



Victorian TAFE  
*Association*

Reg. No. A37584B

# Towards a Smarter Economy: Investing in Vocational Education & Training

A VTA Discussion Paper

August 2001

FOR FURTHER INFORMATION OR ENQUIRIES PLEASE CONTACT:

---

**Victorian TAFE Association Inc.**  
Level 2, 126 Wellington Parade  
EAST MELBOURNE VIC 3002  
Tel: (03) 9417 2677

**Mr Richard King**  
Executive Director  
[rking@vta.vic.edu.au](mailto:rking@vta.vic.edu.au)

August 2001

## INTRODUCTION

TAFE Institutes are seeking policy commitments from all major political parties to support the following objectives:

- Recognition by Commonwealth and State Governments that by providing a publicly funded vocational education and training system, TAFE institutes play an important role in Australia's economic development.
- Increased funding on a rolling triennial basis to expand and enhance the work of TAFE Institutes and in turn, bring stability and sustainability to the funding process.
- Co-operation between Federal and State governments in the development of a national TAFE system or, at the very least, a national system for delivering TAFE courses and programs.
- Establishment of centres of excellence within TAFE Institutes that encourage applied research and the innovative application of what is being taught, as distinct from the present research focus on how Vocational Education and Training (VET) is conducted and delivered.

## RECOGNISING THE VALUE OF VOCATIONAL EDUCATION AND TRAINING

Two statistics extrapolated from data produced by the National Centre for Vocational Education Research (NCVER)<sup>1</sup> will help put the role and significance of TAFE Institutes into context.

First, in 2000, 557,000 students were enrolled in universities nationally, compared with 1.75 million students undertaking vocational programs at TAFE Institutes.

Second, the level of Government funding per university student (EFTSU) was approximately \$8,000 in contrast to \$2,300 per equivalent full-time TAFE student. This represents a TAFE funding rate approximately 75% lower even though there is a broad expectation that TAFE should provide extensive, high-quality and capital-intensive services to students, employers and the community in a consistent way across Australia.

It also demonstrates the low relative importance accorded by those empowered to provide vision and leadership to what can only be described as the engine-room of Australia's future skills base.

Successive Australian Governments, as well as many sections of the community, have not recognised the value of the contribution that TAFE has made and has the potential to continue making to Australia's economic, intellectual and skills well-being.

Clearly the Federal Government's support of vocational education and training in Australia is directed and motivated by policy that is focussed on **training**, at the obvious cost of **education**. This is evidenced in the way Government regards vocational education and training as being subservient to its employment policy.

It conveniently and continually ignores the fact that TAFE delivers courses and programs to 23.2% of all graduates and 34.6% of all module completers whose TAFE studies are not directly related to their current employment and that most of the 15-22 age cohort studying at TAFE are studying for an entry-level qualification.<sup>2</sup>

It also ignores the fact that 33.3% of the hours delivered by publicly funded providers in 1999 were delivered to 143,800 full-time students<sup>3</sup> who, by definition, can be considered to be in a pre-employment phase of their life, whether initially or through a change of career choice.

<sup>1</sup> VETstats highlights for 1999: A Pocket Guide to vocational education and training in Australia; NCVER, (undated)

<sup>2</sup> Student Outcomes Survey In Summary; NCVER, 2000

<sup>3</sup> Australian VET Statistics 99:An Overview Highlights and Main Features; NCVER, 2000

Currently, the Government's sole strategy for encouraging young Australians to access vocational education and training is to promote participation in the employment-based apprenticeship and/or traineeship schemes. Consequently, all new Commonwealth funding has been directed to meeting the training demand arising from the increase in the number of traineeships and apprenticeships. But figures released in 2001 by the NCVER show that the successful completion rate of those undertaking this form of 'training' is very low, citing a non-completion rate for apprenticeships of 23-30% and for traineeships around 45%.<sup>4</sup>

Furthermore, one must question the wisdom of an education policy that appears to ignore the fact that about 62% of TAFE students are over the age of 24.<sup>5</sup>

Government policy on VET has been to embrace competency-based training through a system of competency-based National Training Packages at the expense of traditional curriculum-based education.

There is scant recognition in this policy of the need to support pre-vocational education and training, that is access to vocational education and training for those in the community who, by choice or circumstance, are not yet employed. The irony is that whereas the critical importance of pre-vocational training and other transitional TAFE programs seems to have eluded the policy-makers in this sector, by comparison, it has long been accepted that a great deal of the effort in the university sector is pre-vocational.

As fig. 1 shows, these packages are structured with a mix of on and off-the-job learning and as such are appropriate for those already employed in a particular industry.

