



A RESPONSE BY THE

AUSTRALIAN EDUCATION UNION VICTORIAN BRANCH

TO THE

VICTORIAN GOVERNMENT

DISCUSSION PAPER on SKILLS REFORM:

“SECURING OUR FUTURE ECONOMIC PROSPERITY”

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Authorised by:

Mary Bluett
Branch President

Australian Education Union Victorian Branch
112 Trenerry Crescent
Abbotsford VIC 3067

Brian Henderson
Branch Secretary

Telephone: (03) 9417 2822
Fax: 1300 658 078
E-mail: melbourne@aeuvic.asn.au

Submitter:	Gillian Robertson – Vice President, TAFE & Adult Provision
Phone:	(03) 9417 2822 or 0425 743 955
Fax:	1300 658 078
Email:	gillian.robertson@aeuvic.asn.au

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Introduction

1. The Victorian community and its economy are integral elements of the broader Australian society and economy and both are increasingly integrated into global developments. Intensifying skills shortages, an ageing population and workforce, slowing productivity growth and rapid global change present significant challenges to the Victorian and Australian education and training system/s as they do to both social and economic policy generally.
2. The skills and workforce development situation in Victoria and Australia today are in need of serious attention. The Australian Education Union Victorian Branch (AEUVB) welcomes the opportunity presented by the Victorian Government's Discussion Paper on Skills Reform, "*Securing Our Future Economic Prosperity*," to contribute to the debate on necessary reform to state vocational education and training policy.
3. The Australian Education Union (AEU) is well placed to make a contribution. Nationally, it is an industrial and professional registered organisation of employees and represents the interests of some 170,000 members of which approximately 40,000 are employed in Victoria in early childhood centres, government schools, TAFEs, AMES and Disability Services centres. It has especially had a committed and productive involvement in technical and further education and in vocational education and training and has provided expertise and representation of workers at all levels of the system at both state and national levels, at Industry Training Advisory Boards, Skills and Quality councils and commissions, TAFE Institute Councils and on a variety of regulatory bodies.
4. ***Given this context, the AEUVB draws to State Government attention, the establishment recently of the National Skills Policy Collaboration, a body comprising the Australian Industry Group, the ACTU, Group Training Australia, the AEU and the Dusseldorp Skills Forum, and strongly urges it to give serious consideration to the approach and views expressed in its joint statement, "Facing Up To Australia's Skills Challenge: Setting Priorities and Delivering Results."***¹ ***The views contained in this statement have also received the strong support of the Business Council of Australia.***²
5. The National Skills Policy Collaboration joint statement has identified 6 compelling reasons for government to act to improve the resourcing for the VET sector and for increased support for the public TAFE system:
 - **First**, Australia faces a significant shortfall in the supply of workers with the required vocational qualifications. Currently 87 percent of available jobs require post-school qualifications, but 50 percent of the workforce lacks these qualifications. The best estimate is that if the supply of people with VET qualifications remains at the same level as in 2005, a shortfall of 240,000 nationally can be expected over the ten years to 2016. To meet the shortfall, net completions will need to increase by 1.9 percent per year for the next decade.
 - **Second**, Australia faces a significant shortfall in the supply of people with the necessary high-level technical, vocational and tertiary qualifications. In recent years, the highest levels of employment growth have occurred in associate professional (e.g. engineering, building, medical, technology) and professional occupations. A serious skills shortage exists in the sciences and mathematics, with an estimated shortfall of 19,000 scientists and engineers by 2012.
 - **Third**, Australia is struggling to lift school completion rates. Other OECD countries have managed to progressively improve school completion rates, but these rates have barely shifted in Australia over the past 15 years. A dimension of this is reflected in the fact that among 25-34 year olds, Australia now ranks 20th among the OECD countries in terms of school completion.
 - **Fourth**, the ABS recently estimated that 46 percent of adults – or seven million Australians - had poor or very poor skills across one or more of the five skill domains of prose literacy, document literacy, numeracy, problem-solving and health literacy. This means they did not

¹ Facing up to Australia's Skills Challenge - <http://www.aeufederal.org.au/Tafe/Facingup.pdf>, (accessed 13 May 2008)

² See "BCA Welcomes Joint Statement on Skills Priorities", BCA News Release, 16 April 2008, <http://www.bca.com.au/Content/101408.aspx>, (accessed 13 May 2008)

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attain the skill levels regarded by most experts as a suitable minimum for coping with the increasing and complex demands of modern life and work. Early school leavers are especially likely to have lower levels of literacy and numeracy.

