

Victorian TAFE
Association Inc



New Skills for All: Investing in Victoria's Public TAFE Institutes

Executive Summary

This paper has been prepared by the TAFE Chief Executive Officers Council of the Victorian TAFE Association, with assistance from Peter Noonan and Dr Gerald Burke from the Centre for the Economics of Education and Training at Monash University. CEET was asked to provide an analysis of the factors that will contribute to increased demand for TAFE and to identify areas where increased investment in TAFE will further government objectives and contribute to innovation and to economic and social development.

The paper highlights the critical role of Victoria's TAFE Institutes if the State Government's objective of building an innovation based economy in Victoria and its goals and targets for educational participation and attainment are to be achieved.

The paper highlights:

- The contribution of adult workforce participation rates to economic growth and the consequent need to equip the aging Australian workforce with the knowledge and skills for participation in the labour market of the future.
- The challenge to meet the learning needs of adults without post school qualifications particularly those without adequate levels of literacy for effective social and economic participation.
- The growing pressures on TAFE Institutes to provide programs for the 15-19-age cohort.
- The dramatic changes that are taking place in the labour market through the growth of casual and part-time work, the growth in small business and the shift from public to private sector employment.
- The consequent impact of these labour market changes on demand for TAFE as casual and part time workers, and those employed in small business, are less likely to gain access to work-based training and development than those employed full time and in larger organisations.
- The contribution of TAFE Institutes to innovation, to meeting future workforce skill needs and overcoming skills shortages.
- The emerging range of new programs designed to meet these needs and the expectations that these new programs will be resourced at a time of high existing levels of unmet demand.
- The important role of TAFE Institutes in building and sustaining local and regional communities.

- The need to broadly invest in TAFE infrastructure including technology, capital, product, business systems and human resources to maintain and further improve the quality of TAFE programs and rectify existing shortfalls in key areas of investment.
- A range of factors that are contributing to cost increases in TAFE

This paper concludes that these factors combined with the State Government's policy objectives, support the case for increased investment in TAFE so as to increase participation rates and further raise the quality and relevance of outcomes. It also highlights, relative to other states and to the national average, the historic under funding of VET by governments in Victoria a fact that was confirmed by a recent report by the Commonwealth Grants Commission.

It also points out that the increased state funding for TAFE announced during the State election will be eroded if further productivity savings are imposed on TAFE, and if wage increases are not fully supplemented. The paper calls for these increases to be provided as a net ongoing addition to the 2003 TAFE recurrent funding base.

Finally, it concludes by calling for both levels of government to raise their investment in TAFE in Victoria at least to national average levels, in the context of the new Australian National Training Authority Agreement, and for increases in contributions from enterprises and from individuals already in employment where outcomes contribute directly to occupational upgrading.

Introduction

Victoria's TAFE Institutes are recognised as the most flexible, efficient and entrepreneurial Institutes in Australia. With over three hundred thousand students across all industries and hundreds of occupations, they are the major source of the new skills that are driving Victoria's economic growth and competitiveness. One in ten Victorians aged 15 to 64 will participate in a TAFE course in 2002.

Across industrialised economies, skills and knowledge have been identified as the major drivers of growth and productivity. As Peter Drucker has observed:

“ Knowledge is the only meaningful resource today. The traditional factors of production – land, labour and capital – have not disappeared but they have become secondary. They can be easily obtained, providing there is knowledge”

In enterprises of all kinds, knowledge embodied in the skills of people and embedded in systems, processes, products and relationships is increasingly driving value creation. Finding ways to tap and use existing knowledge, and to create new knowledge, are being recognised as critical for success. This has brought a renewed emphasis on training and development, innovation and knowledge management.

The OECD defined a 'knowledge-based economy' as one that is directly based on the production, distribution and use of knowledge and information (OECD 1996). It is now emphasised that the application of knowledge is critical *across all industries* (ABS 2002). A knowledge-based economy is not reliant on a few high technology industries for growth and wealth production—so called 'old economy' industries can also be knowledge-intensive. The transformation of vehicle production in Australia is an example. This process impacts on most jobs and skill requirements whether in higher education or in VET. TAFE has a potentially major role in meeting the emerging needs for new skills and enabling and promoting the introduction of industry innovations that will require these new skills.

TAFE Institutes provide education and training opportunities for many people disadvantaged in the labour market and who lack the skills and knowledge essential for effective participation in a modern complex society.

TAFE Institutes also play broader economic and social roles in communities and regions; as employers, in purchasing goods and services, and in supporting a diverse range of community groups and organisations.

State Government Policies

The importance of vocational education and training as a major source of skills and knowledge has been recognised by the State Government in its goal of building an Innovation Economy in Victoria and through the goals and targets established in *Growing Victoria Together (Bracks 2001)*.

The goals set by the Government are to:

- Increase the percentage of young people who successfully complete Year 12 or its equivalent.
- Have more adults take up education and training and so increase the overall level of educational attainment and literacy in Victoria.
- Increase the level of participation and achievement in education and training in rural and regional Victoria and among groups where it is presently low.
- Make near universal participation in post-school education and training the norm in our society – not just for the young but for all of us.

The targets are:

- by 2010 – 90 per cent of young people in Victoria will complete Year 12 or its equivalent, and
- by 2005 – the percentage of young people aged 15-19 in rural and regional Victoria engaged in education and training will have increased by 6 percent.

The Government subsequently released a Ministerial Statement *Knowledge and Skills for the Innovation Economy* (Kosky 2002).

The Statement's objective is to:

“... reposition Victoria's vocational education and training (VET) system to support the achievement of the Government's goals and targets for education. It will also support the Agenda for New Manufacturing's commitment to building a competitive, innovative and connected business environment.”

The Statement outlines a range of measures that will be taken:

“... in transforming the VET system from one that relates to an industrially based economy to one that assists firms to compete in the innovation economy and assists communities and individuals to gain the skills they need for the future.