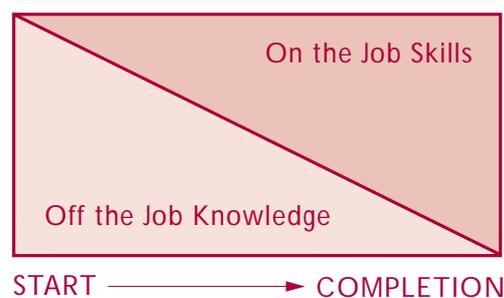


Fig 1 Training Package On/Off Job Mix

4 Australian apprenticeships: Facts, fiction and future; NCVER, 2001

5 Australian VET statistics 2000: At a glance; NCVER, 2001

But Training Packages are not suitably structured for those who are not yet employed and therefore offer those Australians limited access. This is also the case for those people who are employed in a vocation where the opportunity for the mandatory on-the-job experience in a particular training package is not available. Both groups are marginalised in this process, increasing the risk of non-completion and reducing future opportunities.

In vocational education, there are two definable approaches to learning. The first is where the learning is centred on skills development and skills enhancement and outcomes are assessed in terms of competence to perform a task(s). This is the area that Government policy supports. Not so well understood is the other, where learning is focused on gaining an understanding of the subject matter and where outcomes are measured in terms of knowledge gained.

The Government must reassess its support of those Australians, young and old, who are intent on learning the 'why' or what in other sectors of education is referred to as the 'pursuit of knowledge'. Participation and retention rates can be improved by adopting strategies that cater for the needs of all students, not just for those in employment.

While the Government and the community generally support the creation of new products, a role rightly carried out in our universities, research centres and forward thinking industries, there is insufficient recognition and support being given to enhancing the skills of those already in the workforce who will be called upon to manufacture, maintain and therefore engender consumer support for the new technologies and products.

The value of a vibrant and innovative vocational education and training system to every country's economy is clear. It is time that the rhetoric of government policy was matched with tangible support.

The OECD presently ranks Australia 4th lowest out of 23 countries in public expenditure on education.<sup>6</sup>

The distribution of Government funding in 1997-1998 to the three sectors of education was:<sup>7</sup>

○ Schools	60%
○ Higher Education	20%
○ TAFE	10%

We believe that there are three fundamental flaws in the present funding arrangement:

- the lack of alignment of the training policy with market demand;
- the growing disparity between funding and the cost of delivery;
- the inconsistencies of output-driven training policy and input- driven funding policy.

### Market Demand

The current funding policy is predicated on an approach to training delivery that requires students to access on-the-job training as an integral part of the course. It fails to recognise market demand, employment and underemployment patterns, the outcomes desired by Government and the expectations of the Australian community.

As discussed earlier in this paper, we believe that the Government's approach to funding vocational education and training is primarily focussed on encouraging young people into the workforce through the apprenticeship or traineeship system, a principle of itself applauded and worthy of greater support. However, this approach lacks balance in that any 'new' money intended to meet growth in demand only recognises training delivered through nationally endorsed training packages to those entering the workforce as apprentices or trainees.

6 OECD Education at a Glance; Paris; 2000; Table B1.1a,c

7 ABS Catalogue 5510.0

There is no growth funding for courses that cater for those not yet employed. This is a distortion of reality and ignores trends in employment patterns and the choice students are making. Only 29% of the total training delivered in 2000 was associated with national training packages and this was delivered to just 23% of the total student cohort.<sup>8</sup>

The shortfall in growth funding has to be met from 'efficiencies' in delivery; supplementation by the States; and increasingly, from the commercial activities of TAFE Institutes.

NCVER reported that in 2000, there was a year-on-year increase nationally of 6.2% in the number of students undertaking vocational programs at TAFE Institutes. The number increased by 77.4% from 1991 – 2000, reflecting an annual growth rate of 6.6%. Last year, total operating expenditure on publicly funded vocational education and training rose by only 5.6%.<sup>9</sup>

### **Meeting the Cost of Delivery**

The gap between increases in demand for courses on the one hand and funding provision on the other is widening to the extent that the funding provided does not recognise the real cost of delivery.

Part or all of the increase in demand has come from the Government's commitment to grow the take-up of apprenticeships and traineeships. However, as apprenticeship training is more often highly resource-intensive, specialist delivery, the increase in funding should logically have been greater in percentage terms than the growth in delivery. The resultant pressure on TAFE to meet its obligation under the ANTA Agreement to provide priority access for apprentices and trainees has been met through a reduction in the delivery of curriculum-based courses, yet this is where most of the delivery is occurring.

The funding implications of this pressure are profound. In Victoria, the maximum cost of tuition for a two-year TAFE course is \$500 per enrolment per year. Students eligible for fee concessions pay a maximum enrolment fee of \$40. An equivalent university course for which a TAFE student might receive a credit of between one and one and a half years would be a HECS fee of approximately \$4,000 per enrolment per year.