- **Fifth**, Australia's total public spending on education at 4.8 percent of GDP is below the OECD average (5.4 percent), and well below the Scandinavian countries, France, New Zealand, the UK and the USA.
- **Sixth**, more than a decade of sustained economic growth and prosperity has provided the country with an unprecedented opportunity to seriously tackle educational exclusion and disengagement, and to do so in ways that can deliver greater social equity. It is imperative that all Australians have these opportunities in order to lead productive and fulfilling lives.

6. A number of further critical observations can be made, consistent with research findings:

- Completion rates for traineeships are very low and the completion rates for apprenticeships in most of the key engineering trades have declined significantly during the current decade;
- There will be a major shortfall of trained tradespersons in the medium term unless there is a change in policy settings;
- The VET qualification completion rate in the 15-24 cohort is estimated by NCVET to be 23.7%;
- The number of existing workers completing higher level VET qualifications has declined significantly in the past few years;
- The proportion of Australian adults with at least upper secondary education is now below the OECD average;
- A very high proportion of the existing working age population (50.1%) do not have post school qualifications and that proportion is high compared to the most productive economies;
- Australia ranks near the bottom of the OECD in terms of the growth rate of science and engineering graduates;
- Despite the long economic boom workforce participation rates in Australia are low when compared to the most productive economies;
- There are still more than 11% of the workforce who are unemployed or underemployed;
- The proportion of young people not engaged in full time work or full time training has remained static and these (up to half a million) disengaged youth are much more likely to remain unemployed or underemployed and affected by depression, crime, drug abuse, homelessness, poor health and poverty;
- The growth in the proportion of young people successfully completing year 12 or equivalent has stalled during the last decade;
- Levels of public investment in all levels of education and training are well below the leading economies and have been declining at a time when leading economies have dramatically increased their investment. This is particularly true for VET;
- In the years from 1997 to 2005 there has been a very substantial 26% decline in federal funding per VET student.

7. The policy collaboration has identified 10 key priorities for action that are supported by the AEU:

- (i) A focus on improving the quality and increasing the number of Australians with VET qualifications which meet future industry and workforce needs;
- (ii) The centrality of industry;
- (iii) Improved youth engagement and attainment;
- (iv) A crucial role for student support and for intermediaries;
- (v) National workforce development and existing worker strategies;
- (vi) Genuine competency-based progression & improved apprenticeship completions;
- (vii) A review of traineeships;
- (viii) A public and industry investment strategy for vocational education and training;
- (ix) A clear vision for flexible and responsive vocational education providers, and for the future of TAFE in particular;
- (x) A focus on the skills needed for a low carbon economy.

8. Research has established that increasing investment in education and training and lifting the qualifications level of the workforce is by far the single most effective lever available to improve participation and productivity.