The next key steps are to:

- **reinvigorate TAFE** so that it has a highly skilled workforce to provide innovative and relevant training for firms and for students preparing for active citizenship in the innovation economy,
- **develop new VET products** to meet the generic skill needs of individuals and firms, to meet new and emerging skill needs, to value local customised responses and to improve learning pathways, and
- **implement a coordinated development of lifelong learning** by linking VET - and the benefits of its close association with industry - to ACE, schools and universities.”

Future Challenges

Victoria faces some major challenges in meeting the goals and targets set out in *Growing Victoria Together* and in continuing to build an innovation based economy. These challenges include:

1. Meeting the learning needs of those adults who are not well equipped for the modern economy.
2. Providing options and pathways that meet the diverse learning needs of young people.
3. The impact of major changes in the labour market.
4. Meeting new workforce skills requirements and reducing skill gaps.
5. Ensuring the quality and relevance of skill outcomes.
6. Supporting local and regional communities.

TAFE Institutes have critical roles to play in responding to those challenges but will face significant resourcing constraints in increasing provision and in re-investing in their infrastructure and capacity.

The learning needs of those adults who are not well equipped for the modern economy.

The need to increase the skills, knowledge and qualification levels of the adult population is one of Australia’s major public policy challenges.

In a recent speech, the Secretary of the Commonwealth Treasury Dr Ken Henry (2003) said:

“For 30 of the last 40 years our principal macroeconomic challenge concerned the unemployment rate. For all of the next 40 our principal economic challenge will be the participation rate.

Amongst OECD countries, Australia’s total participation rate, at 75.3 per cent, ranks 11th, suggesting there is significant potential to improve it both in the short and medium term. In particular, labour force participation among the mature aged, income support recipients and females, is low by international standards. Labour force participation currently declines sharply with age, from around 80 per cent for people in the 45-54 age cohort, to around 37 per cent for people aged 60-64.

Negative employer attitudes and the generally lower levels of educational achievement and participation in education and training of older workers, means that many face far greater barriers to keeping or regaining a foothold in the job market than their younger counterparts. These barriers simply must be addressed.”

These comments echo the recent declaration of the Ministerial Council on Employment Education Training and Youth Affairs (2002) that:

‘A ‘knowledge gap’ separates those adult Australians with high levels of educational attainment who most effectively use our learning resources, from those who least effectively use those resources: people who are poor, have disabilities, have low levels of literacy and numeracy, are from non English speaking backgrounds, are geographically and socially isolated, and Indigenous Australians. We also face a knowledge gap between younger and many older Australians as more young people are reaching adulthood and entering the workforce with the benefit of educational opportunities and outcomes that were denied to many older Australians. Our capacity to ensure that all citizens lead a ‘productive and rewarding life in an educated and just society’ is diminished by this gap and even more by its growth’.

In Victoria the size of our task of closing the ‘knowledge gap’ amongst the adult population is indicated by the fact that:

- 75 per cent of those aged 25 to 34 hold year 12, a certificate or higher qualification compared to less than 46 per cent of those aged 55 and over. The percentage falls with age as shown in Table 1 [p. 8]. With time the proportions holding year 12 or higher will rise but many older persons will remain at low levels of attainment unless they have access to further training and education.

Table 1. Population aged 15 to 64 by highest educational attainment, Victoria 2002

	15-24	25-34	35-44	45-54	55-64	Total
Bachelor degree or higher	10	28	23	22	13	20
Advanced diploma / Diploma	4	9	7	8	8	7
Certificate III / IV	7	16	16	14	14	13
Certificate I / II	1	0	1	1	1	1
Certificate not further defined	0	0	0	0	0	0
Year 12	39	22	15	14	9	21
Total Year 12, certificate or higher	59	75	62	59	46	62
Year 11	13	10	16	12	6	12
Year 10 or below	28	14	22	27	48	26
Level not determined	0	0	1	2	0	1
Year 11 or under	41	25	38	41	54	38
Total	100	100	100	100	100	100

Source: ABS 6227.0 unpublished data

Note: Some persons with Year 11 and 12 also hold Certificates I/II or Certificates not further defined

- As shown in the following table that reports data from the International Adult Literacy Survey¹ [Table 2, p. 9], around 1 in 6 Australian adults have literacy and numeracy skills regarded as inadequate for effective participation in everyday life let alone in high skill jobs.

Table 2. Percentage of population aged 16 to 65 at each literacy level - mid 1990s

<i>IALS literacy level</i>	1	2	3	4 and 5
Sweden	6	19	39	36
Norway	9	21	41	29
Netherlands	10	26	44	20
Germany	9	33	40	19
Canada	18	25	32	25
Australia	17	28	38	17
United States	24	26	31	19
United Kingdom	23	27	31	19
New Zealand	21	29	32	18
Ireland	25	32	32	12

Source: OECD 2000

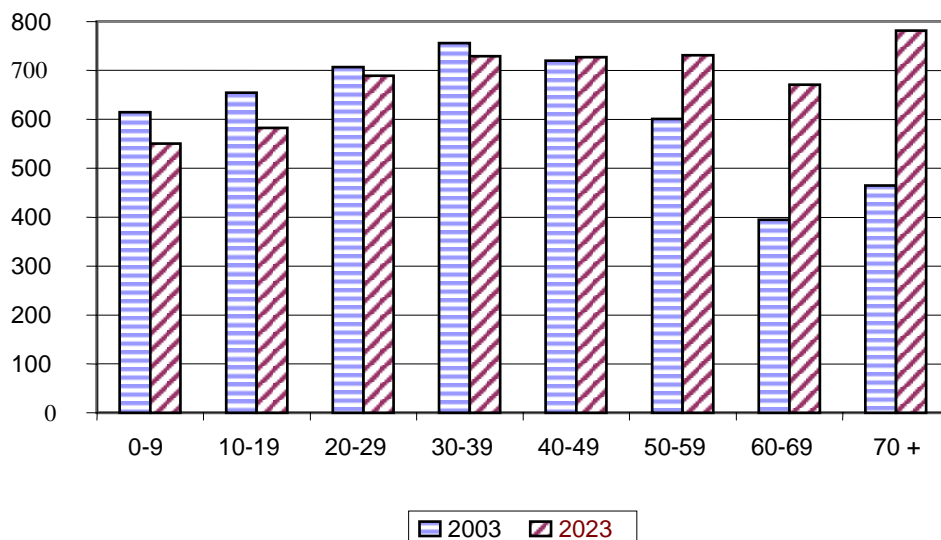
Countries are ordered by the percent of the population in levels 3, 4 and 5. Level 1 is the lowest level.

