

**INQUIRY INTO
VOCATIONAL EDUCATION AND
TRAINING IN
NEW SOUTH WALES**

Hearing on 22 September 2015

Answers supplementary questions -

Submission by NSW Teachers Federation

INQUIRY INTO VOCATIONAL EDUCATION AND TRAINING IN NEW SOUTH WALES

Supplementary questions on notice – hearing on 22 September 2015

Questions for the NSW Teachers Federation

1. State Minister John Barilaro and the until-recently Federal Minister Simon Birmingham have instituted reforms to *Smart and Skilled* and federal regulation and VET Fee-Help respectively:
 - a. Do you think these reforms are sufficient to address the concerns raised by you and others in respect to quality, integrity, student outcomes, viability of the public system and other matters?

ANSWER

No. Introducing reactionary reform and regulations on the run could be described as tinkering around the edges. To ensure a quality, accessible vocational education and training system, that system requires guaranteed funding to allow it to offer the broad range and ever changing courses required in our communities. TAFE has an obligation to communities, not just employers or industry groups. Communities, particularly in regional and rural areas, feel an ownership of their local college, indeed often rely upon them. In many rural areas the local TAFE college is a large and vital employer within the community.

In 2008, \$25 million was expended on VET FEE-HELP. In 2014, this figure had grown to more than \$1.5 billion and **VET FEE HELP debt for 2015 will exceed \$4 billion.**

More than 75% of VET FEE HELP goes to private providers – who have no limit on what they can charge students.

Profit margins in the private VET sector average 30 per cent – mostly funded by taxpayers. In contrast, in 2006, while conducting research in to the value of TAFE, the Allen Consulting Group concluded that for every dollar invested in TAFE in NSW, there was a benefit of \$6.40 to NSW (Allen Consulting Group, 2006, p49).

- b. Do you think it is possible to reform these systems to address in part or in whole your concerns?

ANSWER

The only way to address the whole of the AEU NSWTFs concerns is to abolish the Smart and Skilled funding model completely. Every dollar of contestable funding that goes to a private provider, is a dollar taken away from TAFE. Yet there is no guarantee that courses are the same quality.

- i. If so, please outline the minimal set of reforms and what they would achieve?

ANSWER

If a minimalist reform is to occur, this reform should place a ban on brokers and the use of unregistered third parties, to eradicate the business of cold calling, door knocking and soliciting students into courses they have no ability or even previous desire, to undertake.

A guaranteed minimum hours of delivery for courses should be reinstated. Some courses such as security guard certificates have mandated face to face hours in order to qualify for certification. The responsible service of alcohol certificate, previously delivered predominantly online, now requires a minimum 4 hours of face to face delivery. Federation would question why there is seen to be a need for regulated delivery time in only some qualifications.

- ii. If not, please provide your vision of how resources in the sector should be allocated between the public system and non-government providers?

ANSWER

TAFE must be assured ongoing adequate funding. Governments should provide the bulk of government funding to the public provider. For Profit providers should not receive government funding for courses that do not attract VET FEE Help, particularly if they are in direct competition with the public provider.

Non government providers should be clearly apparent as such to intending students. Currently, non government providers that are eligible for government funding, use the government logo prominently on their advertising. This easily gives an impression that it is somehow endorsed by the government and so must be reputable. Clearly, this is not always the case.

2. Minister Barilaro has declined to set limits on the proportion of VET funding that can be allocated contestably:
 - a. Could you describe the implications of this position?

ANSWER

Access to an unlimited proportion of government funding is almost an open invitation to those businesses interested in making a fast buck. Risk taking entrepreneurial businesses chasing funding put profits ahead of education. NSW runs the risk that the market will become flooded by short term, for profit providers who are not in the “industry” for the long term or for the long term good of the state of NSW.

The people of NSW and our government would not see value for the government’s outlay. TAFE colleges, if not adequately funded, will eventually be unable to compete with these lean, portable business models.

TAFE Directors must find ways to pay for aging infrastructure and to maintain and continually upgrade industry standard equipment in the breadth of courses on offer. TAFE, as the relied upon public system, cannot operate out of the back of a truck (Nortec on NSW North Coast) or the boots of fleets of vehicles as many private providers do. These providers often have small or no shop front business premises and very few staff.

- li. If limits were to be set, can you specify what they should be?

