

SECURING JOBS FOR YOUR FUTURE REVIEW

An AEU submission paper

AEU Victorian Branch

Submission paper

May 2010



Introduction

The Australian Education Union Victorian Branch (AEUVB) represents around 40,000 education professionals of which nearly 4,000 work in TAFEs. The AEUVB leadership is currently represented on the Victorian Trades Hall Council Vocational Education and Training (VET) Committee and the Community Services and Health Industry Training Board. Until recently the AEUVB was also represented on the Victorian Skills Commission. Its members are often staff representatives on Institute Councils and are involved with various other industry driven organisations concerned with the delivery of VET in Victoria. The AEUVB is therefore well positioned to make a considered contribution to the development of VET policy in this state and to comment with authority on the implementation of the current Government's *Securing Jobs for Your Future-Skills for Victoria* (Skills Reform) policy.

The Skills Context

According to the Victorian Branch of TAFE Directors Australia, there were more than 380,000 domestic students enrolled in Victorian TAFES in 2008, equating to slightly less than one in nine working age Victorians. TAFE students are more likely to be from lower socioeconomic backgrounds than university students and are more likely to be from areas where larger proportions of people receive some type of government benefit; they are also more likely to live in areas of high unemployment.^[1] TAFE therefore provides an invaluable service to many disadvantaged Victorians.

TAFE also supplies considerable benefits for all Victorians and one way in which this is demonstrated clearly is in the connections between skills training and the health of the broader economy. The most recent Intergenerational Report released by the Australian Treasury declared that '(h)igher productivity is the key' to tackling problems associated with an ageing population.^[2] It is widely recognised that increasing the skills of the workforce is crucial to increasing productivity. A recent report produced for the Productivity Commission estimated that a diploma or vocational certificate increased a worker's productivity by between 11 and 14 percent.^[3] The Council of Australian Governments (COAG) has also recognised the importance of skills training to productivity and has set specific goals to increase the number of Australians with qualifications at the Certificate II level and higher, including a goal to halve the number of Australians

^[1] Based on figures derived from Australian Bureau of Statistics Census data (Cat. No. 2064.0 - CDATA Online) and personal income data from the Australian Tax Office for 2006/07 http://www.ato.gov.au/docs/00177078_2007PER3B.xls , accessed May 5, 2010

^[2] Australian Government Treasury *The 2010 Intergenerational Report* @ http://treasury.gov.au/igr/igr2010/report/html/01_Executive_Summary.asp , accessed May 5, 2010

^[3] Forbes et al, *The effects of Education and Health on Wages and Productivity*, Productivity Commission Staff Working Paper, March 2010, p.25

without at least a Certificate III level qualification and to double the number of 'higher [VET] qualification completions (diploma and advanced diploma)' by 2020.^[4]

The equity and economic justifications for increasing government investment in VET are clear. However, despite this fact the Victorian State Government has spent substantially less per hour of funded VET delivery than any other in Australia for a good number of years.^[5] In what follows, the AEUVB will provide its perspective on each of the six tasks assigned to the Securing Jobs for Your Future Review including an assessment of any progress, or lack thereof, towards the four goals outlined in the initial Ministerial Statement.

1. *Assess stage one of the implementation by Government, training providers and the Adult Community Education sector*

One of the most radical innovations of the Skills Reform policy is the new eligibility criteria for government fee support. Students over 20, not enrolling at a higher level qualification than one they already hold and not studying for a foundation-level qualification are to be charged the full fees for a course - usually many thousands of dollars more than government-supported fees annually.

Accompanying the new eligibility criteria is a sizeable increase in fees for government-supported students and the abolition of the concession fee for students at the diploma level. None of this was publicised well. Although the introduction of the Skills Reform policy was accompanied by a substantial advertising campaign in print and electronic media, rarely were the new eligibility criteria or fee schedule mentioned.

When a prospective TAFE student wished to enrol at the beginning at 2009, a clear set of fees was available on an Institute's website. At the start of 2010, it was more common for prospective students to be directed to contact staff at the Institute in order to determine whether they met the new eligibility criteria. TAFE staff have reported wide-spread confusion around the new criteria and uncertainty around the provision of income-contingent loans (ICLs), especially as the enabling Commonwealth legislation was delayed for the latter. Currently a considerable number of secondary school careers teachers are still unaware of the implications of the new eligibility criteria and the new fee regime despite the fact that it has fundamentally altered the way post-compulsory education decisions affect their students' future training options.

^[4] COAG, National agreement for skills and workforce development, November 2008, p.6

^[5] Productivity Commission, *Report on Government Services*, 2008
http://www.pc.gov.au/_data/assets/excel_doc/0007/93922/18-chapter5-attachment.xls Table 5A.19, accessed May 5, 2010

The pressure to make correct training or study choices has increased substantially. This is especially true where students are older than their classmates and will be exposed to the restrictions of the eligibility criteria sooner (i.e. they are closer age threshold of 20). Such a situation is commonly experienced by refugees and students who have had to repeat a grade.

