

# **TAFE Directors Australia Conference**

**VET funding in Australia and the role of TAFE**

**Mitchell Institute conference presentation**

**2 September 2014**

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### About the author

A Mitchell Professorial Fellow, Peter Noonan has played a major role in shaping policy in Australia's education and training system. He has experience working as a policy adviser, senior executive and consultant to federal and state governments, universities, higher education providers, and TAFE institutes, and has been instrumental to several major policy changes and reviews.

Peter has held a number of senior appointments including: adviser to the Minister for Employment Education and Training in 1987; head of various state government departments and authorities; General Manager for Strategy and Planning at Victorian State Training Board; General Manager of the Australian National Training Authority; Deputy Director General in the Queensland Department of Employment Training and Industrial Relations.

Peter was a member of the Expert Panel for the Review of Australian Higher Education (The Bradley Review) in 2008. For The Allen Consulting Group, he undertook a Review of Post-Secondary Education for the Queensland State Government, led work on the Schooling Resources Standard for the Review of Australian Government School Funding (Gonski), and led a major project to develop a model of the Australian tertiary education system.

Peter's work as a Mitchell Institute Fellow is focused on the future of tertiary education in Australia including its interface with secondary education and with the labour market. He is Professor of Tertiary Education Policy at Victoria University and an Honorary Senior Fellow at the Graduate School of Education at The University of Melbourne.

### About the Mitchell Institute

The Mitchell Institute for Health and Education Policy at Victoria University is an independent research and policy institute that works to improve the connection between evidence-based research and public policy reform. The Institute was founded on the principle that health and education are critical components of the development and progress of an economically and socially prosperous society. This is reflected in its focus on disadvantaged communities and the transformational change effective education and good health can deliver. The Mitchell Institute was established in 2013 through the generous financial support of the Harold Mitchell Foundation to Victoria University, Melbourne.

Thank you to TAFE Directors Australia for the invitation to speak to you today.

The national VET system in Australia is very much at the crossroads.

While workforce skills and capabilities are recognised as central to Australia's future economic prosperity and to individuals' life chances and well-being, the VET sector - which arguably is of greatest relevance to most Australians and to most Australian firms - is facing a diminishing future.

Almost all of the public commentary in relation to education funding in Australia over the past year has been in relation to funding for schools and higher education. However, the real funding crisis is in the VET sector.

If we look at funding trends across the different sectors of education an alarming picture emerges, a picture that reflects the actual experience of many in the room.

- Slide 1 (see Appendix) demonstrates that while investment in schools and universities in Australia has risen significantly in recent years, there has been a much lower rate of growth in VET, with an even bleaker funding outlook in years to come. The exception to this picture is Victoria, where there has been a major increase in investment in VET in recent years.

This growing gap will be magnified in the next few years, with massive increases in funding for schools and ongoing growth in investment in higher education (albeit with a different mix of public and private funding). The graph understates the real level of investment in schools as it doesn't include the significant private spending in the non-government school sector.

- Slide 2 shows that spending per student has fallen significantly in VET in recent years, while it has grown substantially in government schools (and most likely even more in non-government schools) and to a lesser extent in higher education.
- Slide 3 again using ABS data illustrates the growing gaps in investment levels in VET between the states, with Queensland and NSW showing no growth or declines in funding and very little growth in South Australia. Ongoing growth at reduced funding rates is a recipe for poor student experiences and poor outcomes.

These worrying trends have been ignored by most public and press commentators and decision makers, who appear only to be able to deal with issues in the sectors in which they have any direct experience.

This is a major concern, as the challenges of Australia’s workforce retraining and entry level training requirements, as well as addressing the growing scourge of youth unemployment will fall – as they traditionally have – to the VET sector, but against a diminishing investment base.

There are also significant and growing differences in the level of investment in VET between the states, and in their approach to funding students and VET courses. These differences between the states are greater now than they have ever been since the development of the national VET system two decades ago.

In some course areas public subsidy rates have been slashed or removed altogether, leaving students facing the prospect of significant fee increases or programs not being conducted at all.

Most VET students are not able to access income contingent loans - as their counterparts in higher education are able to - even though VET students generally come from much lower socio-economic backgrounds than higher education students.

The states and territories are implementing a national agreement to introduce a student entitlement model in VET - but the funding outlook in most states and territories is resulting in so many constraints and distortions of the entitlement that, for many students, it will have little or no meaning.

With the funding trend and funding outlook I have outlined, we are in danger of perpetuating a hoax on many students about their likely access to a reasonably funded entitlement - or indeed an entitlement at all.

