



Victorian TAFE  
*Association* Inc  
Reg. No. A37584B

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*Response Paper to:*

*Options Paper for Discussion: Managing Growth in Publicly Funded*

*Apprenticeships and Traineeships in Victoria*

The following paper is a response to the *Options Paper for Discussion: Managing Growth in Publicly Funded Apprenticeships and Traineeships* that was published by the Office of Post Compulsory Education, Training and Employment (PETE) in Victoria. The *Options Paper* was put together to address the State Training Board's assessment that "the critical issue facing the training system in Victoria is ... the continuing high levels of demand for apprenticeships and traineeships." (p.1) That is, it seeks to find a solution to the problem of the strain that the significant growth in apprenticeships and traineeships is placing on government resources.

The paper posits two broad strategies to address this problem - to either increase revenue or, restrict growth. It then suggests more specific strategies under each option. Our response paper begins by addressing the policy focus on apprenticeships and traineeships itself. It then moves in parts two and three to address the specific options offered in the *Options Paper* and is structured in accordance with those suggestions. It concludes with a more general discussion of the issues at stake and suggestions for future policy directions.

For a copy of the *Options Paper* please go to the PETE web-site at:

<http://www.otfe.vic.gov.au/publi/Options/index.htm>

If you have any questions regarding this response paper, please call the Association's offices. For further copies of this paper go to the VTA web-site at:

<http://www.vta.vic.edu.au/positionpapers.htm>

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October 2000

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## **Introduction**

The *Options Paper for Discussion: Managing Growth in Publicly Funded Apprenticeships and Traineeships* attributes the extensive growth of traineeships and apprenticeships in Victoria to an “open-ended approach to Government funding” rather than other factors such as the impact of contestability in the training system. It then seeks to find ways to either fund that projected continued growth while maintaining its open-door policy or, to change its policy and curb growth through other restrictions.

This submission will firstly take a step back from the *Options Paper* and question the policy priority afforded to apprenticeships and traineeships. It will also, in Part 1, question the funding mix of apprenticeships and traineeships and employer subsidies. Part 2 of the submission will address the additional funding options presented in the paper and Part 3 will address the restrictions on growth options.

In short, this submission will argue that restrictions need not be placed on the growth of *training* in Victoria at this point in time. Indeed, as we have argued elsewhere, education and training must truly be regarded as an investment in Victoria’s future – both economically and socially.<sup>1</sup> It will argue that the first priority for Victoria is to lobby the Federal Government to pay for its policy initiatives. That is, if the Federal Government continues to prioritise New Apprenticeships, it must support this policy direction with a commitment to growth funding rather than creating a situation whereby the states are forced to cut funding to other equally important areas of training.

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<sup>1</sup> See, Victorian TAFE Association. *The quality of vocational education and training in Victoria: A submission to the Senate Employment, Workplace Relations, Small Business and Education Committee*. Melbourne: VTA (November 1999). Also see, Victorian TAFE Association. *Victoria’s Apprenticeship and Traineeship System: A Critical Analysis: A submission to the Review of the Quality of Training in Victoria’s Apprenticeship and Traineeship System*. Melbourne: VTA (March 2000).

Secondly, it will argue that notwithstanding the Victorian Government's recent investment in the education and training system of the state, that investment should be increased. Despite the injection of funding, and despite the predictability of a call for greater funding, Victoria's education and training system remains one of the poorest in the country and this must be redressed.

Thirdly, the paper will suggest that if governments are not prepared to increase investment in traineeships and apprenticeships in their current form, then the allocation of funding for this type of training must be reviewed. In essence, we will argue, as we have elsewhere,<sup>2</sup> that the policy focus of the Federal Government on apprenticeships and traineeships in their current form must be questioned – particularly in relation to the amount of money spent on wage subsidies rather than training per se.

