilled migrants on a temporary basis, or \$1800 if their turnover is more than \$10m a year. Sponsors of permanent skilled migrants must pay one-off fees of \$3000 or \$5000, depending on their turnover. The Australian modelled the levy, and assumed that skilled migrant numbers would remain at 2015-16 levels, temporary migrants will stay in Australia for an average of two years, and 80 per cent of employers will meet the \$10m turnover threshold, among other variables. However many commentators expect skilled visas to crash, particularly sponsored visas, as employers balk at charges that have risen from \$380 under the axed 457 visa scheme.

⁹ NCVER 2017, *Students and Courses, 2016*, NCVER, Adelaide, Table 2

State	TAFE job losses	% of workforce
NSW ¹⁰	5,163	35
Victoria ¹¹	8,048	44
Queensland ¹²	1,649	25
South Australia ¹³	571	17

Similarly, campus closures around the country demonstrate the true cost of funding cuts – particularly in regional communities. Sixteen campuses in South Australia have been closed (Bordertown, Clare, Cleve, Croydon, Gawler, Kimba, Marlestone, Millicent, Morphettville, Naracoorte, O’Halloran Hill, Panorama, Roseworthy, Renmark, Waikerie and Yorketown) with the Tea Tree Gully campus still at risk of closure.

South Australia’s Skills for All

The South Australian government implemented *Skills for All* from mid-2012, purportedly to meet the requirements of the 2012 *National Agreement for Skills and Workforce Development* and the *National Partnership Agreement for Skills Reform*. *Skills for All* was effectively a voucher where eligible students could access a government funded place, and the level of funding and cost to the student depended on the qualification.

The key features of Skills for All included:

- All VET funding open to competition from public and private providers;
- TAFE SA was to be established as a separate government-owned statutory authority with each of the existing three institutes as a subsidiary;
- A purchaser/provider split was to be enacted from July 1 2011 through the formation of the Office of TAFE SA;
- An income contingent loan system;
- No student fees at CI and II and below, with the state government fully subsidising the cost;
- CIII and IV were to be 80 per cent subsidised, and Diploma and Advanced Diploma 70 per cent subsidised. As in Victoria, the ICL would be available for these higher level qualifications. The SA government took a more generous approach than the Victorian to the capacity to access public funding for qualifications at the same level

¹⁰ TAFE NSW Annual Report 2015 – 2016 -

https://www.tafensw.edu.au/__data/assets/pdf_file/0004/25069/TAFE-NSW-2015-16-Annual-Report.pdf

¹¹ Victorian Public Service Commission, *State of the Public Sector in Victoria*

<https://vpssc.vic.gov.au/resources/state-of-the-public-sector-in-victoria/>

¹² Queensland Government, *Queensland public service workforce statistics*,

<https://www.forgov.qld.gov.au/queensland-public-service-workforce-statistics>

¹³ Government of South Australia, Office for the Public Sector, *Workforce Information*,

<https://publicsector.sa.gov.au/about/office-for-the-public-sector/workforce-information/>

or below, but with a range of restrictions. Concessions were to be available for students at C III and IV.

Significantly, South Australia set its reform project in the context of reducing its funding per student contact hour to the national average. Indeed, *Skills for All* set a target of a reduction of funding per student contact hour of 10 per cent by 2012, “to match other Australian jurisdictions.” Between 2006 and 2015, the cost per hour in SA has dropped by 15.6 per cent. The aim of *Skills for All* was to move the South Australian VET system closer to the national funding average, which the government argued would “require further efficiencies from TAFE SA”. More significantly, the South Australian funding per student contact hour declined by 38.6 per cent in 2012, 39 per cent in 2013 and 23 per cent in 2014. The damage done to the South Australian TAFE system was worst during this period.¹⁴

At the time of implementation of these reforms, and in response both to the problems which had already emerged in the Victorian reform process, and to what the South Australian government referred to as strong public support for the public provider, *Skills for All* articulated a role for TAFE in its reform process, but it signalled a number of areas where TAFE must significantly change its operating practices to make it “more responsive” to industry and student needs. This was the rationale behind the establishment of TAFE as a statutory authority with the South Australian government arguing that this would give TAFE greater commercial autonomy, financial independence and accountability.

Skills for All articulated a number of critical and ongoing functions which the government would require of TAFE:

- contributing to the wider policy objectives as articulated in South Australia’s Strategic Plan, especially key prosperity and social inclusion targets;
- setting a high standard of quality for the VET system by virtue of its performance as a public institution;
- providing stability to the training system especially for strategic or critical skills and in key industry sectors;
- providing the capacity to ensure training and community service obligations continue to be met and expanded in regional and remote areas or thin or non-commercial markets;
- contributing to community and regional development requirements;
- offering a community owned resource in terms of capability, services, infrastructure and human capital to local communities;
- meeting industry needs that are not being met by the market;
- ensuring that the specified needs of key equity groups are met, especially those most disadvantaged;
- Providing information and advice to government about regional, community and industry development;
- continuing to develop effective links with schools and universities to improve pathways for people moving to and from VET and higher education;

¹⁴ SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, *Report on Government Services 2016*, Table 5A.43, Productivity Commission, Canberra

- Providing valuable additional services to students and the community in areas such as student welfare and career information.

There was no information at the time about how these additional requirements of the South Australian TAFE system were to be funded. The South Australian government argued that TAFE would receive (unspecified) additional funds for the purchase of specific services (presumably from the list above), CSOs and market transition risks through the implementation phase through its (TAFE SAs) purchasing agreement with government.

In many respects, the list of requirements outlined by government above provided substantial evidence of the importance of public TAFE colleges to the South Australian community and economy, but it also articulated the immense additional pressure being experienced by the public provider in a climate where the government was attempting to cut funds overall to the sector, and open significant additional funds to a voracious for-profit private sector.

Conclusion

The problems currently being experienced by TAFE SA are symptomatic of a crisis in the Australian TAFE system. These problems cannot be addressed or solved by continuing the ad hoc approach to policy. In some senses, this review is symptomatic both of the problem, and the approach.

There must be a comprehensive, systematic, public and open review of the TAFE system that involves the Australian and State and Territory governments, and which considers funding and financing, curriculum, pedagogy, and assessment, and standards and quality assurance.

An immediate first step by all governments must be to guarantee a minimum 70 per cent of all government funding to TAFE, but this must be set in the context of an urgent restoration of funding at least to pre market reform levels. The current student loans scheme continues to damage the sector, and students. The scheme must be abandoned, and public funding for courses and qualifications restored. Only this will address an impending crisis in the sector, and restore confidence in its capacity.