ANSWER

The public provider should be guaranteed the largest share of government funding. Prior to the introduction of contestable funding in NSW, private providers accounted for around 20% of VET funding. If limits were set to ensure government funding to private providers did not exceed 30%, the private sector would still be receiving more government funding than prior to the implementation of Smart and Skilled.

5. Can you explain what you see as the main differences between a private provider and TAFE in terms of objectives and outcomes for students? Is there a difference between the for-profit and not-for-profit providers?

ANSWER

For profit businesses, particularly those listed on the stock exchange, have an obligation to make money for their shareholders. Therefore, profit must be the overriding motive. The public provider's overriding objective is education and training. Private providers make decisions about what is best for the company/owner of the business. Governments make decisions about what is best for the state.

Private providers cannot provide the breadth of courses required by each industry and often specialize in particular areas of training.

Private providers, whether for profit or not, appear to specialize in areas that do not require expensive or extensive equipment or training. While it is true some employee related training providers offer their own training in areas with massive infrastructure costs, such as heavy vehicle and equipment for example, this training is provided only on their equipment. For example, the Ford motor company may train automotive technicians, but they will only be trained on Ford equipment and to Ford specifications. The public provider offers a wider education and training experience, to enable the students to work within the wider industry.

6. TAFE management in NSW has provided teachers with a proposal for enterprise bargaining. Changes to conditions and the introduction of 'para-professionals' are justified on the grounds of competition with non-government providers and the experience in other states. In terms of experience in other states, can you provide a response to each of the following suggestions in the document, outlining the impact on the quality of education and other matters:
- i. Increase face-to-face teaching hours

ANSWER

Smart and Skilled provides the same funding per student to every provider, regardless of size or employment practices and regardless of the support they offer to students.

Under Smart and Skilled, TAFE does not receive enough funding to cover the costs of operating.

For example, unlike the majority of private providers, TAFE provides a library – this costs in electricity, plumbing, water, maintenance, as well as the purchasing of resources and wages to staff the library. This is not funded.

TAFE provides support staff – disability consultants, counsellors, careers advisers who assist students to undertake their studies and assist in completions. This is not funded.

TAFE must pay the wages of its staff yet it is not funded from the government to cover this cost.

TAFE proposes this as a means to reduce the effective hourly rate of teaching in order to compete on price with private providers who employ lower qualified and trainers but also to assist in covering the costs of all the essential unfunded parts of TAFE.

- ii. Reduce the hours for preparation and other related duties?

ANSWER

TAFE teachers are required to not only prepare lessons and mark student material, they are also required to process enrolment, attendance and marks through TAFE's electronic systems. This is often a more onerous task than one would consider, with TAFE systems and bandwidth regularly causing user problems.

During related duties times, teachers; meet with current students experiencing difficulties related to their study, interview and provide information to potential students, liaise with industry, develop curriculum, undertake skills audits and student selection, develop learning materials, review legislation changes, undertake staff development, etc.

The Federation questions TAFE management comparing NSW unfavourably with other states practices. Those states that have moved more rapidly toward deregulation, full contestability and the marketization of vocational training and education have experienced great problems with unscrupulous provision. TAFE has lost market share rapidly in these states (Victoria, South Australia and Queensland particularly) with the outcome that TAFE colleges have closed down. NSW still provides the largest TAFE training in the country, the NSW public still have trust in TAFE NSW and in VET delivery in this state. The same cannot be said for those other states.

The Teachers Federation has been working with TAFE to introduce new and innovative ways of delivery in a trial of Educational Support Officers, Assessors and Head Teachers. This innovation can allow NSW TAFE to stand apart from those other states and retain integrity and quality.

- iii. Introduce a lower paid grade of 'instructors'.

ANSWER

The introduction of para-professionals is a cost cutting measure. The introduction of a lower paid, lower qualified "instructor" or "trainer" will impact most severely on students who experience learning difficulties. In many cases, "instructors or trainers" would be indistinguishable from "teachers" and students would have the same expectation of the lower qualified instructor.

If TAFE is to compete on quality, quality must be maintained at all times. It is the ability of the highly qualified and experienced teacher that leads to quality educational outcomes. Teachers have the capacity to alter teaching practices to suit the learning style of individuals.

7. Please explain the concept of 'education' in contrast to 'training' and indicate:

- a. Why is it, in your experience, important for the student and for society?

ANSWER

At its most basic, training provides skills and education provides knowledge. Training can provide predictable responses under certain conditions or in certain situations. Education can provide an understanding of why these behaviours are desirable and/or allow for skills to be transferable across situations.