Finally, we will argue that, of all the options presented, the least objectionable is option 5a - maintaining the freeze on User Choice. While such a recommendation is perhaps not surprising from an industry body representing public providers, we believe that, on balance, it is the most commonsense and fair option presented when all factors are considered.

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<sup>2</sup> Ibid., VTA Schofield submission.

## ***PART 1: The policy focus***

### **a) General Policy Directions**

Contrary to the perception that prevails in some sectors of the community, TAFE Institutes and VET providers more broadly are not primarily centres for the acquisition of trade skills for those already in employment. While this type of training is an important part of an Institute's overall delivery profile, it is crucial to remember that Institutes perform varied roles including, but not limited to: vocational education; adult and community education; second chance education; and, special needs education.

The outcomes of education and training delivered by TAFE are far broader than job specific technical skills and include all the general benefits of education. Many of these benefits are life and employment skills that are not specific to one industry or employer and should be valued equally (in fact, arguably more) to job-specific skills. We would advise very strongly against compromising more general delivery for the sake of traineeship and apprenticeship delivery.

### **b) Apprenticeships and Trainees**

Policy initiatives which dictate that Institutes are obliged to offer training to all apprentices and trainees without a commensurate increase in funding, inevitably mean that other areas of delivery need to be sacrificed. The transferring of student contact hours (SCHs) from non-trade areas into traineeships and apprenticeships is compounded by the fact that apprenticeship and traineeship training is often capital intensive and more expensive than most other courses. Therefore, it is not simply an hour for hour transfer; a greater number of hours of profile delivery need to be sacrificed to compensate. The consequence of the policy focus on New Apprenticeships in this respect is that it narrows the breadth of courses

offered by TAFE Institutes which, we would argue, represents a decrease in service provision to the community and industry.

Perhaps more importantly, as the VTA has argued elsewhere, the policy focus on New Apprenticeships *in their current form* must be questioned. There is an imbalance between the subsidies paid to employers to engage apprentices and trainees and the funding allocated for actual training. Our submission to the Schofield Review argued cogently that the Victorian apprenticeship and traineeship system is at a cross-roads. Governments must decide to either continue to focus the system on employment incentives and accept the consequences, or shift its focus to the provision and maintenance of a broad based quality education and training system.<sup>3</sup>

Dorothy Kotz' research and similarly, Kaye Schofield's research into three state systems, has found that the policy focus of the systems has become confused.<sup>4</sup> In her report on the Tasmanian system for example, Schofield points to the confusion generated by the seeming conflict between the employment interests of the Federal Government in relation to New Apprenticeships and the skills development objectives of the State Government.<sup>5</sup>

It is the VTA's position that the focus of the VET system in Victoria must be primarily on skills development – life skills as well as specific *and* general employment skills. Job creation and training are not the same thing and must not be confused. Wage subsidies may well lead to job creation and this may be a worthwhile policy direction for governments, but they are not training. In regard to this

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<sup>3</sup> Ibid, see especially, Part 2 d), p.10.

<sup>4</sup> In her research on VET, the Hon. Dorothy Kotz found that "[s]ome training programs have been offered in the past as a means to reduce unemployment statistics." See, "Students and trainees in VET." *Market for Vocational Education and Training: who pays and who profits*. Adelaide: NCVER, p.302.

<sup>5</sup> Kaye Schofield. *A Risky Business: Review of the Quality of Tasmania's Traineeship System*. (December 1999) p.viii.

review specifically, we would argue that employer incentives should be targeted at training which results in transferable generic skills rather than being paid to employers for training that suits their specific needs.

Traineeship and apprenticeship training is very expensive compared to other forms of training, especially when employer incentives are factored in. If the available funding needs to be prioritised, then this should be the first port of call. The priority of the system is training and it should be the last thing to be reduced.

Furthermore, while Schofield's report on Victoria's apprenticeship and traineeship system indicated that it is fairing relatively well, she also drew attention to various inefficiencies in the system – particularly in relation to conflicts of interest.<sup>6</sup> One example of this is the incidence of "double dipping" of resources. Obviously priority should be given to cleaning up this and other areas of "non-training" inefficiencies before any move on capping of training is introduced.

