



26 April 2013

Committee Secretary  
House of Representatives Standing Committee on  
Education and Employment  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

**Megan Lilly**  
Director,  
Education and Training

20 Queens Road  
Melbourne VIC 3004  
PO Box 7622  
Melbourne VIC 8004

ABN 76 369 958 788

Tele: +613 9867 0202  
Fax: +613 9867 0199  
[www.aigroup.com.au](http://www.aigroup.com.au)

Dear Committee Secretary

**RE: INQUIRY INTO THE ROLE OF TECHNICAL AND FURTHER EDUCATION  
SYSTEM AND ITS OPERATION**

The Australian Industry Group (Ai Group) is pleased to provide comments in relation to Inquiry into the Role of Technical and Further Education System and its Operations. In doing so, we prefer to provide an overall response to this inquiry rather specifically address each of the terms of reference.

As a starting point, it is important to highlight what we consider to be the main principles underpinning the public training system. These are:

- An industry – led system: the purpose of the training system is to provide a highly skilled workforce able to meet the needs of industry in an increasingly complex economy;
- National consistency: industry requires a public training system that is truly national so that consistency of training outcomes is provided across territorial borders;
- Properly resourced: the public training system needs to be properly resourced and efficiently managed in order to provide quality training responsive to industry need;
- Quality system: all aspects of the national training system must reflect quality to maintain industry confidence in the system;
- Community provision: a public training system needs to embrace its wider community responsibilities beyond the immediate needs of industry.

The Australian Industry Group has long argued that investing in education and training is central to the efforts that Australia needs to make to meet our economic and broader social objectives. An ongoing commitment to a higher quality national, industry-led skilling system which is appropriately resourced is required. This needs to be underpinned by a strong commitment to reform. This is vital as the multi-speed nature of the economy results in a number of complex skilling demands: for example, some

sectors experiencing growth have deepening skills shortages, while other sectors are restructuring and requiring new skills at higher levels to remain competitive. There is a broad need to raise national skill levels and skill utilisation rates to build competitiveness, and literacy and numeracy deficits across the economy are negatively impacting on enterprises and industries to varying degrees.

It needs to be acknowledged that the TAFE system is the bedrock of the national VET system. The number of students enrolled in public VET increased by 4.6% to 1.9 million in 2011. Almost two-thirds of these students were enrolled in TAFE.<sup>1</sup> As well as addressing industry needs for specific technical skills TAFE Institutes operate for the public good.

*“TAFE’s remit goes well beyond the basic trades, they provide services to local communities, and particularly in regional areas they’re a key hub in the community. They just don’t aim for the lucrative parts of the market, they fulfil a much broader training role, and they’re very much organisations that operate for the public good.”<sup>2</sup>*

Industry is currently facing a unique combination of challenges and opportunities all of which impact upon human capital. Industry’s ability to develop people to meet the challenges of the digital economy in the context of the Asian century will be pivotal to how companies are positioned for future growth. There are currently a number of skilling reforms underway which have the potential to make a real difference to industry’s ability to access the skills it needs. Industry needs a strong TAFE system, flexible and responsive to industry needs. In order to serve the increasingly complex demands of the economy TAFE must also embrace change within.

## Overall Response

The changing nature of the economy means that industry needs an increasingly qualified workforce and the demand for high-level skills is expected to remain strong. There is a continuing need to provide opportunities for the existing workforce to upgrade their skills. The key challenge for workforce development is whether the national VET system, particularly the TAFE system, is able to meet this expanding need.

The Australian Workforce and Productivity Agency has drawn attention to the widening gap between the expected supply of higher level skills and the expected industry demand. They estimate a 2.8 million shortfall of higher-skilled qualifications by 2025.<sup>3</sup> This translates to the need to achieve a minimum annual growth of 3% in tertiary enrolments. The movement to demand-led funding systems in some jurisdictions make it more difficult to anticipate the future supply of qualifications.

For some time the level of funding for the VET sector has been inadequate in its own right and in comparison with the higher education and schooling sectors<sup>4</sup>. *Australian Workforce Futures* noted that VET funding per hour fell by 14% between 2006 and 2010 which contributed to the call for an additional 3% funding per year to 2025 to meet the

---

<sup>1</sup> Australian vocational education and training statistics, Students and courses, 2011, NCVET, August 2012, pages 6 – 7.

<sup>2</sup> Innes Willox, *Industry and TAFE harmed by VET reforms*, Campus Review, 24 July 2012.

<sup>3</sup> Future Focus: 2013 National Workforce Development Strategy, Australian Workforce and Productivity Agency, March 2013, page 9.

<sup>4</sup> *Investment in Vocational Education and Training (VET)*, A Report to the Board of Skills Australia, Peter Noonan et al., May 2010.

projected need for enrolment growth.<sup>5</sup> The VET initiatives announced in the 2011 – 2012 Federal Budget for example, do not represent substantial ongoing investment in the sector. Total Federal VET funding is projected to have an average annual increase of only 0.2% over the 2010/11 – 2014/15 period.<sup>6</sup> Commonwealth payments to the States and Territories do not significantly increase during this period and indeed, national support funding for VET averages 0.5% annual decrease during this period. Industry will not be able to meet its need for the amount of qualifications required if the current levels of VET funding continue. This is especially the case given the increasing need for higher levels of qualifications.