- The Victorian population is aging rapidly as shown in Figure 1 [below]. There will be slight growth in the numbers of 10-19 and 19-30 year olds in the next few years but all the growth in the population in the next 20 years (from

¹ Level 1 indicates persons with very poor skills, where, for example, the individual may be unable to determine the correct amount of medicine to give a child from information printed on a package. Level 2 respondents can deal only with material that is simple, clearly laid out and in which the tasks involved are not too complex. Level 3 is considered a suitable minimum for coping with demands of everyday life and work in a complex advance society. Levels 4 and 5 are higher levels. Like qualification rates, literacy rates are lower among older persons. For Australia some 17 per cent were at level 1 and another 28 per cent at level 2. Only 17 per cent were at levels 4 and 5. Australia compares quite unfavourably with a number of northern European countries though a little better than the US, UK, NZ and Ireland.

about 4.9 million to 5.5 million) will be among persons 40 and over. In the period after 2010, all the growth will be in the 60 and over age groups and there will be a substantial decline in the numbers aged less than 20.

Figure 1. Population by age, Victoria 2003 and to 2023
'000



Source: ABS 3222.0

The most significant policy challenge centres on persons without qualifications. In 2001 full time employment for males aged 45 to 64 was:

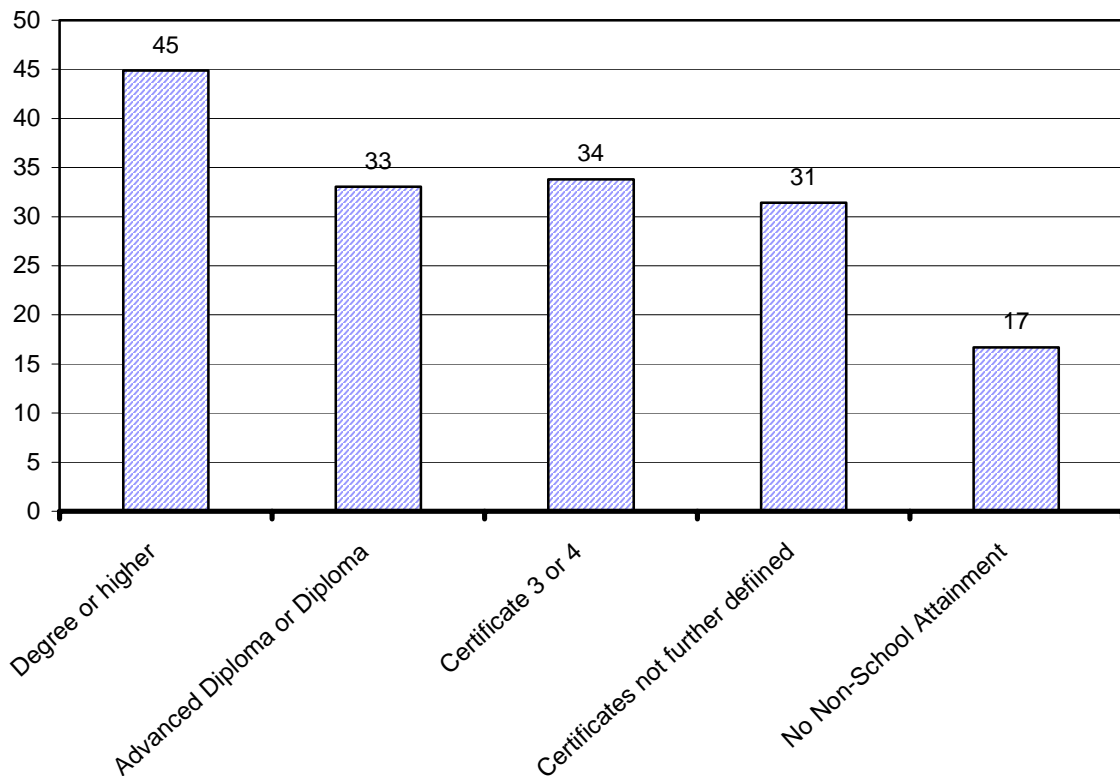
- 80 per cent of those with degrees,
- over 70 per cent with diplomas or certificates,
- 62 per cent without qualifications, and
- nearly 30 per cent of males aged 45 to 64 without qualifications are unemployed compared with only 15 per cent of males with a qualification.

For females in this age group full time employment percentages are:

- 50 per cent for those with degrees,
- 36 per cent for those with diplomas or certificates,
- 24 per cent for those without qualifications, and
- 55 per cent of women without qualifications are unemployed compared with only 27 per cent with qualifications.

To further emphasise this relationship of employability to qualifications, Figure 2 [below] shows the proportion of females aged 55 to 64 in employment (full or part-time) by their highest non-school qualification. The rate for those with qualifications is twice that of those without qualifications. It should be noted that, as shown earlier in Table 1, the majority of persons 55 and over do not have any qualifications and most have not completed secondary school.