General Comment and Context – The Approach adopted by this Submission

9. The Discussion Paper (p12) identifies four objectives to guide reform of the VET system:
- boosting the numbers of individuals and businesses accessing training [and so] increase the skills of Victoria's workforce;
 - developing a VET system that engages more effectively with individuals and businesses and is easier to navigate;
 - ensuring the system is more responsive and flexible to the changing skill needs of businesses and individuals; and
 - creating a stronger culture of lifelong learning.
10. These are necessary objectives, laudable and are strongly supported.
11. The AEUVB notes that skills development policy cannot and should not be concentrated solely upon reform to the VET sector or system. Schools, higher education and community and workforce development are also key sectors in skills development. Government policy initiatives on skills reform that concentrate purely on the VET sector and neglect the interface between VET and other sectors will fail to meet skill development objectives.
12. The Discussion Paper (p13) next outlines the focus of the proposal as:
- increasing access for all eligible Victorians to a government supported training place and increasing investment from those who benefit most from training – government, businesses and individuals;
 - strengthening the TAFE and ACFE sectors;
 - improving choice and contestability by enabling individuals and business to access government supported training at a broader range of public, private and community providers; and
 - improving information to make it easier for individuals and businesses to understand and use the training system.
13. These foci lack coherence, are not substantiated by publicly available research or economic modelling, are potentially internally inconsistent and, without greater definition, risk repetition of the same 'problems' which presumably have driven the need for the reform which government proposes in the first place.
14. The treatment in the Discussion Paper of the issue of skills shortages and the projected shortfall in higher VET qualified workers illustrates the point. Shah and Burke project a national shortfall by 2016 of 240,000 workers with Certificate 4 and above³. The Discussion Paper, however, cites research, not publicly available, by the same authors to show that by 2015 Victoria will have a shortfall of 123,000 workers with diploma and advanced diploma qualifications. It may be that the Discussion Paper's figures have been taken out of context and, when reconciled with the national figures, would show the shortfall in diploma and advanced diplomas is not so great and could be easily handled by Victoria's 18 TAFE institutes, or that the shortfall in Victoria is, as the Discussion Paper suggests, directly attributable to the policy decisions of government from 2005 to direct substantial funding away from TAFEs for higher level qualifications in accordance with its then departmental initiatives ('OTTE Priorities').
15. After a decade or more of use of the principles of user choice and contestability to drive skills development, especially in the apprenticeship and traineeship markets, the current or looming

³ Shah, C. and Burke, G., Qualifications and the Labour Market in Australia – Report for the National Training Reform Taskforce, November 2006, p44, Table 40, <http://www.otte.vic.gov.au/library/public/voced/research-CEET-quals-labour-market.pdf>, (accessed 22 May2008).

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skills shortages crisis represent clear evidence of the spectacular failure of these market-based mechanisms.⁴

16. Further, TAFEs have a much broader social policy mission than delivery of VET. Broad education objectives, further education, and second chance education risk being neglected in TAFEs if too much emphasis is placed upon their capacity and responsiveness in VET delivery.
17. The Discussion Paper lacks an analysis or understanding of the diverse needs of the ultimate users of the training system, the individual students. This population is not homogenous but is segmented and highly diverse: young entrants to the labour market, older entrants to the labour market, existing workers with qualifications, existing workers without qualifications with further segmentation around geographical and socio-economic relative disadvantage.
18. A policy approach to skills development is required which does not concentrate upon notions of increased investment using entitlement, choice and contestability but which emphasises the mutual responsibilities of participation and public provision.
19. For reasons which are more clearly delineated below in the specific responses to the questions the Discussion Paper raises for consideration, the AEUVB:
 - supports strengthening the TAFE and ACFE sectors;
 - supports improvements to information;
 - does not support extension of the use of user choice and contestability; and
 - suggests greater consideration needs to be given to the concepts of 'eligibility' and 'government supported training places'.
20. The AEUVB recommends government consider amending the Principles underlying the Government education and training system provided at clause 1.2.2(2)(d) of the *Education and Training Reform Act* to reflect the concept of government guarantee of a fully funded training place to at least Certificate 3 level at a TAFE or ACFE centre.
21. In addition to this legislative guarantee, given the forecast shortfall in Certificate 4, diploma and advanced diploma qualifications, government should consider fully funding training places in TAFE and ACFE centres through a priority allocation directed towards removing relative disadvantage and focussing on required skill areas.
22. In broad terms, the AEUVB proposes a scheme which is based upon the following elements: direct government provision and support by fully funded places in public providers to a base level of VET qualification (Cert 3); further allocation of the same level or degree in skill shortage areas and for students from disadvantaged backgrounds.