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<sup>6</sup> See, Kaye Schofield. *Delivering Quality: Report of the Independent Review of the Quality of Training in Victoria's Apprenticeship and Traineeship System*. Melbourne: Department of Education, Employment and Training Victoria (May 2000) p.v.



## ***PART 2: Additional Funding Options***

### **a) Governments**

The prioritising of New Apprenticeships is the cornerstone of the Federal Government's vocational education and training policy and, as such, growth in the area should be federally funded. The current stalemate in the Federal Government's negotiations with ANTA over growth funding is difficult to understand. Federal Government policies are directly contributing to growth in the area and logically as well as ethically it is clearly their responsibility to fund such growth.

Conversely, if the Federal Government expects the growth funding to come from reduction of provision in other areas, then this should be made explicit so that an honest and productive debate about the effects of such a policy direction can be had. It is clear that in Victoria, there is no capacity to achieve growth from further "efficiencies". Either growth funding must be provided or other areas of provision will be sacrificed.

Moreover, it is worth reiterating again, that funding education must truly be viewed as an investment by and in the nation. The contribution that VET (in this case apprenticeships and traineeships) makes to the economic prosperity of Australia and Victoria must not be underestimated. When budgets are tight (which is most often), there is a tendency to focus on the bottom line and use short-term economic arguments to curb public *expenditure* rather than increase public *investment*.

### **b) Industry**

As the *Options Paper* points out, industry benefits greatly from a trained workforce and, as such, has an obligation to contribute to training. One of the most obvious means of

gleaning an industry contribution for training is through taxation in the form a training levy. However, this is clearly not an option over which the State Government can exercise any control and thus a discussion of it is not helpful in this context.

The options presented in the *Options Paper* include an increase in privately funded training and secondly, an increase in government/private enterprise partnerships in funding apprentices and trainees. It is difficult to comment on these options without more detail other than to say that if, for example, the impetus behind this option is to mandate a contribution from industry, then if it were constrained to where the government is clearly training trainees and apprentices for an identifiable set of employers, then such an option may be justified. Conversely, if this means opening up government subsidies to private employers who are training their staff, then cost cutting is unlikely to ensue.

### **c) Individuals**

Another funding option in this area is to increase the contribution made by individuals. The arguments offered in support of this option are firstly, that student fees and charges haven't risen for some time and secondly, that the individual benefits from training and should be prepared to contribute accordingly.

In response, it is important to point out that students currently do contribute and thus arguably the benefits of training to them is already being acknowledged. Secondly, the reason such fees haven't increased since 1985 is presumably for all the legitimate reasons listed in the *Options Paper*. In particular, given that TAFE students pay up-front fees, any increase in fees must be carefully weighed against the access and equity issues at stake

particularly as it is likely that imposing an increase in fees and charges would in all probability capture all students, not just apprentices and trainees.

Another issue for consideration in relation to this option is who actually pays the fee – the student or the employer. If it is the employer, this would constitute a defacto industry contribution which would mean that it would presumably have less impact on an access and equity level. If it is the student – who is by definition employed and is therefore a PAYG taxpayer – any fee paid by them for training would be rebatable and thus, the state training system could be indirectly viewed as being funded by the Commonwealth.

Notwithstanding who pays and the potential trickle down effect of tax deductions, this option is less than ideal and, if adopted, must at least minimise any such increase and present workable options to those individuals who will struggle to meet the up-front increased costs. Moreover, given that such an option will undoubtedly affect concession entitlements, the State Government must factor in the cost of financing such entitlements which means that it is unlikely to result in savings.