**Figure 2. Females aged 55 to 64 by qualification Victoria 2002
% in employment**



Source: ABS 6227 unpublished data

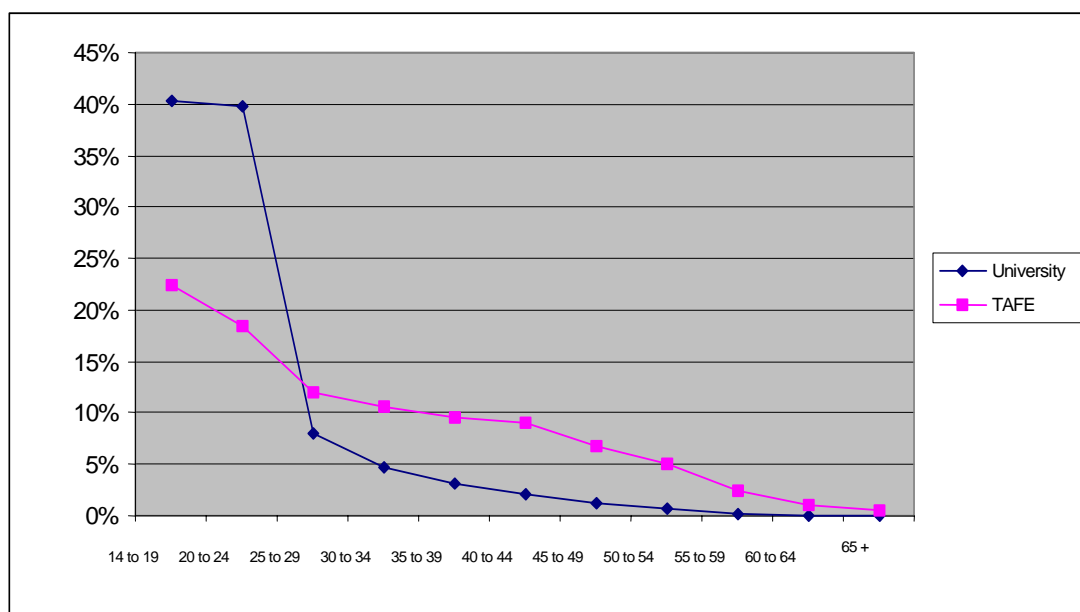
In summary, the imperative to increase adult labour market participation will be seriously compromised by the high numbers of adults in the workforce, more particularly, those not in the workforce who do not have the skills and knowledge appropriate for the workforce of the future.

Many older Victorians also require new skills and knowledge to help manage important transitions in the lives. For example women wishing to re-enter the workforce, people wishing to change careers and the increasing number of people leaving salaried for self-employment.

For most Victorian adults, TAFE Institutes, with their broad range of low cost flexible and accessible programs, provide the best option for workforce retraining or for adults wishing to re-enter the workforce. For example, TAFE students are older, more likely to study part-time and to be drawn from a broader range of occupational and socio-economic backgrounds than those attending university. Indeed TAFE Institutes are also an important provider of programs to university graduates seeking specific industry skills or wishing to retrain.

The age difference in the TAFE and university populations is shown in Figure 3 [below].

Figure 3. Age Profile of TAFE Students and University Undergraduate Students, Victoria 2001



Source Noonan and Smart 2002

These factors suggest that TAFE Institutes will be expected to play an increasingly important role in the retraining of the Victorian workforce and in building the skills and knowledge of the Victorian adult population.

Providing options and pathways that meet the diverse leading needs of young people

Victoria is already well on the way to achieving the goals and targets for young people set out in *Growing Victoria Together*.

Victoria has the lowest proportion among Australian states of young people aged 15-19 not enrolled in education and training and not in full-time work, although as shown in Table 3 [below] the rate still exceeds 10 per cent. However within this age group, the numbers of 15 and 16 year olds who are unemployed and looking for full-time work are quite small (most are in full-time education) but are much larger among 18 to 19 year olds. This age group is more likely to access TAFE programs and proportionally represents the greatest challenge in reaching the Governments education and training targets.

Moreover outcomes are unevenly spread across socio-economic groups and geographic locations. Less than 40 per cent of indigenous students complete secondary school compared with over 80 per cent for all Victorian students.

Table 3. Persons aged 15 to 19 not in full-time education or full-time work, States & Territories May 1999 – 2002, per cent

	1999	2000	2001	2002
NSW	13.5	14.8	13.7	15.4
Victoria	11.7	11.3	9.8	10.9
Queensland	18.0	16.9	19.4	18.1
SA	15.9	14.0	19.0	17.8
WA	16.0	14.4	18.9	18.4
Tasmania	17.1	17.0	16.2	15.8
NT	26.2	*	26.4	32.2
ACT	8.5	11.7	17.6	11.4

Source: Dusseldorp Skill Forum 2002 from ABS data

*Denotes cell sizes too small to be reliable.

TAFE Institutes are already playing major roles in meeting the Government's education and training goals and targets for young people through:

- Apprenticeships and traineeships.
- The delivery of VET in schools programs, either in partnerships with schools, or directly to school students.
- Pathways and programs for young people for those who are disaffected with schooling and those who have left school but are seeking courses to equip them for further study.
- Those seeking tertiary places.

Demand is expected to grow in all of these areas of provision as government policies and community attitudes emphasise the importance of young people continuing their participation in post compulsory education and training.

The impact of major changes in the labour market.

The importance of the education and training provided by TAFE has been increased by many of the recent changes in the job market. Most of the job growth in Victoria and Australia in recent years has been in casual and part time employment. Over a quarter of all employees are now in casual jobs and about 27 per cent of all workers are part-time.

A summary of recent changes is given in Table 4 below.

Table 4. Full-time and part-time employment by age and sex, Victoria, 1993-2001

Age	Sex	Annual growth rate %		Part-time as % of total employment 2001
		Full-time	Part-time	
15-19	Male	-0.1	5.1	61
	Female	0.9	4.1	76
20-24	Male	-1.1	6.5	22
	Female	-1.8	3.9	36
25 & over	Male	1.6	5.2	9
	Female	3.0	2.7	42
All	Male	1.3	5.4	14
	Female	2.1	3.0	44

Source: Shah *et al* 2002 based on ABS data

A decade ago one in four Victorians were employed in the public sector, now it is around one in six. Historically, people employed in full-time jobs and those in the public sector tended to get the most training. The contraction in public employment combined with the expansion of private casual and part-time employment and the growth in small businesses have affected access to training provided by employers— hence increasing the importance of access to training in TAFE.