Question 1: If government supported training for all eligible Victorians were introduced, what should the eligibility criteria look like?

23. The concept of 'government supported training' needs further elaboration to distinguish between such training delivered at public registered training organisations (RTOs) such as TAFEs and ACFE centres, such training delivered at private RTOs and training delivered on-site at workplaces by businesses. Connected with this elaboration, is the issue of 'level' of government support from full through partial funding of the student place to provision of a training place with funding on an individual or business fee-for-service basis.
24. Development of eligibility criteria also needs to take account of the segmentation in the demand market referred to above.

⁴ It is interesting to note that statewide training advice provided by OTTE to the VET sector as recently as 2007 requires all apprenticeship and traineeship in the 'between Industry sector' to be high need training when research commissioned for the government's VET Inquiry in February 2006 projected a decline of 0.8% by 2012/13, as a proportion of population growth, in the occupations associated with that training. Final Report: Inquiry into Vocational Education and Training, p15, <http://www.otte.vic.gov.au/vetinquiry.asp>, (accessed 22 May 2008)

25. At one end of the spectrum, individuals without any VET qualification, or a VET qualification required for employment, and who are pursuing training in an identified skill shortage area at Certificate 4 and above should be entitled to a fully government funded training place at a TAFE/ACFE centre.
26. At the other end of the spectrum, individuals in employment requiring specialist qualification upgrade would only be entitled to a government supported training place if the upgrade was in a skills shortage area. This could be broadened to cover non-skill shortage areas where demand/need is identified for career progression or employment/labour mobility purposes. That place should be at a public TAFE. A level of 'co-contribution' by both individuals and businesses might be warranted with exemptions for students from rural and regional communities, low socio-economic background, women and people from diverse language or cultural backgrounds or with disabilities.

Question 2: How could this proposal be marketed to encourage higher take up, particularly among Victorians who have never considered VET studies?

27. The AEUVB doubts whether marketing alone will encourage higher take up of technical and further education or vocational education and training among Victorians who have never considered VET studies.
28. A media and communications strategy implemented by government involving a well-resourced, continuing and targeted media campaign may help drive demand in some areas especially among the school leaver and young labour market entrants.
29. Rather than marketing, the AEUVB submits more emphasis must be placed on:
 - a workforce development model ('WDM') rather than an investment model directed at increasing individual and business investment. A WDM would be directed at identifying business and individual skills needs; and
 - government policy settings directed at removing barriers to participation across a broad range of fronts.
30. A WDM would extend to each workplace level to assess both business and workers' skill needs. Development, or extension of, programs using Industry Liaison Agents, Industry Skills Advisers and Workplace Learning Representatives is required to identify need and demand.
31. The AEUVB notes the recommendations (Nos 54-57) of the recent Victorian Government Inquiry into VET⁵ and recommends extension of the initiative on Skills Advisers announced in the Government policy statement, *Maintaining the Advantage*, in this regard.⁶
32. Such a WDM complements current Commonwealth initiatives at the national level involving the establishment of Skills Australia and Industry Skills Councils. Those initiatives are directed towards generating demand in the areas needed by industry and the workforce and involve skill needs analysis at the enterprise level to maximise involvement, decrease waste and ensure training is directed at longer term industry and workforce needs, not just the immediate short term needs of individual businesses or enterprises.
33. Victorian skill reform initiatives should complement Commonwealth approaches. Use of industry, community, provider and employee/worker partnership models at the state level such as Industry Training Advisory Boards (ITABs) and Local Learning and Employment Networks (LLENs) provide a means of doing this are important, and should be further developed. Other partnership models involving collaboration, and not competition, between TAFEs will also assist rather than undermine the objective of increasing training levels among Victorians who have never considered VET studies.

⁵ OTTE, (February 2006), Final Report of the Inquiry into Vocational Education & Training, pp11-12, <http://www.otte.vic.gov.au/vetinquiry.asp>, (accessed 21 May 2008).