As one senior state department officer observed in relation to the defunding of an important VET Diploma: *“of course students will have an entitlement – they will be entitled to a full fee place at a provider of their choice”*.

As a consequence of cuts in subsidy levels and removal of funding for some courses, many VET students from lower socio-economic backgrounds will receive less public funding for their ‘entitlement’ than other students in VET and in higher education. This is a complete distortion of the usual principles applying to the use of public subsidies.

These growth disparities in funding between the sectors may see VET as a sector progressively eroded:

- At the lower certificate levels by schools – if VET in schools programs flourish as funding to schools is significantly increased over the next four years;
- By ongoing declines in its strongest offering – the apprenticeship system – and the final demise of traineeships; and
- At Diploma and Advanced Diploma levels by higher education as Commonwealth funding is extended to sub-degree programs. Major VET providers - particularly TAFE institutes - will move out of VET and into the higher education market.

Perhaps this is the outcome as a country we want. But if so, it should be a conscious, evidence-based decision and not driven by dysfunctional funding arrangements, a broken national governance model and sole policy preoccupation with schools and universities.

The risk here is not just to VET as a sector of education - but to ensuring that Australia's future workforce skills are met. We need an effective tertiary system which is responsive to individual student and industry needs across a diverse range of qualifications and offerings as the labour market changes and evolves.

What is emerging instead is a system in which demand and provision is driven by the availability of funding and the pursuit of prestige.

The separation of VET and higher education into the education and industry portfolios nationally, and between the Commonwealth and states in relation to VET means that there is no coherent approach to investment in tertiary education in Australia.

The same holds true for the broader policy settings across the VET and higher education sectors. This is not just a criticism of the current Federal Government. The previous Labor Government dropped the ball on important recommendations of the Bradley Review to give effect to a broader tertiary education sector and it is the states - with the exception of Victoria - who have run down VET funding, a core area of their responsibility.

While maintaining the distinctive role and contribution of both sectors, the Bradley Review argued for more coherence in the structure of qualifications, national regulation and consistent approaches to funding a tertiary student entitlement by the Commonwealth Government.

The review panel warned that:

*- moving to a demand-based approach to funding higher education cannot be done in isolation from VET. Changing higher education funding but leaving VET funding untouched would compound existing distortions.*

The Panel's concerns were in fact not realised in the period of growth in higher education post the Bradley Review. Enrolments grew in both sectors, but with a significant amount of the growth in VET through lower spending per student.

Enrolments in VET actually held up until 2012, but fell by 3.4 per cent in 2013 with a significant drop off in higher level qualification enrolments. The overall decline would be much greater had it not been for an 8 per cent increase in Certificate I enrolments.

However the Bradley Review's concerns may now be being realised.

A new independent assessment of funding trends and funding needs across the tertiary education system is therefore now urgently required.

Let me turn quickly to the role of TAFE as the public provider, not only in VET but in the tertiary education system generally.

Increasing the types and diversity of providers in both VET and higher education is an important objective, but again one which would best be tackled on a consistent and coherent basis across the tertiary education system. This will increasingly be the case given the number of providers who operate in both VET and higher education.

Within this tertiary education system governments must recognise the role of TAFE as the public provider in terms of its broader social and economic contributions and the critical infrastructure and capability it provides for many industries and in many communities.

In the design of competitive funding systems we must build in, in a transparent and efficiently priced manner, the costs of TAFE as a public provider, and we must be prepared to value TAFE as a public institution - just as it appears we are prepared recognise the intrinsic value of public universities.

A key part of TAFE's future role should be a focus on future skills requirements and investment in the new infrastructure and capability to meet these requirements.

These requirements will not be met by relying purely on market mechanisms, which are largely responsive to immediate skills needs. We must be prepared to innovate, to take risks and get ahead of the curve of skills needs.

In turn this requires new governance models in TAFE and renewal of leadership skills and employment models that are fit for purpose for modern professional learning and development, rather than dated systemic models which are a hangover from technical education and schools systems designed for different eras and purposes.