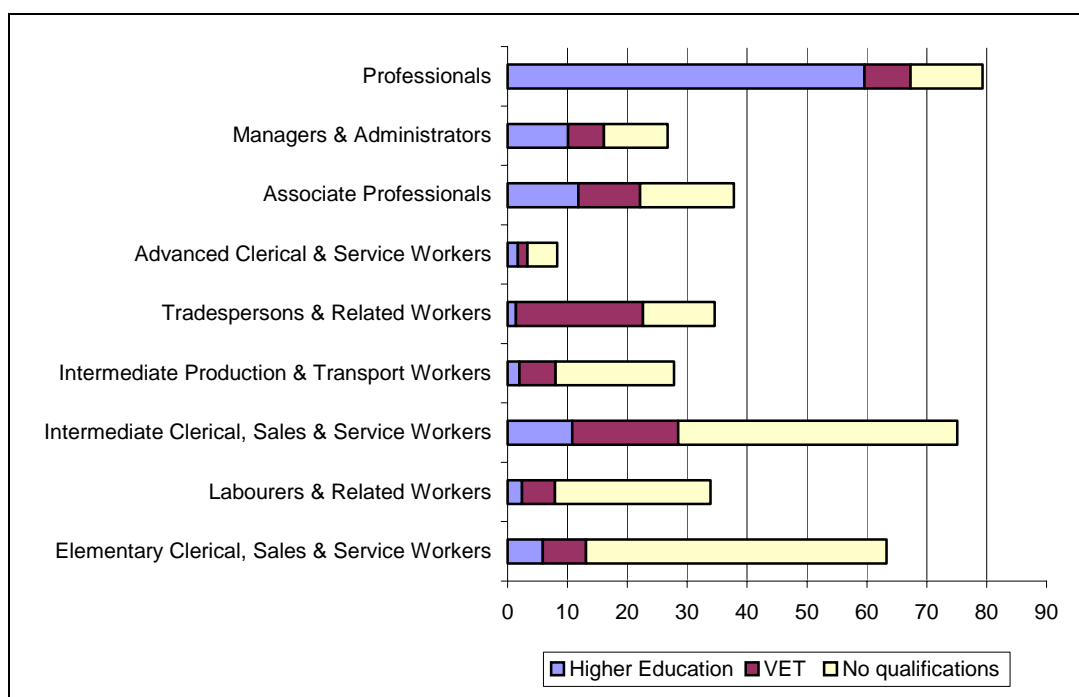
These changes together with the tightening, if not reduction, in employer support for training are throwing the decision making on training and its financing more on to individuals. This emphasises the need to ensure that young people and adults have the capacity to make informed choices and the basic literacy and numeracy to be able to undertake further studies

Future job openings are created by growth in employment and also by replacement of workers leaving an occupation. Employment growth in Victoria is projected to grow in the next few years at an average annual growth rate of 1.2 per cent, about the same as for Australia overall.

Net replacement is the estimate of the jobs available to *new entrants* to an occupation as a result of persons leaving the occupation. Net replacement needs in Victoria are projected at an average annual rate of 1.9 per cent.

Growth and replacement together enable job openings for new entrants to the labour market to be projected. Figure 4 [below] from a report to OTTE by Shah *et al* (2002) summarises job opening by major occupation group and the likely qualification levels of persons in those jobs based on recent data on qualification by occupation.

Figure 4. Net job openings by major occupation groups and qualifications, Victoria, 2001-2006 '000



Source: Shah *et al* (2002)

The largest numbers of job openings are in professional occupations—where most workers have degrees. However openings are nearly as large for elementary, clerical, sales and service workers where most workers have held no post-school qualifications. Many of these low skill jobs have high rates of turnover. For some young people they are a stepping-stone to better jobs or further study. This implies that training for these jobs should emphasise basic literacy and numeracy and generic skills including Information and Communication Technology (ICT) that can be built on for further career development.

There are considerable job openings in areas for which no growth in employment is projected. For example there are substantial job openings for tradespersons as a result of workers leaving the occupation. Indeed the Commonwealth Department of Employment and Workplace Relations (DEWR) reports current shortages in a number of trade areas. The importance of recognising job turnover in any analysis of training needs highlights the necessity of maintaining training in trade skills in TAFE Institutes.

As considered earlier, unemployment remains relatively high among 18 to 24 year olds and this may affect later career opportunities. Vocational education may be a way of motivating those most likely to be in difficulty in post school transitions. The need for this to include basic literacy and numeracy and the generic competencies is emphasised by the high rates of turnover among the lower skilled jobs that many of the lower achieving school leavers enter. Gregory (1999) has reviewed the growth in couple family and sole parent joblessness and its concentration in particular suburbs and country regions, even as overall unemployment is being contained or reduced. The OECD (1998) noted the high proportion of single parents not employed in Australia.

More recent data confirms this. In 2001 only 46 per cent of single parents of children under 15 were employed even part-time. Children in workless households make up 17 per cent of all children aged under 15 (ABS 4102.0, 2002).

Persons who are not employed obviously do not have access to employer supported training. The capacity of parents who are not employed to move from welfare to paid employment as their children age may be constrained by their limited access to training. Their own living standards and that of their children may remain depressed. An underclass in society may be emerging with implications for social cohesion.

For many people not in employment or with a marginal, sporadic attachment to the workforce, TAFE as the public provider, is the only option to acquire the skills and knowledge essential to gain access to more substantial and rewarding jobs.

Meeting new workforce skills requirements and reducing skill gaps.

Changes in technology, quality control and workplace arrangements affect the skill needs *within* occupations. In addition, with the introduction of new technology and new work arrangements, a large number of current workers can be considered under-skilled or lacking in the basic education required to perform their jobs most effectively. Hence the estimates of job openings by occupation discussed earlier give only part of the information on the education and training needs of the economy.

