

**TDA COMMENTS ON THE PRODUCTIVITY
COMMISSION'S DISCUSSION DRAFT**

ON

**THE REVIEW OF NATIONAL COMPETITION POLICY
ARRANGEMENTS**

Introduction

These comments are being submitted by TAFE Directors Australia in response to the sections of the Discussion Draft dealing with vocational education and training.

TAFE Directors Australia is a national association representing TAFE Institutes and the TAFE Divisions of multi-sector institutions, with its members being the CEOs of those bodies. As such, TDA is the peak body for the TAFE sector and represents public providers of vocational education and training.

TDA notes the Commission's main conclusion relating to VET, namely that many of the policies required to move forward in VET are already in place, including those directed at enhancing competition within the sector, and that account also needs to be taken of some new initiatives that have recently been announced by the Government. The Commission concluded that what seems to be needed now is a commitment by all jurisdictions to implement previously agreed changes, and subsequent evaluation of the impacts of these and the recently foreshadowed initiatives.

We have provided comments below under three main headings:

- Is the current VET system capable of meeting Australia's skills needs?
- User Choice
- The interface between universities and the VET sector.

Is the current VET system capable of meeting Australia's skills needs?

TDA's main reservation regarding the comments in the Discussion Draft relates to the view, that appears to be held by the Commission, that the current set of policy measures constitutes a sufficient strategy for meeting Australia's future skills needs. We do not consider this to be the case.

We consider that there needs to be a much greater focus on vocational education and training in Australia's education system if important national objectives are to be achieved and that there are many areas where improvements need to be made. We are mindful that as Australia's population and workforce ages, economic growth will be dependent on increasing productivity and increasing labour force participation. Both will require a substantial investment in the training of young people and older workers.

TDA has argued¹ that:

- There should be a national goal that all Australians be given the opportunity of undertaking a minimum of two years of recognised post-school education and training, including VET qualifications typically to at least Certificate III or IV level.

¹ TAFE Directors Australia *Investing in Australia's Future: TAFE's Role in Meeting the Skills Challenge*, August 2004.

- Young people ‘at risk’ need greater support to help them manage the transition from school.
- There should be alternative education pathways, including through TAFE, provided for those who may not thrive in traditional school settings.
- Pathways from TAFE to university need to be improved.
- There are changes that are needed in the design of the VET system to give it greater flexibility.
- Changes are also needed in the New Apprenticeships Programme which currently puts too much emphasis on basic level training for short term needs.
- The VET system, and the TAFE system in particular, needs to be much better resourced than it is at present. Additional funding for TAFE is essential for improving facilities and equipment; expanding pre-apprenticeship programs, improving the system’s capacity to provide high quality training for the existing work force and to keep pace with the growing demand for places, especially the demand for higher vocational skill levels; making better provision for mature aged workers; building the capacity of the system to contribute to innovation including through applied research; providing necessary support for disadvantaged students; and improved delivery in regional and remote communities.

In relation to funding, we note that the National VET Strategy that was signed by the Australian, State and Territory Governments at the end of 2003 describes TAFE as a central plank of the national provider network. The Strategy has, as a central element, a commitment to making a sustained investment in TAFE as well as other RTOs. For some years prior to 2003 funding was very severely constrained and failed to keep pace with the growth in demand. An already serious situation was exacerbated in 2004 when funding provided by the Australian Government under the ANTA Agreement fell in real terms. It appears that this will again be the case in 2005. It is vital if Australia’s future needs are to be met that action be taken to ensure that the funding commitment embodied in the National Strategy is fulfilled.

User Choice

Some of the submissions put to the Commission’s inquiry suggest that current skills shortages are attributable to restrictions in some jurisdictions on access to User Choice. We are not aware of any evidence that this is the case.

In our view the causes of skills shortages are complex but have little to do with the availability of User Choice. In part skills shortages in the traditional trades are due to cyclical factors. But they are also due to the perceived unattractiveness of the trades in relation to other occupations. Contributing factors include the lengths of apprenticeships, pay and award conditions, negative perceptions about the nature of the work and longer term earnings prospects, parental aspirations, and shortcomings in the quality of available careers advice.

Another important reason underlying skills shortages is the reluctance of many employers to invest in training through providing traditional apprenticeships. The withdrawal to a large extent of public utilities and other government agencies from apprenticeship training,

as well as changes in industry structure with many firms contracting out trades work to smaller independent operators, have worked to exacerbate the situation.

While linking skills shortages with limitations placed on User Choice is not tenable, TDA does recognise the importance of questions relating to User Choice and the benefits of a competitive training market. User Choice encourages providers of vocational education and training to be responsive to industry needs. TAFE Institutes have been operating in a competitive environment for some years and they believe that the quality of their product and responsiveness to industry needs has improved as a result.

TDA therefore supports the concept of User Choice. It agrees with the principle that employers and their apprentices should be able to select a training provider who in their opinion delivers training that best suits their needs, *provided that* there are adequate government requirements and audit arrangements in place to ensure quality, and the effective use of public funds, and that the provider meets those requirements.

The importance of this proviso needs emphasising. TDA considers that where public funds are involved it is appropriate that those requirements include meeting performance benchmarks such as completion rates.