It is important for students to have a breadth of knowledge rather than an ever diminishing

skills set. Individuals should ideally be able to move within their industry and not be locked in to only a very narrow area of employment. Many students enrol in a course or an apprenticeship, thinking the outcome they desire is to have a job, but after a broad education, that can cover theory and question the currently accepted norms, many students go on to undertake further study and knowledge. This can build a career that spans a lifetime.

8. The national Partnership on Skills Reform expires in June 2017 and a new agreement will be required. Can you outline the minimal set of conditions that NSW should insist are in the new agreement for the protection of the public provider and quality education in NSW?
9. Please describe the consequences of debt under VET-Fee Help for students and their experience of education.

When income-contingent loans were introduced for higher education qualifications in the late 1990s, it was in the context of a robust debate. Proponents of the scheme raised the issues of the on-going affordability of higher education, the relative economic advantage that those who went to university acquired throughout their lives and the importance of those who were going to benefit from their education contributing to its costs. Those who opposed the proposal argued that education was a social good because everyone in society benefited from increased levels of education and that increasing costs to students, even through a deferred repayment scheme, would discourage many disadvantaged students.

In the end, the proponents won, largely because the income contingent loan scheme was viewed by many as the best of a poor set of options. The argument that students would not be required to start repaying their HECS loan until their incomes reached a reasonable level (hence income-contingent) – that is until the advantages of their education were being experienced in the form of a decent income was convincing for many. If no such advantages were ever experienced, that is, if students never reached that income level, then they would never have to repay the loan. In fact, the argument was that a HECS would encourage participation from disadvantaged groups, and contribute to equity in society.

Debate continues about the effects of HECS in higher education, and the increased levels of participation by low SES students never occurred. Costs increased for students, but the architecture of the scheme has remained in place, notwithstanding Pyne's recent unsuccessful attempts to de-regulate university fees, and substantially change (and lower) the income levels at which repayment of the loans should commence.

VET FEE-HELP was introduced into the VET sector in 2007 with very little discussion, and with bipartisan support. VET FEE-HELP, and income contingent loans in vocational education are about shifting the costs of vocational education onto students. They are not about shifting **some** of the costs, as they were in higher education – they are about shifting **all** of the costs. Income contingent loans in vocational education are not about relieving students of the pressure of the costs – they are about making students pay for what was previously offered through TAFE at little or no cost to individuals. They are about a fundamental shift in the way the sector is organised and funded. To argue that VET FEE-HELP or income contingent loans are the saviour of students in VET could not be further from the truth. VET FEE HELP loans are a barrier to some students upon enrolment, but are most definitely an ongoing burden for students whether they complete the course or not. They still carry the loan if they do not finish the course.

Most VET graduates do not earn a wage anywhere near that of university graduates. Contrary to the popular myth that tradespeople earn an exorbitant wage, most do not. Some trades, sometimes, may be

in skills shortage and so can garner a higher fee for service for a short time, but most tradespeople, who are employed in someone else's small business, earn only a modest income. This will mean they are paying off their FEE HELP debt (which continues to increase over time) for many years to come.

Hairdressers, childcare workers, welfare workers, all attract VET FEE HELP debts, but will never earn much more than the average wage. This may mean they are living in poverty while working; may not be able to save for or be eligible for a home loan; may not even be able to make the decision to have children as they cannot afford to take time out of the workforce with the ever growing debt hanging over their head.

10. The new Federal Minister for Education Simon Birmingham has flagged an increased role for the federal government in TAFE and VET, including the possibility of a complete federal takeover:
 - a. Do you support this and if so to what extent?
 - b. What do you see as the future for TAFE under federal ownership?
 - c. What in your opinion would be the impacts on the quality of post-secondary education in NSW of federal ownership?

ANSWER

Currently, around 30% of recurrent VET funding comes from the Commonwealth and 70% from the states and territories. Recurrent VET funding has declined by 25% since 2004, and VET is the worst funded of all education sectors. In 2013, 42% of VET funding nationally was allocated contestably – that is, open to for-profit private providers - with close to 80% contestable in Victoria and SA. There has been a massive growth in students' fees and charges, and a huge growth in student loans. In 2008, \$25m was expended on VET FEE HELP. In 2014, this had grown to \$1.6b, and by May 2015, \$1.74b had been expended. If this figure stays on track, the VET FEE HELP debt for 2015 will exceed \$3.5b. More than 75% of VET FEE HELP goes to private for-profit colleges. The total annual recurrent government funding for VET in 2013 was \$5.8b. VET FEE HELP is on track to be more than half of recurrent government VET funding by the end of 2015.