Demands from industry for new and different skills are increasing as Victorian firms strive to compete in national and international markets. TAFE Institutes help to transfer new knowledge and innovation throughout the workforce and ensure that it is applied to services, production processes and technologies.

Increasingly, TAFE Institutes are generating innovation, on their own, through joint activities, or in cooperation with industry bodies, research centres and leading-edge enterprises. They are poised to play an even greater role. TAFE Institutes are participating in the development of training for emerging industries and technologies, such as Photonics and Renewable Energy, or evolving industries, such as Sustainable Tourism and Waste Management.

The involvement of TAFE in the planning of the new synchrotron at Monash University from the early stages of its development is a notable example of forward thinking that will ensure TAFE is well equipped to meet the training needs of the future. Ferrier *et al* (2003) reviewed the training needs arising from research and development being undertaken in the Commonwealth funded Cooperative Research Centres. This work has led to recognition of the need for stronger links between the Centres and VET providers from the early stages and the benefits that this will yield on both sides.

New courses based on national industry standards are coming on stream in industry sectors critical to the Victorian economy where there has not been significant VET provision in the past. These industries include finance, entertainment, wine growing, aeroskills, motor-sport, health and public safety.

Most areas of existing provision are under review to ensure that they reflect emerging industry requirements including new courses at higher skill levels.

Other courses in areas essential to the success of all businesses such as governance, project management, entrepreneurship and e-commerce are also due to come on stream. Initiatives in advanced manufacturing, design, and environmental management are also underway in Institutes.

Government regulatory requirements are also increasing occupational skill requirements in many industries including financial services, aviation, property services and public safety. Within most occupations the importance of basic literacy and numeracy is increasing and the need for generic skills including better communication and elementary ICT skills is also rising.

The release of these new products and increased occupational skill requirements will continue to drive an increase in demand for training and expectations of new and expanded provision in many industry sectors.

The Australian Bureau of Statistics each year in its May survey of education and work asks whether persons who applied for a course have been unable to obtain a place. The most recent data shown in Table 5 below show that 13,000 persons were unable to gain placement in TAFE in Victoria in 2002, twice as high as for higher education. Further detail from this survey shows that proportionately more of the unsuccessful TAFE applicants are from persons in the labour force and aged 25 and over compared with unsuccessful applicants for higher education.

Table 5. All persons aged 15 to 64, Unmet demand for courses of study 2002

	Victoria '000	Australia '000
Unable to gain placement in a course leading to a qualification	21	70
Higher education	6	23
TAFE	13	40
Other	2	8

Source: ABS 6227.0 and unpublished data

Ensuring the quality and relevance of skill outcomes

TAFE Institutes must also continue to provide high-quality and relevant training and also operate as modern, flexible and responsive workplaces. To achieve this sustained investment in TAFE infrastructure and assets is required. A report by Kaye Schofield (2002), prepared as an input to the Ministerial Statement on VET and the Innovation Economy, argued that the concept of public infrastructure should be broadly conceived to encompass both tangible and intangible assets. These assets include buildings, technology and equipment, the capability of the TAFE workforce products, intellectual capital generated through research and the development of business processes and systems, internal and external relationships and even the value of the TAFE 'brand'.

The Schofield report recommended that:

“The government should develop a long-term vision to guide and direct future investment in public infrastructure so as to ensure the sustainability of the TAFE system and the State Training System. To build a training and skills development system that will last will require investment across a range of strategic assets within this infrastructure. These include the TAFE workforce; the business systems and processes of TAFE Institutes/Divisions and of the State Training System; client/stakeholder relationships, especially with students, industry and communities; and physical and financial assets.

This new investment effort must be accompanied by appropriate risk management strategies, and the value that flows from this investment needs to be systematically measured and reported to government.”

The report specifically estimated investment in human resource development in TAFE at 1.9% of gross wages and salaries compared to a best practice benchmark of 3-4%. The report also cites the Department of Education & Training Strategic Infrastructure Management Plan for VET 2002-2004 which identifies five key issues related to physical assets.

1. Many existing facilities are not suited to modern learning. Many are in poor condition (including a system-wide maintenance backlog of \$157 million).
2. Facility obsolescence is growing throughout the system. In 1999 this obsolescence was calculated to be \$16.9 million, rising to \$21.9 million by 2010.
3. There are surplus facilities in some areas and shortfalls in others. While unit costs contributed by physical assets to education and training delivery are decreasing, further work to rationalise accommodation is still necessary.
4. The physical asset portfolio is sustainable in the long-term if maintenance and modernisation expenditure remains at current levels.
5. There is incomplete data on the assets held, their condition and future need.

Supporting local and regional communities

TAFE Institutes are also a major community resource. As the Victorian Learning and Employment Skills Commission said in its report on the Role of TAFE as the Public Provider

“The consultation process for this project also demonstrated the richness and diversity of TAFE’s activities. In addition to their core role as education and training providers, TAFE institutes are a major employer and purchaser of goods and services. Their facilities are an important community resource. They have helped to create and continue to sustain the richness, diversity and capacity of local communities. They serve as a bridge within communities, creating and sustaining multiple formal and informal networks, and externally to national and international cultures, markets and economies. They are crucial and enduring symbols of a community’s capacity and sense of pride and purpose”. (VLESC 2002, p. 48)

The Victorian Learning and Employment Skills Commission (VLESC) report also argued that these broader social and community roles were not adequately reflected in current funding and accountability arrangements.

Expectations on TAFE Institutes to undertake these roles are greatest in rural and regional communities where the TAFE Institute is not only one of, or the only, major post-school learning institution and a major employer, but are seen as a highly visible general community resource.

Other Cost Drivers

TAFE programs combine theoretical, practical and applied learning. This is particularly important for students who cannot obtain workplace training to acquire the full range of skills and experiences, however this adds to program costs particularly where workplace settings must be simulated.