⁶ Dept of Education & Training, Victoria, (March 2006), *Maintaining the Advantage: Skilled Victorians*, p31, http://www.otte.vic.gov.au/library/public/voced/SkilledVictorians_fullversion.pdf, (accessed 21 May 2008)

Question 3: What proportion of course costs do you think is reasonable for an individual or business to contribute?

34. This is a wrong question in that it is misconceived and so misdirected. It presumes rather than establishes that there is appropriate balance between public interest, private interest and business interest that can be equated with, or reflected by, measures of reasonable cost co-contributions.
35. If higher VET qualification levels are essential for the future prosperity of the Victorian economy and community, ie, they are as essential as early childhood education provision and completion of Yr 12, or equivalent level, of schooling, **then it is the inalienable obligation of government to ensure direct provision by fully funded places at public TAFE institutions so that appropriate levels are achieved and maintained.**
36. Individual benefit, or private gain, for pursuit of personal interest may be fully costed to the individual. Business cost is fully costed by the provision of employment or if business wants an employee to undertake higher level studies deemed necessary for business the cost should be fully borne by business.

Question 4: Is it reasonable to introduce higher fees for students for training courses that deliver higher individual benefits with improved employment opportunities?

37. Again the question is the wrong question based upon fallacious reasoning process of presuming the required answer, in this case, the affirmative answer. It is illogical, unscientific and essentially misleading and deceptive. The 'cost' of a training course is measured by the cost of its development and the 'delivery' of it to the student. It cannot be legitimately measured by benefits to an individual upon undertaking or completing the training. *It is important to remember high earners already pay back to the public purse through the income tax system.*

Question 5: Should the Government consider an income contingent loan scheme as currently applies to university education?

38. No. Australia's experiment with income contingent loan schemes in the higher education sector since the mid-1980s has not resulted in absence of skills shortages in the professional occupations. In fact the reverse has occurred with skills shortages reaching crisis proportions in engineering, medicine and the allied health sciences, dentistry, and teaching amongst many. Income contingent loan schemes applying to university education have resulted in widespread student poverty and continue to act as a barrier to entry/access especially for students from regional and rural communities.⁷
39. Such schemes are not an appropriate mechanism for addressing skills reform but a mechanism for reducing cost to government for educational and training provision with the 'deficit' made up by transferring, and therefore increasing, the cost to individual students (or their families). This creates, or enhances, an income stream for the provider (and using business principles, one would expect providers to advocate such a mechanism) but does nothing to enhance the learning outcomes for the student.
40. The TAFE Futures Enquiry, an independent inquiry into TAFE in 2006, found widespread student poverty amongst TAFE students nationally and that fees and charges are seen by students as a barrier to entry.⁸
41. Extending income contingent loan schemes to TAFE or ACFE is not justifiable on any acknowledged public interest grounds. Such a scheme will act as a disincentive because the

⁷ See Universities Australia, (March 2008), *Participation and Equity: A review of the participation in higher education of people from low socio-economic backgrounds and indigenous people*, p3. This report, prepared by the Centre for the Study of Higher Education, University of Melbourne notes that while financial considerations are a barrier in geographical areas where there are more concentrations of the relevant groups, the available data is not clear and calls for more research.

⁸ TAFE Futures: Key Findings, p3, <http://www.aefederal.org.au/Publications/TFsummary.pdf>, (accessed 22 May 2008)

perception will be that TAFE will become expensive like university—many people choose TAFE because they cannot afford university.

Question 6: How can the system be structured to produce a better match between the future needs of the Victorian economy and the training choices made by individuals and businesses?

42. Predicting the future needs of the Victorian economy is to say the least far from an exact task. That said, the policy settings for the Victorian economy of the state government in the early nineties could and were easily predicted to have the consequences now being experienced. That such settings were maintained for so long has more to do with the sources of policy advice than the veracity of such advice.
43. Choices made by individuals and businesses based upon predictions are likely to be very short-term in focus and ultimately quite inflexible. Rather than predicting future needs – a bit like picking future winners – Government should openly and transparently establish future goals or directions for training needs which have broad social, community and industry support and endorsed by democratic political processes. In the same way that the goal of successful completion of 12 yrs of schooling was established to guide the educational choices made by individuals and their families, so in the training sector a better match between individual and business choices and the needs of the economy may be achieved.