This shift in the funding and organisation of the sector is a fundamental change which has occurred during a period of increasing rorts by private VET companies, and growing uncertainty about the quality and usefulness of qualifications in the sector.

Many states and territories have effectively defunded Diplomas and Advanced Diplomas, shifting the costs of these qualifications onto students in the form of student debt. Fees in the VET sector, unlike fees in the Higher Education sector, are completely deregulated where there is no government subsidy attached. This is the majority of VET FEE HELP loans.

In Victoria, South Australia and Queensland, TAFEs are now minority providers of government funded VET.

In these three states, as the governments shifted their funding to the private sector, thousands of jobs were lost in TAFEs, campuses were closed, regional areas lost their VET provisions, and courses were defunded.

In SA, when a panicked state government shifted their diminishing state funding away from the private sector, the Commonwealth Government joined the private for profit sector in condemning the state

for what they claimed would be tens of thousands of job losses. The hypocrisy of this outcry, particularly in the context of the failure of governments to support their own TAFE colleges, is not lost on workers in the sector.

The activities of the private for-profit VET sector have undermined trust, confidence and damaged the reputation of the whole VET sector. Thousands of qualifications have been withdrawn and the quality and usefulness of thousands more called into question. The National VET Regulator has admitted that they can no longer be certain about the quality of VET qualifications, or even whether students hold the competencies that their qualifications attest to. The activities of brokers operating on behalf of the private VET sector continue unabated, with thousands of disadvantaged and vulnerable young people signing up for worthless qualifications, and for a lifetime of indebtedness.

In Victoria, the recent Mackenzie Review showed that 80% of private providers are 90% reliant of government funding. In stark contrast, on average, more than 30% of TAFE college funding is Fee For Service. A recent report from Sydney University showed that the largest private for profit VET colleges are making super profits in excess of 30% - whilst in some cases drawing more than 95% of their funding from the government.

The split in responsibility for the governance and resourcing of vocational education in Australia between the States and the Commonwealth has resulted in more than twenty years of policy incoherence and confusion, under-funding, and a lack of clear direction for the sector.

TAFEs in particular have been left to the vagaries of the incoherent policy of the states, and the largely bipartisan push from successive Commonwealth governments to privatize the VET system.

A shift of responsibility for funding and organization of the sector to the Commonwealth would be a triumph of market reforms and result in the complete privatization of the sector, and of TAFE colleges.

Some states may consider continuing to support their TAFE colleges but this would be in the context of a virtual de-funding of higher level VET qualifications (Diplomas and Advanced Diplomas), as VET FEE HELP becomes the major source of funding for these qualifications.

There has been no publicly available analysis of the impact and growth of VET FEE HELP and its consequences for some of the most disadvantaged students in the Australian community. And it is worth remembering that fees in VET are completely deregulated, with the only limited on fees charged being the \$95,000 limit on the amount of money a student can borrow.

A Commonwealth takeover of vocational education would see TAFE abandoned by a number of states and the collapse of public provision in this crucial sector of education.

The implications for individuals, the community and regions will be profound.

There will be a massive growth in student indebtedness, in a climate where the quality and usefulness of VET qualification has been called into question.

TAFEs will become residual providers in the states where they remain.

Pathways between VET and Higher Education will collapse, and employment outcomes in the sector will be undermined as employers continue to lose trust in the sector.

The states and territories, and the Commonwealth must work collaboratively to develop coherent policy in the vocational education sector. Each level of government must commit to the provision of public education through TAFE in this crucial education sector.

Shifting responsibility for VET to the Commonwealth will not solve the problems of vocational education. A Commonwealth takeover would be the triumph of privatisation, and the residualisation and ultimate destruction of the public TAFE system.

Federal funding in NSW predominantly takes the form of VET FEE Help.

11. Please list the 'pop up businesses' you believe are being funded under smart and skilled.

ANSWER

It is not possible to answer this question with accuracy. It is the combination of the the Smart and Skilled funding model and the Federal funding of VET FEE HELP that has made the Vocational Education and Training sector particularly attractive as a profit making venture. Both policies combine to open up more funding and attract new "players" in to the market. I personally have been approached in Westfield shopping centres, at railway square and at the end of Central Railway tunnel by private providers spraining the ability to sign me up to a VET course there and then. This was something unheard of, prior to both levels of governments changing the TAFE funding model.