TAFE is a consistent provider of programs for disengaged youth. In Victoria, for example, TAFE is among the largest providers of the Victorian Certificate of Applied Learning (VCAL), a program that often caters for young people disenchanted with mainstream secondary schooling. The TAFE cuts in Victoria have a negative impact on the prospects of these young people because of the reduction in stepping stone certificate programs in hospitality, retail and personal services as well as the reduction of student support services.<sup>7</sup> Additionally, it is mainly females that take up these courses and so they will experience particular disadvantage.<sup>8</sup>

The implementation of market-based funding has a significant impact on regional communities. Regional institutes existing in thin markets will always be more expensive to operate than metropolitan institutes which operate in denser markets. Strict application of market principles based solely on competition would result in the demise of many regional institutes. As one representative of a regional Victorian TAFE says:

*“We are removing courses that aren’t profitable, but there are some courses you have to do for the benefit of the community. If we were a private provider you’d say ‘Oh, get rid of that because we can’t make a dollar out of it.’ But there are some things we have to do because of our ‘embeddedness’ in the regional community, and there’s a pain factor in that. That’s part of what we do. You can’t make a quid everywhere; there are some things you have to do to fit the community.”<sup>9</sup>*

In addition to this the VET sector enrolls many more individuals from disadvantaged backgrounds compared to the higher education sector. The VET sector currently provides for more than three times the number of students from the lowest socio-economic background than higher education. AWPAs recommends additional expenditure similar to that provided in higher education as recommended by the Bradley Review which is estimated to be \$200 million per annum. Given this, the funding for the VET sector needs to grow at least the same rate as funding for the higher education sector.

---

<sup>5</sup> As reported in *Australia’s skills and workforce development needs, Discussion Paper, July 2012*, Australian Workforce and Productivity Agency, page 73.

<sup>6</sup> Future Government Funding for VET, September 2011, Meetings with Department Secretaries, Skills Australia.

<sup>7</sup> George Myconos, *Re-engagement, training and beyond*, Brotherhood of St Laurence, 2012.

<sup>8</sup> *Women pay higher price for reforms*, Campus Review, 7 August 2012.

<sup>9</sup> Tony Brandt, chairperson of Wodonga Institute of TAFE cited in *TAFEs power regional economies*, Campus Review, 20 March 2012.

Ai Group has been concerned by the introduction of demand-driven funding approaches by some jurisdictions when these are not related to industry needs.<sup>10</sup> These have been based on the twin pillars of funding contestability and student entitlement. This approach leads to excessive enrolments in some industry areas with little regard for employment prospects. This has been an unfortunate development in the overall positive direction of movement away from a supply-driven training system. Ai Group has consistently supported a balance between the individual demand-driven model and the needs of industry and the economy. It is irresponsible to leave the provision of training for the needs of industry and the broader economy to market forces alone.<sup>11</sup>

Jurisdictions also need to review their approaches to entitlement. A major issue of the entitlement model is that the VET system is designed to be industry-led and not driven by the individual.<sup>12</sup> The entitlement model is premised on the notion that the consumer makes an informed choice. The VET market however is a very imperfect market and individual consumers are not readily provided with sufficiently adequate information upon which to base a training decision. It is important that individuals are supported to undertake qualifications in areas of need such as skills shortages and foundation skills regardless of whether they have used their entitlement in an original field of study.

*“Basically people are burning their entitlement to training for a course that doesn’t give them a career path, and doesn’t give that person proper purpose or direction.”<sup>13</sup>*

Some jurisdictions are drastically reducing funding to TAFE. This distorts provision patterns and contributes to the expansion of the more market-oriented private providers of training.<sup>14</sup> TAFE Institutes have been able to cross-subsidise expensive technology-based courses with funds generated from other program areas. This will no longer be possible.

*“This is where TAFE cuts will impact most, because there are going to be less incentive for TAFEs to deliver these programs that businesses see as being crucial.”<sup>15</sup>*

It has been noted that the removal of the full service provider model for TAFE in Victoria will have an impact on disadvantaged students. Services removed include counselling, libraries, and disability programs.

The quality of training provision is always important as it provides confidence in the system and workers with the skills that they require to make the necessary contribution to industry and the economy. Ai Group welcomes the arrival of the Australian Skills Quality Authority (ASQA) as the national regulator and the increased rigor that will be brought to the system. ASQA has already indicated that it will conduct strategic industry audits to target industries that have been the subject of quality complaints.<sup>16</sup>

---

<sup>10</sup> Innes Willox, *Make the training system work*, Australian Financial Review, 3 July 2012.

<sup>11</sup> Innes Willox, *Industry and TAFE harmed by VET reforms*, Campus Review, 24 July 2012.

<sup>12</sup> *VET student entitlement schemes flawed*, Campus review, 6 March 2012.

<sup>13</sup> Innes Willox, *Industry and TAFE harmed by VET reforms*, Campus Review, 24 July 2012.

<sup>14</sup> Leesa Wheelahan, *TAFEs on a hiding to nothing*, Campus Review, 15 May 2012.

<sup>15</sup> Innes Willox, *Industry and TAFE harmed by VET reforms*, Campus Review, 24 July 2012.

<sup>16</sup> *National regulator prepares to pounce*, Campus Review, 29 May 2012.

## **Concluding Remarks**

It is clear that Australia needs a strong and responsive VET sector, with the TAFE system at its centre, to meet industry needs in an increasingly complex economy. The system is currently facing a number of challenges; inadequate funding and funding cutbacks; new contestable funding and student entitlement models; a shifting focus to individual demand rather than industry need; a diminishing role in regional communities; less focus on the needs of the disadvantaged; and public and industry concerns about the quality of delivered outcomes. All of this needs to be addressed to ensure that industry has the highly skilled and qualified workforce it needs in order to be able to effectively compete in the globalised economy.

Yours sincerely

A handwritten signature in black ink that reads "Megan Lilly". The signature is written in a cursive style with a decorative flourish at the end.

**Megan Lilly**  
**Director – Education and Training**