#### **d) Other**

The final option presented in the additional funding category of the *Options Paper* is to transfer funding from other areas into traineeship and apprenticeship funding. Of course, this is already happening as Institutes effectively transfer funds from P to L. As stated previously, there is absolutely no capacity for this practice to increase without seriously reducing the quality of delivery to the community (where it isn't already threatened). This seems to be a superfluous suggestion and, in fact, the issue of Institutes being forced to compromise their profile delivery now to fund traineeships and apprenticeships should be closely

examined and debated with a view to minimising the practice rather than increasing it.

### ***PART 3: Restrictions on Growth Options***

#### **a) Providers**

As stated in the introduction to this submission, the VTA sees this option as the least objectionable of those presented in the *Options Paper*. The *Options Paper* states that the foremost reason for rejecting this option is “the fundamental difficulty in justifying restrictions based on the type of provider.” (p.7) At this point, Schofield’s finding that competition has had beneficial impacts on the Victorian training system is cited.

Schofield’s finding in this respect should be qualified. While her report concluded that *overall* competition had had beneficial effects on the Victorian training system, it also cited many of the detrimental effects of such competition. Schofield is clearly not suggesting that unrestricted competition is the way forward for Victoria’s training system. In essence, she recommends a kind of hybrid model whereby competition is crucial but regulated with the public good as the primary consideration and not private sector profits.<sup>7</sup> Freezing user choice at this point is not *eradicating* it or competition.

We see no contradiction in the *government* prioritising the public infrastructure which, after all, is primarily its responsibility. Clearly in a devolved and autonomous TAFE system the Government does not need to focus exclusively on the public infrastructure. However, *prioritising* it is perfectly legitimate. Indeed, as the recent Auditor General’s report stated, one of the primary responsibilities of government is to maintain the viability of public infrastructure.

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<sup>7</sup> See pp. 70 – 72 of Ibid..

Another issue that should also be addressed at this point is the proposition that maintaining the freeze on user choice will prevent growth in the private sector of the market. In short, this is not the case. What is prevented is a particular type of growth which is facilitated and funded by public money - not growth per se. If public training dollars are limited, the last place they should be withdrawn from is the public infrastructure.

Moreover, the *Options Paper* implies (as has often been assumed in recent years) that there is no difference between public and private providers of TAFE. The VTA has demonstrated elsewhere that this is clearly not the case.<sup>8</sup> The primary difference between the two, as was noted by the House of Representatives Standing Committee on Employment, Education and Training, is that public TAFE strives to fulfil its role of delivering VET “while monitoring social equity objectives. It is this unique aspect of TAFE that is its defining quality.”<sup>9</sup> Given that a primary responsibility of the state is the proper maintenance of its social justice role, not only is it not a contradiction to prioritise the public TAFE sector, it is desirable to do so.

## **b) Individuals**

The suggestion to restrict access to apprenticeships and traineeships on the basis of individual circumstances and/or identity is perhaps the least desirable of all the options – both ideologically and logistically. It is an unrealistic option which is unable to account for the individual circumstances of “real people”.

Restricting access on the basis of age is unethical generally, but particularly when one considers that many

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<sup>8</sup> Op.cit., VTA Senate Inquiry submission.

<sup>9</sup> The House of Representatives Standing Committee on Employment, Education and Training. *Today's Training, Tomorrow's Skills*. The Parliament of the Commonwealth of Australia (July 1998) p.23.

people seeking retraining are doing so later in life and may be the most disadvantaged in society. The practical difficulties that this option would impose on those seeking or being required to undertake further training either as part of their existing employment or as a result of redundancy or retrenchment must be obvious to all.

Any suggestion of restricting access on the basis of existing qualifications also contradicts lifelong learning principles and ignores those people wanting to up-grade or attain further qualifications. What an irony it would be if governments on the one hand encouraged people to become lifelong learners in recognition that learning is an investment for the individual and community, only to then restrict access to such learning on the basis of age or prior qualifications.

Finally, a very large and important part of the role of TAFE is its provision of second chance education and its commitment to lifelong learning. Discrimination on the basis of age or qualifications is antithetical to both philosophies.