The AEUVB has learned from careers teachers, TAFE teachers and university staff that it is becoming common practice to bluntly advise certain students not to complete their qualifications due to the eligibility criteria. This is particularly evident in VET in Schools and with the provision of the Victorian Certificate of Applied Learning (VCAL). We are also aware that implementation of the Skills Reform policy has added greatly to the workload and stress levels of the staff mentioned above.

A probable cause for the confusion described above is the contradictory goals of the Skills Reform policy. On one hand the policy seeks to promote skills training, whilst on the other it creates barriers to vocational education and training by increasing the costs to students. The contradictions are obvious.

2. *Identify initial progress towards achieving key outputs and outcomes*

2.1 Goal 1 - Increasing the number of people undertaking training in the areas and at the levels where skills are needed

All of the evidence that we have seen suggests that not only is the Skills Reform policy failing to increase the number of people participating at the qualification levels identified by COAG and mentioned in the introduction of this submission, it would also appear the policy is reducing the number of enrolments at these levels.

TAFE CEOs have publicly stated that enrolments at the diploma level have decreased. In a recent article in *Campus Review* the Victorian TAFE Association said that institutes had reported declines in diploma and advanced diploma enrolments of up to 60 per cent and that the trend overall was 'a reasonably substantial decline'.^[6] This also reflects the anecdotal evidence that we have encountered from TAFE educators and students, especially when the latter is no longer eligible for concession fee rates. Given that we are still experiencing high levels of unemployment for young people^[7] and that the Commonwealth Government has pursued a policy of 'earn or learn' with regards to benefits, we should expect to see increasing enrolments rather than the decreases that have been reported.

^[6] Ross, J. Diploma enrolments waver as Victoria shifts to demand drive, *Campus Review*, 6 April 2010

^[7] ABS, Australian Labour Market Statistics (Cat. 6105.0), April 2010. Note: that as of February this year the unemployment rate for 20-24 year-olds was at 8.9 percent.

When the eligibility criteria is applied to certificate level qualifications next year and the next round of fee increases are implemented, the system may reasonably expect to see a decline for these enrolments as well.

The reduction in fees for Foundation courses introduced by the Skills Reform policy is to be commended but it highlights an inconsistency of approach: a fee reduction is recognised as an incentive for some students whilst an increase in fees - frequently an enormous increase - is not recognised as a disincentive for others. Reliance on ICLs to overcome this disincentive ignores research suggesting that people from lower socioeconomic backgrounds (more common in TAFEs than universities as demonstrated above) are more likely to be debt averse.^[8] It is also fair to assume that the majority of students engaging in Foundation courses would be accessing a concession enrolment (\$55) so the reduction in fees (from \$877 to \$500) is irrelevant for them.

2.2 Goal 2 - Engaging more effectively with individuals and businesses, including making information easier to access

We believe that the introduction of full contestability for per-student funding will make access to appropriate information more difficult for students and businesses. As the number of providers increases it will become harder for a student or business to be aware of all the options available with regards to price, product and quality. The disadvantaged will have fewer resources with which to access information and less bargaining power in negotiating for value. Marketing becomes more important than product design and quality. This was apparent in a recent TAFE governance conference where an astonishing amount of time was dedicated to discussions and presentations around branding of TAFE Institutes. We are advised by members that much money has been allocated to re-branding TAFE Institutes which is a resource which could have been used in skills and educational delivery. The Northern Metropolitan Institute of TAFE (NMIT) director in a memo obtained by Campus Review claims to have spent \$500,000 on advertising for the institute only to see diploma enrolments decline by 32 per cent.⁹

2.3 Goal 3 - Responding to the changing needs of Victoria's industry and workforce

The AEUVB believes that the introduction of contestable per-student funding will erode the capacity of industry and government to plan strategically for the needs

^[8] Council of Australian Postgraduate Associations, The social and economic impact of student debt, March 2003, p.19

^[9] Ross, J. Big promo effort can't prevent diploma haemorrhage, *Campus Review*, 12 April 2010

of businesses and the Victorian workforce. In a market environment there is a distinct risk that public funding will be invested in training that is popular and cheap to provide in terms of infrastructure and staff (cherry picking). The ability of government and industry to direct training investment in areas beneficial to the Victorian economy will be diminished as funding will follow the students. We should not revert to a system which produces people with skills that industry does not need. It will become increasingly expensive to offer a wide range of courses in areas without a relatively high population density, further disadvantaging those in rural and regional areas.

In the contestable funding context we also expect industry and students to invest in courses that cover a narrower range of job-specific skills. Such training is less likely to produce workers who have the learning skills to adapt to the ever increasing rate of technological change. Such training will also represent poor value for the trainee.

2.4 Goal 4 - Creating a culture of lifelong skills development

For obvious reasons the eligibility criteria contained in the Skills Reform policy is antithetical to the concept of lifelong learning. The AEUVB is aware of individuals who have curtailed their education because their previous qualifications, often obsolete or inadequate, have prevented them from accessing a government-supported place. Frequently these individuals are in disadvantaged circumstances and are no longer able to access a concession fee for their course. Single mothers in this situation have reported that felt they could not allocate so much money to their own education when it could be spent on their children.