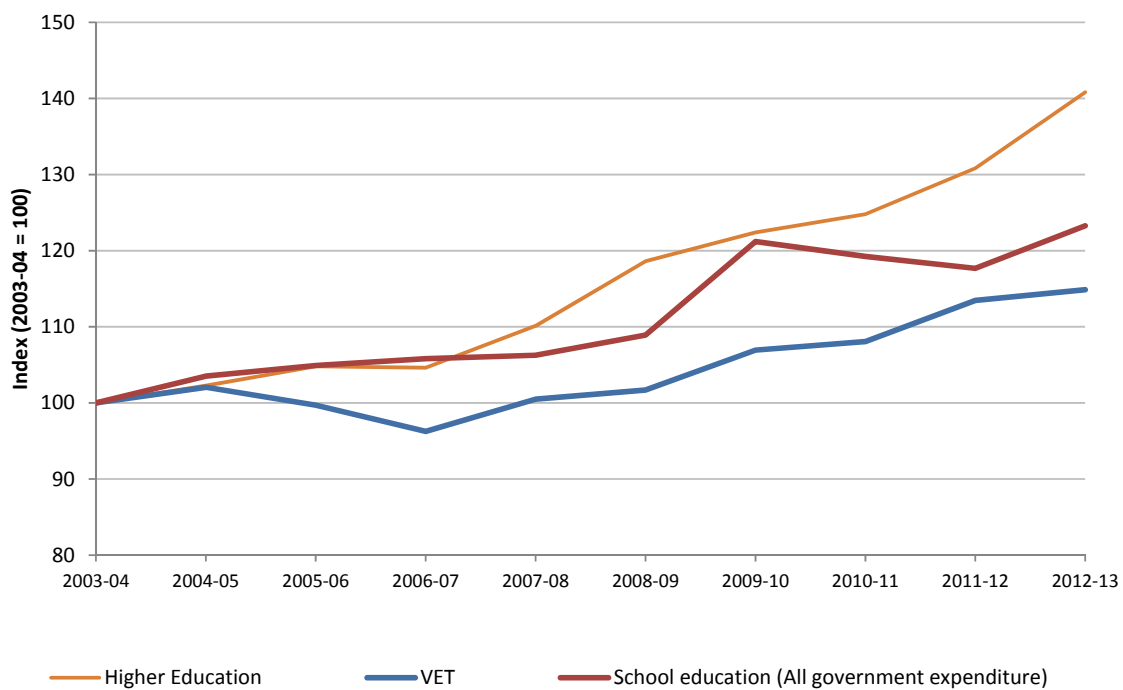
I'm heartened by the reforms to TAFE governance now occurring in most states. However it would be a mistake for TDA to just advocate around the role of TAFE.

Rather, and in conclusion, let me urge TDA - together with the peak industry bodies and ACPET - to come together around a common agenda to build a sustainable investment base for VET and a more coherent funding model across the tertiary education system in Australia.

## Appendix – Trends in education investment

### Slide 1 – Expenditure: 2003-04 to 2012-13

Public University expenditure has grown fastest... Steady growth in government expenditure on schools – slowest for VET