### **c) Skills needs and priorities**

A general comment in relation to this option is that government investment in training should not be limited to areas of skill priority. This implies that the only benefit of investment in education and training is the production of skilled workers for industry. This is undoubtedly a very important outcome for the Victorian economy, but it is clearly not the only one. Numerous other social and economic benefits result from a properly resourced public training system and thus government has a responsibility to the community to support it with a broader perspective in mind.

Moreover, the crucial aspect of this option which makes it difficult to comment upon is the admission that “[f]urther consideration would need to be given to a framework for determining skill priorities.”<sup>10</sup> Logistically, this is a very difficult option. Determining skill priorities through wide and thorough consultation and analysis is very time consuming and would make planning (financial and otherwise) very difficult.

The *Options Paper* suggests that government funds could be withdrawn from training which provides skills that are enterprise-specific rather than transferable. As we have already made clear in our earlier comments, if this means withdrawing funding for training that is specific to particular employers that is not transferable across the industry then we would support it. We would prefer that where such training is occurring, a condition of receiving government support in the future would be the training of transferable skills.

Another option presented is to withdraw government money where there is a strong likelihood that industry will continue to provide the training. Aside from the obvious difficulties with predicting this, the problem here is that again, the likelihood of employer-specific training increasing is heightened. From a system perspective this is disastrous given the almost guaranteed and continuous job migration of the workforce of the future.

Moreover, withdrawing from training in certain industry areas would lead to a diminished capacity of the government to intervene when access and equity principles are threatened and thus a system could develop whereby disadvantaged learners are caught in training and employment which is lower paid or career limiting and/or in

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<sup>10</sup> Op.cit., *Options Paper*, p.8.

industries in which they would prefer not to work.

Finally, it is suggested in the *Options Paper* that access could be limited on the basis of skill level. As we have stressed elsewhere, such an option is clearly antithetical to lifelong learning principles. Logistically, this option would be very difficult to implement as minimum qualification levels differ markedly across industry sectors. It would also debase the value of recognition of prior learning and at the end of the day, given the tracking capacity of the student record system at the state and national levels, it would be dependant on the honest and accurate declaration by the student at the point of enrollment.

#### **d) Industry Sectors**

Some similar logistical problems apply with this option as with the last. In short, the primary problem with this suggestion is that, as is well known, the general nature of labour market analysis is that it is an imprecise science. Gathering such information to be effective on a micro-level is practically impossible. Not only is information about industry priority areas notoriously unreliable, it undermines the importance of other industry areas which, while perhaps not priorities, are nonetheless crucial to the social and economic fabric of the state. A situation could develop whereby non-priority areas in fact become priority areas in future years as a result of such a policy direction, which is clearly not a desirable outcome.



## **CONCLUSIONS**

In short, it is clear that the VTA regards those options which restrict access to education and training as the least desirable options. Such a strategy rests on the assumption that education and training is a cost and not an investment. This would be a short-sighted assumption and an ill-conceived policy direction for any government.

As such, we urge PETE firstly, to increase lobbying the Federal Government to fund its initiatives that have led to the growth in New Apprenticeships (and VET generally).

Secondly, we assert that despite the generous injection of State Government funds into the Victorian training system recently, more funds are required to underpin the obvious economic and social benefits of education - particularly given that the Victorian training system continues to be one of the most poorly funded in Australia. This must be redressed further if Victoria is to remain attractive to national and international students, investors and employers.

Third, the VTA argues that if financial resources need to be recovered from any part of the traineeship and apprenticeship area, it should come from a reduction in employer subsidies and not from the training budget.

Finally, while this submission has argued strongly against most of the restricting growth options, it acknowledges that if such an option is necessary, then the least objectionable option from a public system point of view is the maintenance of the freeze on user choice. However, any option that restricts the growth of education and training in Victoria is seen very much as a last resort and as a general principle, we firmly believe that growth in and maximum access to education and training is to be encouraged, not inhibited.

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