

**Submission
No 231**

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

Organisation: Unions NSW

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Inquiry into Vocational Education and Training in New South Wales

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Introduction

1. Unions NSW is the peak body for trade unions and union members in NSW with over 65 affiliated trade unions and Trades and Labour Councils, representing approximately 600,000 workers across New South Wales. Affiliated trade unions cover the spectrum of the workforce.
2. Vocational education has always played a crucial role in providing training and development for union members to both find employment and advance their careers. As such, the union movement has a vested interest in the provision of high quality, accessible and affordable vocational education. The NSW Teachers Federation and Public Services Association (PSA) are unions who represent members working in Technical and Further Education (TAFE).
3. Unions NSW believes vocational education should be affordable, uphold the principles of equality and accessibility, ensure the highest standards of quality education and produce graduates who meet industry expectations and standards. A publicly funded and supported vocational education system is the best way of achieving these aims, as evidenced by the success of TAFE.
4. The last four years have seen a serious attack on publicly funded vocational education, with the NSW Coalition Government making significant funding cuts to TAFE while also opening vocational education up to competitive tendering through *Smart and Skilled*.
5. Unless serious action is taken, industry and community confidence in vocational qualifications will be severely undermined as quality and access deteriorate.

Additional submissions from union members

6. Vocational education has, and continues to be the entry point to work for thousands of people across the state. Unions NSW sought submissions to the inquiry from people who have accessed TAFE asking them about the important role it has played in their lives.
7. Unions NSW received over 200 submissions from workers with a broad range of connections to TAFE. Submissions were received from students past and present, school and TAFE teachers, TAFE employees including support and administrative staff, as well as parents,

grandparents, co-workers and employers of past and current TAFE students.

8. The submissions received by Unions NSW have been included as an appendix to this submission. Excerpts from these submissions have also been used in the Unions NSW submission in order to articulate the real damage the NSW Government's market-driven competitive funding model is causing to the quality and accessibility of vocational education in NSW.

Smart and Skilled and Funding for TAFE

9. In January 2015 the Coalition Government introduced *Smart and Skilled*, a market driven funding model for vocational education, which encourages opportunities for for-profit registered training organisations to access government funding, at the expense of TAFE.
10. The reforms opened up contestable funding in the sector, with TAFE competing for public funding against registered training organisations, many of them 'for-profit' private companies. TAFE is now considered as 'just another' provider in the competitive market.
11. Prior to the introduction of *Smart and Skilled*, NSW TAFE had already experienced significant budget cuts, with \$130 million removed from the TAFE budget and 1,200 staff members sacked leading up to 2015¹.
12. Smart and Skilled has seen a further reduction in funding, with now up to 2,500 teaching and support staff jobs lost and a further cut of over 7% in guaranteed government funding².
13. Changes to the funding model of vocational education will see funding previously dedicated to TAFE diverted to private, often 'for profit' providers.
14. The impacts of these changes have already begun to be felt. Student fees have been increased for the majority of courses while the availability of courses, particularly in regional and remote areas has been reduced.

¹ NSW Teachers Federation (2014), <https://www.nswtf.org.au/news/2014/11/14/stop-tafe-cuts-community-forum.html>

² NSW Teachers Federation (2015), <https://www.nswtf.org.au/news/2015/06/24/nsw-budget-means-more-cuts-to-tafe.html>

15. The combination of funding cuts to TAFE and the introduction of competitive tendering in vocational education has had a significant impact on access and affordability of vocational education. In the 2015-16 Budget the NSW Government was forced to revise last year's vocational education enrolments numbers, as 9,196 fewer students enrolled in 2014/15 than was forecast. In 2015/16 it is expected there will be 28,641 fewer enrolments than the previous year³.
16. The introduction of *Smart and Skilled* in NSW follows a national move towards market driven funding models in vocational education, which was first introduced by Victoria in 2009. NSW has been the most recent state to introduce a contestable funding model.
17. Since the introduction of contestable funding in Victoria, public funding for TAFE has fallen to 27% of the market, with over \$300 million in TAFE funding cut and over 2000 teachers made redundant. The Government and unions in Victoria receive almost daily reports of private providers who have been rorting the funding system, going broke and closing courses⁴. There is also a widening distrust in the vocational education sector and the qualifications produced have been severely undermined.
18. NSW has the opportunity to review the impact contestable funding had in Victoria and take immediate steps to ensure the quality and accessibility of vocational education in NSW does not go down the same path.

Quality

19. Unions NSW holds serious concerns for the quality of vocational education in light of contestable funding model. The rationale behind contestable funding is that it will promote quality and efficiency in the sector through encouraging competition between providers.
20. A substantial body of research refutes this claim and instead provides evidence competitive market forces in educational settings have the potential to significantly reduce the quality of

³ NSW State Budget 2014/15 and 2015/16

⁴ NSW Teachers Federation (2012), <https://www.nswtf.org.au/campaigns/invest-tafe/news/invest-tafe-lessons-victoria.html>

education⁵.