Question 7: How can Government best support TAFE and ACFE providers to thrive in a more competitive environment?

44. TAFE and ACFE providers are public institutions established for public purposes in the same way that government schools and to a lesser extent universities are. Those purposes are 'public goods' and are established by and specified in legislation through accepted democratic processes.
45. Competitive markets are not an appropriate or even efficient mechanism for the production of such public goods and, if used, will lead to market failure. Competitive markets lead to allocation of resources based upon maximum return on effort. In the training sector, this means the proliferation of small providers geared towards delivery of low level, low cost qualifications with high levels of turnover or through put of students. A market will ensure the providers stay in business as long as there are enough customers paying the right amount of money to assure profitability. There are already over 1200 private providers in Victoria—no other State has anywhere near that number. There is no evidence to show that more private providers in a competitive market will minimise skills shortages.
46. The AEUVB submits the question should profit motivated private RTOs get government funding, especially for courses in non-skills shortage areas?
47. If the VET system is opened to further competition, the challenges of maintaining high quality provision will increase. Another unintended consequence could be higher level costs of compliance to maintain the rigour of our Victorian VET system.
48. TAFE and ACFE providers should not be encouraged to be more competitive in such markets.
49. TAFE and ACFE providers should be more supported to offer training and further education in areas of exceptional need, eg drought stricken rural communities.
50. Governments can best support TAFE and ACFE providers by recommitting openly and publicly to full resourcing of their established public purposes.

Question 8: How can Government make its support for students undertaking training available in a way that encourages training providers to be more innovative, flexible and responsive to the needs of individuals and businesses?

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51. Remove compulsory tuition fees and charges on TAFE courses. Distinguish between private public training providers. Commit as a Government to fully fund student places in public training providers (TAFEs and ACFE centres) where VET study is engaged in for labour market entry purposes and in areas of identified need, eg, diploma and advanced diploma level qualifications in the professional and paraprofessional occupations, and certificate 3 and 4 level qualifications in skill shortage areas in apprenticeships.
52. Innovation can be driven not by use of price signals in an open market but by workforce development measures. Government can and should require TAFE Institutes and ACFE centres to devote substantially more effort to the professional development requirements of their teaching workforces.

Question 9: In what ways can government help individuals and businesses better understand and access the benefits of vocational education and training?

53. The AEUVB would support initiatives designed to raise the status of vocational education and training. Ensuring that the training workforce is professionally qualified with professional teaching qualifications is a preliminary and essential step. Certification, registration and licensing requirements as prerequisites for occupational entry are essential.
54. Removing high levels of casualisation from the VET workforce would send a strong signal to business and individuals that the training they are undertaking is being conducted by professional employees of the highest standard.
55. Commissioning fundamental research, and making the results publicly available, to investigate the benefits of VET study is required. Government needs to take a lead in championing VET study as a fundamental prerequisite for occupational entry where VET qualifications are a prerequisite.

In conclusion, the AEUVB submits some unintended consequences for consideration:

- The narrowing of the National Training Framework by limiting the intended potential of training packages which enable the individual to become more employable because of financial barriers
- The cost of increased compliance in a competitive market, especially with an increase of providers able to access government funding—the last time this happened was in the early 1990s and the AQTF had to be introduced at huge cost and effort in an attempt to manage the problem of quality provision
- Strategic alliances being made based on the provider's business reasons rather than development of partnerships for the public good
- Cashed-up providers making business decisions to eliminate competitors, some who may currently co-exist alongside them, thus limiting choice rather than increasing it
- The AEUVB agrees that the system needs to be industry driven but an unintended consequence of contestability could be that it will be the RTOs that will be the drivers, drumming up business and offering the cheapest possible training, not related to skills shortage areas.

– end –