The changing profile of TAFE students is likely to increase costs in delivery and student services and support. Many younger students and older adult learners who have major learning needs require more intensive learning support and counselling. Younger students tend to enrol full time and consequently will require improved student amenities and services, adding to delivery and infrastructure costs. However, expenditure on student services in Victoria has declined by 25% since 1997 from \$80 million to \$60 million. (ANTA 2002) Most TAFE students from disadvantaged backgrounds are eligible for fees and charges concessions requiring increasing cross subsidies from other revenue sources.

Post-trade and higher-level technical training programs for the existing workforce are also expensive to provide, as they often require specialised and costly equipment and consumables and have to be provided for relatively small numbers of students.

As the public provider TAFE is also required to deliver in ‘thin markets’ that is in areas where student demand is low but are assessed as industry or community priorities. This is a particular issue for rural and regional institutes where TAFE is the only provider for many industries and for some metropolitan institutes where they are the only state wide provider in highly specialised areas. Under

current funding models these programs are effectively cross-subsidised from other programs and from other revenue sources.

Institutes are already facing major cost increases associated with insurance, security and the establishment and maintenance of new systems to meet regulatory, financial, quality assurance and other compliance requirements.

Many TAFE buildings in Victoria are old and are expensive to maintain. Even the stock of newer buildings constructed during the expansion of the TAFE system in the 1970s-80s are reaching the point where major refurbishment is required and modifications to ensure compliance with occupational health and safety requirements, to provide access for disabled students and to meet modern industry standards.

Investing in TAFE to meet these challenges

The challenges outlined above must be addressed if the State Government's objective of building an innovation-based economy and its goals and targets for education and training are to be realised.

The preceding analysis suggests demand for training and skills development across age groups will continue to grow as a result of industry requirements and as a result of demographic and labour market changes. It also suggests that TAFE Institutes are likely to bear the brunt of this increase in demand, and that a sustained increase in participation rates in TAFE will be required to ensure that the State Government's goals and targets and innovation based economy for Victoria are met. The need to raise workforce participation levels by raising the general levels of skills and knowledge amongst the adult population as it ages and increases in size is now a major economic priority.

The analysis strongly supports the case for an increased public investment to underpin increased participation rates in TAFE across the 15-64 age cohort. It also supports the case for a major re-investment strategy in TAFE infrastructure to enhance the quality and relevance of programs and to improve learning support and student services through an increase in the average price paid by government for places in TAFE.

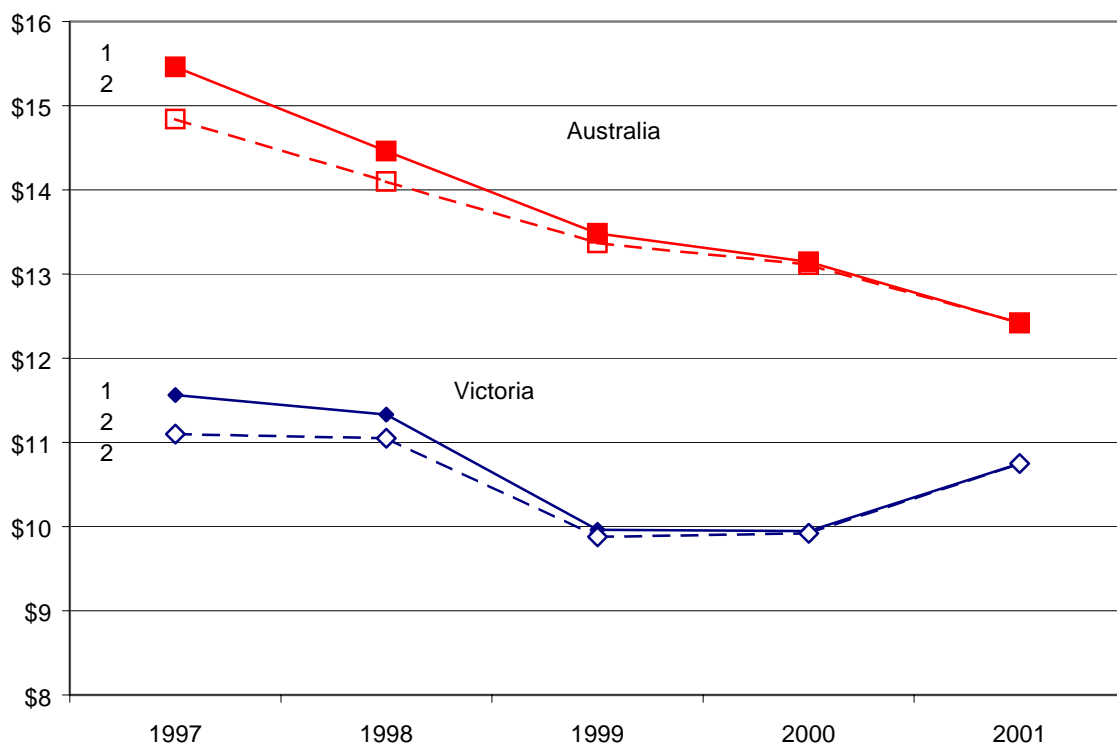
However for many years Victorian Governments have spent less per TAFE student contact hour than any other State. The Age cites a recent report of the Commonwealth Grants Commission indicates that although education spending in Victoria has increased to above national average levels, funding on vocational education and training in Victoria is still below the national average.

Figure 5 below shows two measures of government spending per student contact hour in Victoria since 1997 compared to the average for Australia. The measures numbered 1, showing the greater decline, are derived by estimating the constant price value of expenditure using the ABS measure of wage costs in the education sector for personnel costs—two thirds of operating expenditure—and the non-farm GDP deflator for the remaining costs. This shows that while expenditure in Victoria recovered somewhat in 2001 it was only at 93 per cent of the 1997 level per hour of training delivered.