21. Private 'for profit' providers are motivated by profit

In the first instance, the question must be raised as to the purposes and motivation of for-profit providers in the vocational education sector and the steps they will take to ensure profit maximisation. A recent research report released by the Australian Education Union closely examined three publicly listed, national, for-profit providers. The research found profits margins for the providers were in the range of 30% per cent⁶. These profits are being made off the back of public funding which was allocated to providers for the purpose of providing vocational education. If companies are able to make such large profits, questions must be asked as to whether this is the most efficient use of government money and whether this money is better invested directly into education resources and infrastructure for students.

22. Providers are unlikely to be competing on 'quality'

It has been argued a competitive funding model would create better outcomes for students by requiring registered training providers to compete on educational outcomes and quality. However, by its nature education is not a physical product whose quality or value can be clearly assessed prior to being experienced. If a student's experience of vocational education has not provided them with the appropriate learning they may not be aware of this until they complete their course, start looking for work or when they are in the workforce. As such, in a competitive market for training, vocational education providers are not likely competing on quality in the first instance, but rather on their marketing techniques and their ability to reduce the costs of running courses. These approaches work in opposition to quality education outcomes.

23. Providers are likely to focus on 'cheap and short' courses to maximise returns

Under the Smart and Skilled funding model student fees for courses are capped. In order to maximise profit opportunities, it is likely for-profit providers will seek to run the cheapest and shortest courses available. Evidence suggests this has been the case in other states with

⁵ Huber, K. (2010) 'Use Chose: Who's the user? Who's the chooser? The principle of choice in the German and Australian vocational education and training context – a comparative analysis. *International Journal of Training Research*, 8(1), 80-96.

Jensen, B. Weidmann, B. and Farmer, J. (2013) *The myth of markets in school education*, Grattan Institute.

⁶ Yu, S. Oliver, D. (2015) *The Capture of Public Wealth by the For-Profit VET Sector*, prepared for the Australian Education Union.

similar funding models, where TAFE is by far the prominent provider of higher cost and resource intensive courses, particularly in remote and rural areas⁷.

24. Demand driven training discourages long term investment

Smart and Skilled has seen a shift towards demand driven training, meaning funding is contingent on competition with other providers as well as sufficient interest through minimum enrolment numbers. Such an approach discourages any long-term investment in either staff or infrastructure, as training providers are uncertain of their funding from year to year.

Societal benefits of publicly funded vocational education

25. Governments have responsibilities beyond simply making profits. High quality, accessible and affordable vocational education provides a range of external benefits for Government, which is why state and federal government subsidise vocational education.

26. The externalities offered by vocational education were highlighted in the Productivity Commission Inquiry into Vocational Education in 2011. The Commission cited the externalities of vocational as higher employment and a more skilled workforce, social cohesion, reduced crime, investment in innovation, the diffusion of new ideas and increased earning capacity of workers which transfers higher marginal tax rates⁸.

Accessibility and services

27. In order to unlock the benefits, vocational education must be affordable and accessible, particularly to disadvantaged groups. Unions NSW is concerned the current contestable funding model undermines these benefits by not providing appropriate support or access to students in regional and rural areas, who are from Aboriginal or Torres Strait Islander background, have a disability, are from a non-english speaking background and/or who have learning difficulties.

28. TAFE has always ensured accessibility to education, particularly for students from disadvantaged backgrounds. The important role vocational education has played in workers having access to further education and skill development was a recurring theme within the

⁷ Ibid

⁸ Productivity Commission (2011) Vocational Education and Training Workforce.

submissions received by Unions NSW for this inquiry.

29. Fee increases

The *Smart and Skilled* pricing and entitlement model saw a significant proportion of the cost of training shifted from the government onto students, with fee increases in the majority of courses.

30. Student fees for vocational education will increase between 33 and 70 per cent for most courses. A one-year Certificate III traineeship in agriculture has risen from \$838 to \$2170⁹, while fine art courses experienced a ten-fold increase in fees from \$1,500 to \$15,000¹⁰.

31. Submissions received by Unions NSW overwhelmingly reported increased fees as being a barrier for students either completing or starting a vocational education qualification. Unions NSW is concerned this will have flow on effects on skill shortages, earning capacity of workers, youth unemployment and social cohesion.

32. The NSW Government needs to reconsider the fee structure of vocational education qualifications if it wants to ensure NSW is a skilled state. Unions NSW recommends the Government increase government funding for vocational education and relieve some of the cost burden from students.