---

<sup>8</sup> Australian VET statistics 2000: At a Glance; NCVER, 2001.

<sup>9</sup> *ibid.*

Under this policy, many Australians, especially those in regional Australia, are being forced to relocate to metropolitan-based universities and incur higher tuition and living costs in order to pursue a 'pre-vocational' education.

The funding received by providers in Australia varies dramatically by State and reflects the historical cost of delivery. For example, in 1999, Government recurrent expenditure per hour of publicly funded VET activity was:

	Vic	SA	WA	Qld	NSW	ACT	Tas	NT	Aus
1999	\$9.30	\$11.80	\$13.00	\$13.40	\$14.50	\$15.10	\$15.80	\$19.60	\$12.60

Source: ANTA (2000) Annual National Report, vol3, p158

This formula effectively penalised Victoria for being the most cost efficient deliverer of TAFE courses. States with higher per capita delivery costs benefit more under this arrangement.

The present ANTA agreement actively encourages States to top up recurrent funding from capital allocations. This is bad policy. Many of the teaching assets used in TAFE Institutes, such as IC&T equipment and large capital resources used to teach trade apprentices, need to be regularly upgraded and updated to maintain the quality of facilities and courses necessary to meet industry standards. Siphoning money from capital allocations to support delivery would quickly beggar TAFE Institutes' asset base, resulting in a potential depletion of resources to undertake research, support growth and implement innovative models of delivery.

### Output vs Input policy-making

The Government 'training' policy is predicated on outputs, measured through competency-based learning, which means the duration of student participation is determined by the time it takes that person to acquire the required competency.

This is completely incongruous with an input-based 'funding' policy that funds delivery on a fixed length-of-course criterion ('nominal hours') that is measured in the average student contact hours (ASCH) required by the teacher to deliver the course.

The current funding arrangements disregard the reality that learning styles and learning rates differ markedly regardless of age, gender, race and socio-economic status. Students do not necessarily learn and become competent 'according to plan' and the 'nominal' hours recommended for training delivery rarely match the requirements of the students.

### **Addressing the Issues**

For the past 10 years, TAFE Institutes have been funded under a three-year Heads of Government agreement administered by the Australian National Training Authority (ANTA).

TAFE funding is effectively tied into the election cycle and has regularly become a political football between the Federal and State Governments. The dual funding arrangements between the States and the Commonwealth leave open the potential for the abrogation of their respective responsibilities. At an operational level, this has created an environment of uncertainty for providers, industry and the wider community. It has undermined long-term planning and restricted outputs.

The current Commonwealth funding model for TAFE is inflexible and unresponsive. Whereas three-year fixed funding should provide some certainty to the planning process, its application through the MINCO process and the requirement for States to submit annual training plans, combine to negate any potential for this sector to maximise the three-year forward planning cycle.

The rigid interpretation and application of the annual training plans of the States leaves limited scope to realign profile and growth moneys. This militates against sensible, flexible planning particularly late in this funding cycle when the flow of funds can be markedly out of step with market realities. With a suite of course offerings ranging from 6 months to 3 years, what is needed is a three-year rolling funding cycle with continual review built into the administration and reporting mechanism and a capacity similar to that which exists elsewhere in the tertiary sector to realign demand across all fields of study within the designated profile.

There must be a recognition that delivery costs consist of fixed and variable elements and that the drivers for the variable costs are related closely to market needs and the consequent shifts in demand that occur during the funding period.

We believe that the funding policy should provide for those who are employed as well as for those who are not employed or are seeking to change employment. It should be far more balanced and acknowledge the current patterns of decision-making and the non-linear pathways chosen by employed, underemployed and unemployed Australians.

These are all issues that require vision and leadership from a Board that is balanced with a thorough understanding of VET and its impact on the community. The present ANTA Board is inappropriately structured. For example, does not include anybody with mainstream education sector experience.

It is abundantly clear that TAFE plays a key role in the knowledge and skill enhancement of a significant proportion of the Australian population. Appropriate recognition at the policy level of the growth opportunities for all Australians matched with adequate resourcing levels is well overdue and needs to be addressed as a matter of urgency.

### National Qualifications

Under the present system, qualifications – the most visible outcome of TAFE training – are awarded on a State basis and the holders of those qualifications are placed on the respective State register. The principle of mutual recognition applies, which means that a qualification awarded in one State is automatically recognised in all other States.

There are presently only two ways to develop a new TAFE course:

- to have the course included on the State register and use the principle of mutual recognition to have the qualification recognised elsewhere; or
- to have the course recognised on the national register but this applies only to training packages.

A State-based course must be proposed by an employer or enterprise.

For a training package to be included on the national register, it must be proposed by an industry body and supported by an employer body or bodies, relevant trade unions and ANTA. This is a clumsy, arduous process. The problem is particularly acute where seeking ANTA approval is involved. This effectively means obtaining the approval of all States.