The measures numbered 2 are as estimated in the Australian National Training Authority national report for 2002 and are based on deflation of expenditure by the non-farm GDP deflator. The difference in the two measures is about 4 per cent over the four years. For Victoria this means over \$30 million in public funds.

It is argued that the first measure is a more accurate basis of estimating the costs of the changes that have occurred in the inputs into vocational education as it recognises the labour intensive nature of education and the fact that wage costs increase faster than the average level of costs in the community.

**Figure 5. Public Expenditure per hour of public training:
Two measures in 2001 prices**

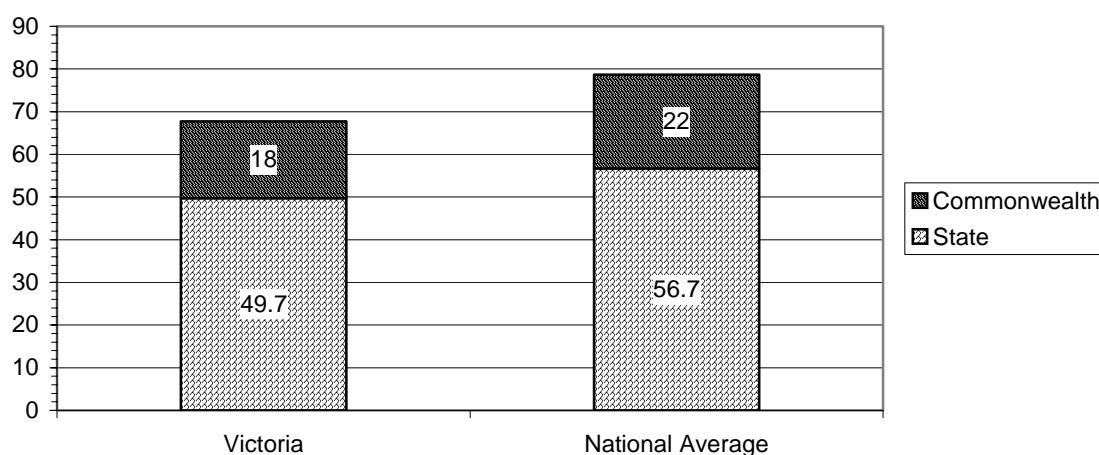


Source: Data on expenditure from ANTA (2002 pp 154-58) and ABS 6435.0
Notes: Graph 1 uses as deflator a composite index comprising 0.66 Wage Cost Index for Education and 0.34 Non-farm GDP deflator; Graph 2 uses just the Non-farm GDP deflator.

In fact the funding per student contact hour in Victoria is even lower than that in other states. Victoria reports the actual student contact hours *scheduled* for actual delivery of each program whereas other states report the *nominal* hours associated with each program – if Victoria reported on the same basis its reported student contact hours would be higher and costs per student contact hour even lower.

TAFE Institutes in Victoria must also meet the requirements of the national VET system but it does so from a lower public funding base than their counterparts in other states. If training providers in Victoria were resourced at the same student contact hour rate as the national average, an additional \$128 million a year would be spent on VET in Victoria. In addition, as shown in figure six State and Commonwealth funding for VET in Victoria as a proportion of revenue is the lowest for any State and below the national average. (NCVER 2002)

Figure 6. Commonwealth and State contributions to public funding of VET, %



Through the measures it took to arrest the decline in TAFE funding on coming to office, the State Government has made a welcome re-commitment to TAFE.

Knowledge and Skills for the Innovation Economy charts a clear course for the future development of TAFE Institutes in Victoria both in meeting industry and community needs and strengthening and ‘reinvigorating’ the Institutes themselves.

The Governments commitment to provide an additional \$10 million per annum over the next three years (a cumulative \$60 million over that period) will further stabilise the funding position of TAFE and provide a platform for future growth.

Even these measures will only close the public funding gap between Victoria and other States by 25% over the three year period and only then if funding levels in other jurisdictions remain constant.

However if the productivity savings of 1.5% applied to TAFE Institutes in previous budget processes are maintained, the funding increased announced

during the election will be largely eroded. This position will be exacerbated if increases in wages as a result of current industrial negotiations are not fully supplemented over that period by the Government.

This potential outcome is shown in Table 6 below.

Table 6. Potential Impact of Productivity Dividend and Non Supplemented Wage Increases on Victorian TAFE Institutes

	Year 1	Year 2	Year 3	Year 4
	\$m	\$m	\$m	\$m
Impact of 1.5% product (cumulative)	7.5	7.5	7.5	7.5
Cumulative	7.5	15.0	22.5	30.0
Cost per year of 3%	3.3	3.3	3.3	3.3
EBA increase for non-recurrent staff for which there is no supplementation		6.6	9.9	13.2
Total annual	10.8	10.8	10.8	10.8
Cumulative		21.6	32.4	43.2

It is therefore imperative that in the short term, the Government election commitment to TAFE is fully delivered. This is to be done by ensuring that the additional funding committed during the State election is provided as a net ongoing addition to the 2003 recurrent funding base, and is not offset by productivity savings or supplementation for wage increases flowing from broader public sector industrial agreements.

The Government should also review the TAFE fees and charges policy to provide for a greater differentiation in fee levels between initial qualifications and those aimed at occupational upgrading for those students already in employment

The Australian National Training Authority agreement is due for re-negotiation this year. In that context both the Commonwealth and State Governments should make a sustained long term commitment to increasing public investment in TAFE Institutes in order to:

- Increase adult workforce participation rates in Victoria.
- Ensure that all young Victorians enter adulthood and working life with the skills and knowledge required for jobs of the future and for further learning.
- Boost skills and productivity levels in Victorian enterprises.
- Ensure that TAFE Institutes have the expertise and resources to meet future industry skill needs in state, national and international markets.

- Assist in the ongoing social and economic development of Victoria's regions and communities.

In *Growing Victoria Together*, the State Government indicated that one of its key goals was *leading the way to a better Victoria with education and lifelong learning as the key*. The TAFE CEO's Council looks forward to working with the State Government in achieving that goal.

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