Further, issues relating to User Choice and ensuring the effective use of public funds cannot be considered in isolation from shortcomings in the Australian Government's New Apprenticeship Programme and from questions relating to the sufficiency of overall funding for vocational education and training.

Three points are relevant.

First, one of the main reasons why caps have been imposed on User Choice in some jurisdictions is a legitimate concern of State and Territory Governments that allocation of public funds reflect government determined priorities for skills training.

In an environment where funding has been and remains very tight, governments need to make sure that the funds for training New Apprentices are being targeted to the areas of greatest skill need. TDA is of the view that there are a number of problems with the New Apprenticeship scheme as currently designed. The Programme has tended to encourage people to undertake short term traineeships rather than traditional apprenticeships and higher level qualifications. The great majority of "new apprentices" are outside the traditional trades and training for lower level qualifications in relatively low skill areas. The Programme needs to be overhauled to provide a greater incentive and encouragement for quality, higher level training. There is also a strong case for modifying the incentive structure to give additional incentives to priority industry areas including areas where there appear to be structural barriers to training such as the traditional trades.

Second, governments need to ensure that providing increased funding for New Apprenticeship places is not at the cost of funding courses and places for other categories of students including those engaged in entry level training. New Apprentices are a very important group but they are only a minority of publicly funded students in vocational education and training.

Third, government has an over-riding responsibility to ensure that the public provider system is funded adequately so that it can fulfil the role expected of it. The TAFE system delivers most of Australia's publicly funded training, especially in the traditional trades. However, its capacity to do more and to do it well is being very severely constrained by the limits that have been placed in recent years on the funding provided for VET including capital equipment funding.

This all suggests that unless overall funding is substantially increased, there will be a continuing need to place some limitations on User Choice funds and for State and Territory Governments to direct funding into areas where there are the most pressing skills needs. We are not opposed to full implementation of User Choice as such, but it does need to be accompanied by action to increase overall funding so that all key priorities can be accommodated.

In addition, the effective use of public funds demands that the design of any User Choice model needs to take into account certain considerations. These include

- the impact of fragmentation in 'thin' markets, especially in regional areas, as well as on markets where concentration of resources is of benefit because of the substantial investment in high-tech equipment and facilities that is required to meet industry expectations;
- the importance of appropriate costing of delivery;
- the propensity of some private, 'for profit' providers to opt in and out of the market, focusing on the most lucrative areas, including especially lower skill level programs and failing to deliver later years of programs eg for Certificate III and IV qualifications;
- expectations that public providers will pick-up areas of difficult and/or unprofitable delivery; and
- the need to make proper provision for students with special needs.

The interface between universities and the VET sector

The Discussion Draft refers in passing to the differences in funding between universities and the VET sector and mismatches in the interface between the VET and university sectors, particularly the possibly distorting effect of differences in user charging arrangements.

The relatively low priority accorded vocational education and training compared with other education sectors is of continuing concern and we have noted above the reasons why there is a pressing need to increase funding for VET.

We have put the view to government on previous occasions² that there would be benefit in taking a more holistic approach to the tertiary sector especially given that there are a number of areas of overlapping activity and the boundaries have become increasingly blurred. Looking more broadly at post-secondary education and training would facilitate

² See for example TAFE Directors Australia's submission to the Higher Education Review, 2002.

consideration of what Australia's skills needs are likely to be in the future, how best to meet those needs in the light of the particular strengths of different types of tertiary institutions and how they might best complement each other. This would help ensure the most effective use of public funds.

TAFE fees are generally substantially lower than university fees and concessions are available for students from disadvantaged backgrounds. Nevertheless, up-front fees are sometimes significant and can constitute an impediment to study. TDA therefore considers that there would be merit in making available a loans scheme along the lines of FEE-HELP. That said, we are also of the view that the main emphasis should be put on keeping fees affordable and that there is a strong case for providing everyone with the opportunity of two years post-school education and training.

The Discussion Paper remarks that the significantly lower student charges in the TAFE system encourage some students to gain credit towards a degree at TAFE, rather than directly enter a university. This matter was raised in the context of the Higher Education Review but, as we noted at that time³, work undertaken by Mike Long and Gerald Burke⁴ shows that there is no evidence of students taking a backdoor route through TAFE to avoid HECS. They found that

- the proportion of students admitted to university on the basis of their TAFE qualifications was reasonably stable over the period 1995 to 2001 and there has been no sign of any increase since 1997;
- the proportion granted credit for TAFE studies declined; and
- the level of exemption for individual students was generally small and the numbers given exemption for more than half their course was very small indeed.

It cannot be emphasised too strongly that students are most unlikely to choose a TAFE pathway simply because it is seen as a cheap way of getting a degree. The facts are that articulation and credit transfer arrangements are often lacking or uncertain. Further and importantly, even where such arrangements are in place, they do not of themselves provide an assured pathway because they do not guarantee that a place will be available. Gaining a place can be particularly difficult where the articulating student has to compete for a place where there is a high entrance cut-off score.

TAFE Directors Australia December 2004

³ TAFE Directors Australia, *The Higher Education Review: A Response to the Issues Papers*, September 2002

⁴ Mike Long and Gerald Burke, *HECS & VECS: Reflections on a Student Loans Scheme for VET*, Centre for the Economics of Education and Training, Monash University – ACER, August 2002