### State-based Delivery

Having a system of funding that is allocated through the States means that training delivery is automatically State-based. Where TAFE Institutes are engaged in national delivery through partnerships with national employers, the particular Institute must first obtain registration in other States and Territories, not so much to be able to deliver, but more so that the employer can access training that is supported financially by that State. Regrettably, interstate registration is not universally granted.

To overcome this difficulty, TAFE Institutes in different States collude to reach private arrangements to accommodate the differing State regulation of enrolment and assessment criteria. For example, if Institute X wants to deliver a course to a national employer interstate, it must first engage in a ludicrous process that requires the apparent participation of an interstate Institute or training authority so that the course is delivered under that State's auspices, even though all the work is done by Institute X. Where there are multiple jurisdictions involved, the complexity beggars belief.

This causes considerable operational problems for large organisations. The only way to resolve this problem is at a national level. The TAFE system needs to be able to deliver nationally recognised courses and qualifications across State borders. One way to facilitate this would be the creation of a national clearinghouse concept that trades in units of VET delivered across State borders and remits delivery costs direct to the providers or States from a pool of funds.

What we now have is a national system of State-base delivery, with all the parochialism one has come to expect with State jurisdictional arrangements.

Australia needs a TAFE system that is structured to think and act globally.

Much is being said about 'innovation' and it needs to be stated that innovation is not about invention or entrepreneurialism. It is about achieving the same end result in a different way, doing it differently and better.

Innovation should also be considered in the vocational context. Whether it is the Victa lawnmower, the Hills Hoist or the Triton workbench, they are all tools used to do the same job differently, and they were each developed using vocational skills, the types of skills and knowledge resident in a TAFE Institute.

TAFE Institutes are becoming increasingly engaged in applied research and development. There is work going on in polymers, photonics, automotive and forestry to name a few. These projects are the product of strategic partnerships with industry, higher education and the community.

One outstanding example of the use of innovative thought and skills is in East Gippsland, Victoria. The East Gippsland Institute of TAFE, through its Forestec facility, brought together small business, the community and the Institute to look for a way to break into the market for skateboards and snowboards, which until then were all fully imported. With the assistance of a Government small business grant and using local young people, some of whom were 'at risk', this consortium developed the skills and means necessary to successfully laminate Australian hardwoods that could then be used to manufacture these products.

This provided motivation, self-esteem and competencies for the local youth. It gave rise to revolutionary technology. It has developed a new industry and provided very useful import replacement.

The polymer centre of Victoria's Kangan Batman TAFE is developing an exciting environmental product with significant potential in domestic and international markets. The spin-offs from these and other initiatives are secondary to the growth of applied knowledge that is being generated among those students, staff and industry partners involved.

Quite clearly, a considerable amount of the intellectual capital and infrastructure to promote and harness innovative solutions to practical problems already exists in TAFE Institutes. With appropriate support from Government, TAFE would be well-placed to take a lead role in filling the gap between the development of new products and technologies that flows from Australia's universities and Cooperative Research Centres and the successful application of those products into the marketplace by enhancing the skills and work practices of the workforce.

What is needed is Government support for the creation of Centres of Excellence within this very vocational and creative sector.

What is needed is a VET sector that is working with industry in an appropriately resourced environment dedicated to resolve practical problems through the innovative application of vocational skills.

What is needed is a training system that promotes innovation and returns some of its intellectual capital to the improvement of individual enterprises, particularly those small businesses that have the innovative flair to survive but lack the infrastructure to realise their dreams.

What is needed is a pool of funds dedicated to supporting applied research in partnership with industry with the outputs recognised through a more invigorated and innovative teaching workforce delivering a wider choice of educational outcomes for students including degrees that have the recognition and standing the community has come to expect.

Australia has an innovative workforce. That innovation needs to be encouraged, facilitated and harnessed. The creation of Centres of Excellence in the VET sector is a logical extension of the work already being done by TAFE that for the most part is unrecognised by the wider community.

However, under the present system, the research funding available to TAFE Institutes is primarily restricted to innovation within the sector in areas of course design and delivery – not for cultivating applied knowledge in the external workplace. Any funds that are available for applied research are through channels not available to TAFE Institutes.

This is not an argument for TAFE to be considered in the same light as universities when it comes to research. Rather, it is about how existing knowledge and products can be applied more effectively; hence the call for applied research.

This is a simple, inexpensive initiative that would have significant national economic benefits and assist in *Backing Australia's Ability* to become the *Knowledge Nation* that we are being told we should aspire to.



VICTORIAN TAFE ASSOCIATION

---

Level 2, 126 Wellington Parade  
EAST MELBOURNE VIC 3002  
Telephone: (03) 9417 2677