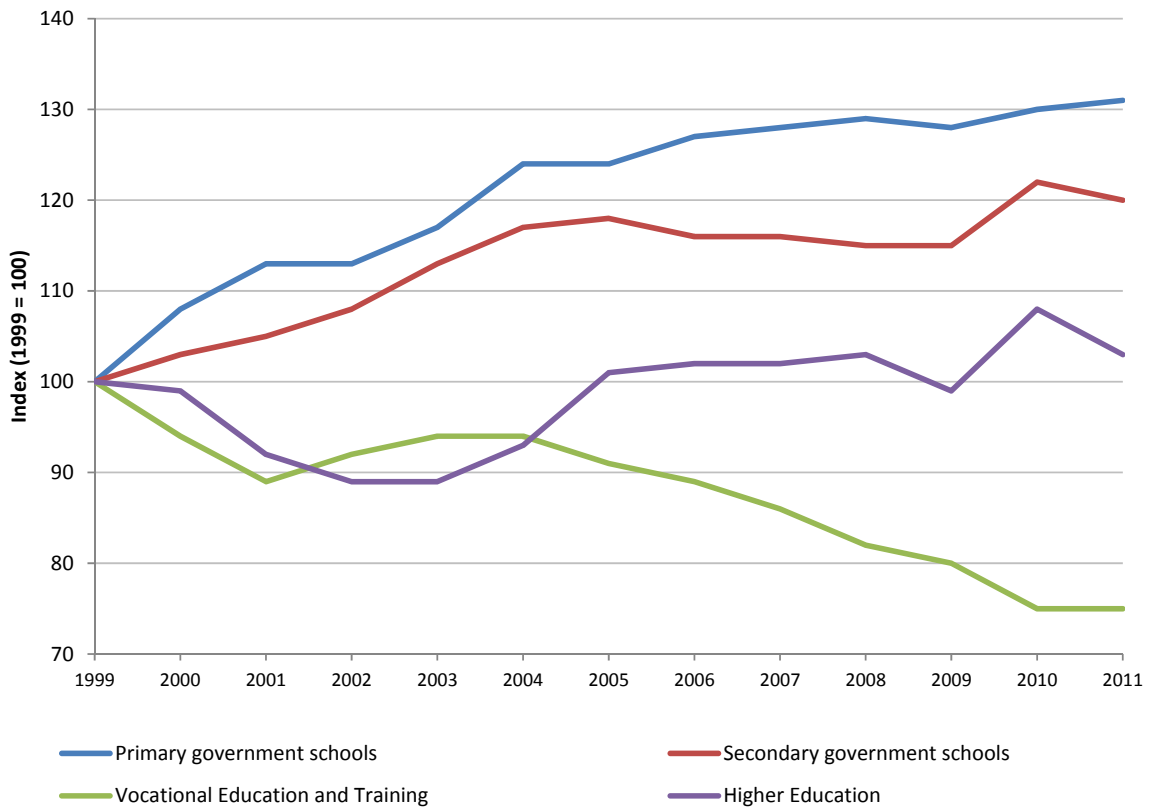


ACIL Allen Consulting analysis based on Australian Bureau of Statistics data



### Slide 2 – Government expenditure per student

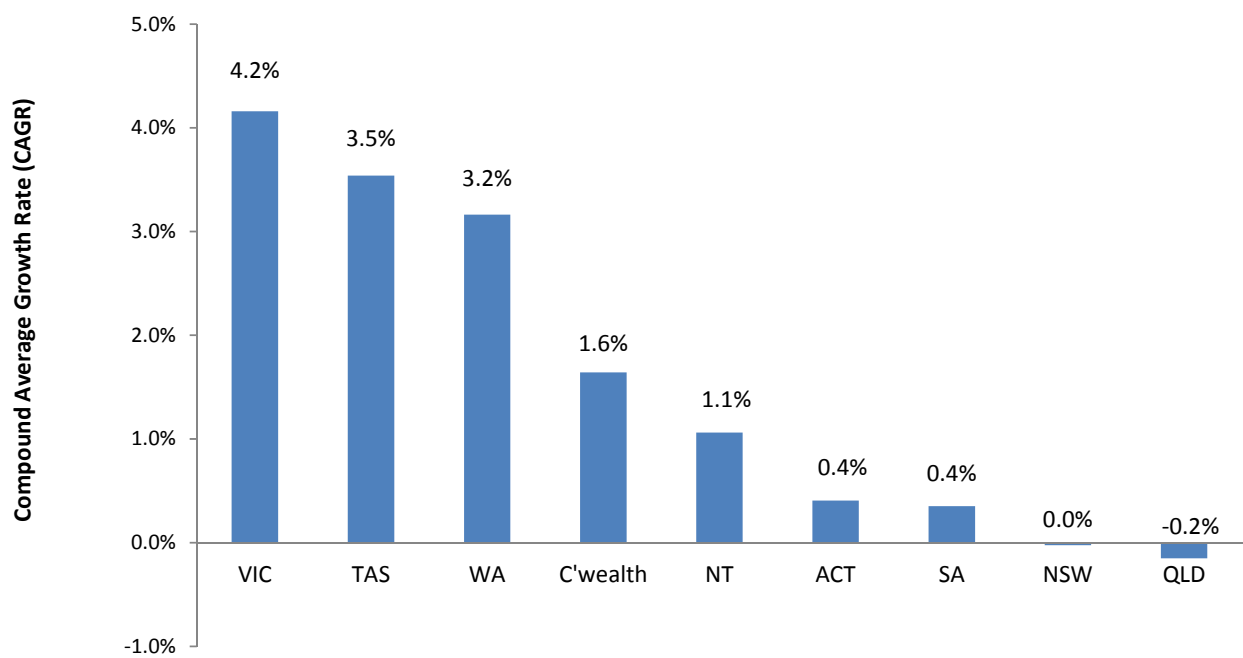
Commonwealth and state government recurrent expenditure, funding per full-time equivalent student (schools and higher education) and per annual hour (VET) indexed to 1999



Source: Australian Workforce and Productivity Agency, Future Focus : 2013 National Workforce Development Strategy

### Slide 3 – VET Expenditure 2003-04 to 2012-13

Compound average growth in expenditure varies greatly – from a real decline (QLD at -0.2%) to a large real increase (VIC at 4.2%)



ACIL Allen Consulting analysis based on Australian Bureau of Statistics data