The AEUVB has been made aware that providers of VET in all sectors are already creating bandaid measures to get around this new eligibility criteria.

3. *Consider the progress of the reforms to date in driving the integration of skills development into broader policy development and activity*

As we have previously indicated, the Skills Reform policy is not conducive to achieving the COAG targets around skills and qualifications. The policy also seems to be at odds with other Victorian policies. One notable example is *Working Victoria: Victoria's Workforce Participation Strategy* which seeks to foster 'better workforce planning and development' and 'reduce barriers to work for mature-aged people, women with dependants, and people with significant barriers to employment'.^[10] The abolition of concession fees for diplomas and the increase in concession fees for most other qualifications would seem to erect just the sort of barrier that *Working Victoria* is trying to dismantle. The Skills Reform

^[10] DIIRD, *Working Victoria, Victoria's workforce participation strategy*, 2008, p.3

policy would also appear to be in conflict with the broad goals of the State Government's *A Fairer Victoria Strategy*.

4. *Examine how the skills sector and industry are responding to the implementation of the reforms*

In a contestable environment, the activity of marketing gains increased importance. The AEUVB is aware of increased marketing activities for TAFES including offers of giveaways and prizes for enrolling students. TAFE job advertisements are increasingly focussing on marketing staff rather than practitioners.

TAFES compete with for-profit registered training organisations (RTOs) that are offering qualifications in unfeasibly short time periods for bargain-basement fees. One well known RTO was offering a Diploma in Events Management in 20 hours. The government oversight required to ensure that appropriate recognition of prior learning criteria are being applied alone would be substantial and another diversion of funds that could be available for direct delivery. In order to compete with such practices and where dwindling enrolments has caused classes of inappropriate numbers and sometimes irrelevant course content to be merged, it has been reported by our members that TAFE institutions are often delivering less teaching hours for course modules than is advertised and paid for or funded. We have also had reports of an increased number of course closures and job losses due to the enrolment reductions. It is already becoming apparent that contestability is having adverse effects on the quality and quantity of VET in the public system.

On the industry side we are aware of employers recommending that applicants do not finish their qualifications. This is because employers are unwilling to pay the full cost of training for staff who have lost their eligibility for government support. Such practices obviously leave students in a precarious position and are contradictory to both State and Federal policies.

5. *Assess the initial contribution of the COAG Youth Compact and Retrenched Workers Compact initiatives*

The AEUVB does not have access to data on these programs and believes that community and welfare organisations are better positioned to provide an assessment.

6. *Provide recommendations on early lessons learned*

In view of the assessments and evidence provided above, the AEUVB recommends the following:

- i Provision of a fully-funded, government supported place in a TAFE Institute for any student at the Certificate III level or lower including Foundation level studies.
 - No tuition fees or materials fees or charges, therefore no requirement for concessions for students at this level.
- ii The continuation of the \$55 dollar concession fee for all students whose circumstances would have deemed them eligible for a concession fee prior to the introduction of the Skills Reform Policy.
- iii Abolition of any concept of domestic full fee paying student places.
 - Full fee paying student places could be available for international students entering Australia under Commonwealth Government humanitarian or business critical skill shortage programmes but not at the cost of unmet domestic demand.
- iv Private RTOs cannot be eligible for the same or higher hourly funding rate as TAFEs unless:
 - RTOs can demonstrate a comparable investment in the social and student welfare functions as TAFE institutes, and
 - Employ teaching and training staff with at least the same qualification levels and under at least the same employment conditions as TAFE.
- v Industry advisory bodies to be structured on a basis that 'industry' means more than 'business ownership' and includes workforce and public training provider representation.
- vi Greater legislative and/or regulatory control to ensure all training is provided by an appropriately qualified and professionally registered workforce. A Certificate IV in Training and Assessment is not sufficient in the context of a private RTO.
- vii The most recent figures from the Productivity Commission show that between 2004 and 2008 the mean state government expenditure per annual hour of VET delivery was, on average, 11.7 percent higher than the Victorian figure. The AEU therefore has constantly proposed through its annual submission to the State Budget that the government contribution to TAFE hourly funding should be increased by this proportion. We also recommend that the hourly student fee rate be reduced by the same percentage.
 - For Certificate IV qualifications this would increase the hourly rate for government TAFE funding by 107.6 cents (to a total of \$10.29)

and reduce the hourly student contribution from \$1.62 to \$1.43. The maximum annual fee for Certificate IV students will reduce by \$116.87 producing a maximum capped fee of \$883.13.

- For diploma and higher level VET qualifications the hourly rate for government TAFE funding would increase by 88.7 cents (to a total of \$8.46) and reduce the hourly student contribution from \$3.25 to \$2.87. The maximum annual fee for diploma students will reduce by \$234 producing a maximum capped fee of \$1766.
- Subsequent fee increases proposed by the Skills Reform policy should be abandoned and the current fees subjected to periodic indexation. Any upward inflation adjustments on income-free loan repayments must be accompanied by an equivalent adjustment to repayment thresholds.



Mary Bluett
AEU Victorian branch president

Brian Henderson
AEU Victorian branch secretary