33. Needs loadings

Smart and Skilled grants additional loadings on funding to providers who have students with additional learning needs. Loadings are divided into needs and location based, and providers are only able to access additional funding for a maximum of one needs loading and one location loading per student. Needs loadings are:

- Aboriginal or Torres Strait Islander – 15% loading
- Disability – 15% loading
- Long term unemployed – 10% loading

34. Unions NSW is concerned by the arbitrary funding figures applied to students who may have additional learning needs. The figures provided as part of *Smart and Skilled* do not take into

⁹ Central Western Daily (2014), <http://www.centralwesterndaily.com.au/story/2613362/will-changing-tafe-fees-prove-too-costly-for-job-seekers/>

¹⁰ Public Service Association, (2014) <http://ourtafe.org.au/save-our-tafe-roadshow/>

account the individual nature of learning and additional resources that may be required by students. Placing a limit on the support which can be offered to students will act as a barrier to entry and will limit the ability for these students to complete their studies.

35. The Government's limit of 'one needs loading per student' also ignores the reality of disadvantage where students may experience a number of confounding barriers to education.
36. The comprehensive institutional structure of TAFE has allowed it to provide the appropriate support services and resources to students around the state in an efficient and effective manner. The proliferation of vocational education through *Smart and Skilled* will limit the quality and quantum of services available to students, particularly those in high needs groups.
37. Unions NSW believes additional funding should be provided to students from non-english speaking backgrounds and students experiencing mental health issues who are not currently eligible for additional funding loadings. TAFE has always played a crucial role in assisting newly arrived migrants to Australia transition into work. However, in order to ensure this is successful, these students need to be provided with the appropriate learning support.
38. The importance of TAFE for students from non-english speaking backgrounds was highlighted in a submission received by Unions NSW. As articulated by a TAFE librarian, TAFE provides a range of skill development and opportunities to new migrants to Australia.

“There are also many non-English speaking migrants for whom TAFE is [sic] life line to settling in Australia not only through learning English, but also meeting people outside of their ethnic community and learning about Australian culture. TAFE has a wealth of facilities and teacher experience and expertise”

39. Regional and Remote areas

Smart and Skilled providers have access to an additional funding loading for students in remote (20%) and regional (10%) areas. However, these additional loadings are not likely to provide an adequate incentive for the provision of training in regional and remote areas, requiring students to travel significant distances in order to being or complete their studies.

For some TAFE institutions, these loadings do not adequately meet their funding needs and will result in real funding cuts.

40. Students at Western TAFE have already begun to experience the impacts of *Smart and Skilled*. After significant fee hikes were introduced at the beginning of the year, enrolments have dropped by around 30%. With low numbers enrolled, students in Broken Hill have been told their courses may be cut, forcing them to commute 8 hours to complete their studies in Dubbo¹¹.

41. The combination of limited funding for remote and regional areas and massive fee hikes for students will severely limit the accessibility and quality of vocational education in these areas.

42. **Women**

The positive role vocational education, through TAFE, has played in the lives of women was particularly stressed in submissions received by Unions NSW. TAFE has provided access to re-training for women re-entering the workforce after extended periods of leave caring for children. TAFE has also provided women with an opportunity to upskill and increase their earning capacity, ensuring economic independence, which is particularly important for single mothers and women leaving violent relationships.

43. Unions NSW received a number of submissions from women who have both experienced and seen the benefits TAFE can provide for themselves and other women when re-entering the workforce or retraining.

44. A past TAFE student, and parent of a current student, from Armidale wrote of the limited study options that exist in regional areas, and how this has worsened since the introduction of contestable funding. She also reflected on the important role TAFE played 11 years earlier when she was re-entering the workforce.

“For me, TAFE gave me the skills and confidence to re-enter the workforce after a 10-year break raising my children. My computer skills were non-existent. After a six-month Business Certificate which included a work placement, I found employment

¹¹ ABC news (2015) <http://www.abc.net.au/news/2015-08-17/concern-tafe-changes-could-mean-outback-teachers-cut2c-long-di/6701934>

at the University.”

45. Unions NSW also received submissions from community sector workers, whose women clients rely on the courses provided by TAFE. Access to these courses has been severely limited through both course fee increases and cancellation due to limited enrolments. A support worker for teenage mothers and their children wrote:

“I have referred many young mums to introductory TAFE courses. They always receive an extraordinary level of support from the teachers and administrative staff at TAFE. Without this support many of these young women would have felt overwhelmed by the workload and have lacked the confidence in themselves to even being studying. For women who fall pregnant in their teenage years, access to affordable, flexible education can be the key to reducing their reliance on government benefits. It also workers to improve their self-image which means they are less vulnerable to abusive relationships and other forms of exploitation. I have been saddened to note that since the funding cuts, many of these introductory courses have failed to achieve minimum enrolments and have had to be cancelled.”

Conclusion

46. By placing quality education, accessibility and student support at its core, TAFE ensures the societal benefits of vocational education are achieved. Unions NSW does not believe a contestable model or private, for-profit providers are able to achieve as higher outcomes as TAFE.
47. Unions NSW believes the critical role of TAFE in vocational education provision should be acknowledged with a majority proportion of Government funding for vocational education reserved for TAFE.