

TAFE: privatising the future

This article is based on a speech delivered by Pat Forward at *Politics in the Pub* in July 2013

In May 2012, the Victorian government announced \$1.2b of cuts over the next four years to TAFE institutes – more than \$300m in 2013 alone. 2,400 TAFE workers subsequently lost their jobs, and the Victorian community is reeling as the impact of these cuts continues to be felt. Not long after these cuts were announced governments in NSW, Queensland and South Australia followed suit.

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These cuts are on top of an ideologically driven “reform” process being rolled out across TAFE in Australia at the moment.

Partly in response to the severity of the TAFE cuts across the country, but largely as a result of the community response to these cuts, the Federal Government announced a House of Representatives Inquiry into the role of the TAFE system on 22 March. This is the first government inquiry into TAFE since the Whitlam government commissioned the Kangan Inquiry in 1973. There have been inquiries into various aspects of the VET system in the ensuing years – this is only the second government inquiry into TAFE.

The response to this inquiry has been unprecedented, with literally thousands of people and organisations writing submissions, and many more people joining the StopTAFECuts campaign. The depth of the community’s response to governments vandalizing the TAFE system is unquestioned. The task ahead of us, though, is great.

Both Liberal and Labor governments in Australia are committed to market organisation of vocational education and they have gone further in implementing market reform and organisation than most other countries. Australian governments have implemented market reform in vocational education to cut costs in the sector, and to shift the costs of funding onto individuals. And this is what is leading inexorably to the destruction of TAFE.

A key way in which market reform has been implemented in Australia is by governments encouraging the proliferation of private for-profit providers. They have done this by allocating increasing proportions of government funding to these for-profit providers.

While some argue that market organisation and privatisation are not always synonymous, in Australia imposing market organisation on the VET sector is resulting in the privatisation of TAFE.

Privatisation of TAFE and vocational education in Australia is occurring as a result of policy



settings, driven by the Federal Government in the 2012 COAG Agreement. All state and territory governments have signed this agreement.

These policy settings are:

- The introduction of so-called “entitlement” funding which removes government funding from TAFE and attaches it to individual students in the form of a voucher (or “entitlement”). This is only for the first qualification up to CIII, and not at all for any higher level VET qualifications. This voucher can be used at eligible public or private providers. This shifts funding away from TAFE.
- Restricting government funding to only a few selected qualifications which are alleged to have a direct economic benefit (signified by employment for the individual, and by skill shortage by the employer). Qualifications which do not meet what are often quite arbitrary criteria have to be paid for in full by the student
- The introduction of a student loan scheme in VET. This allows RTOs including TAFE to charge students who can no longer get a government-subsidised qualification full cost, and then take out a loan to pay for it.

Unlike income contingent loans in higher education, which VET FEE HELP allegedly mimics, the VET sector is able to charge whatever the market will tolerate per qualification, using the argument that the “income-contingent” aspect of the loan will protect those students who will never be rich as a result of their VET qualification. Unlike students in higher education, students in VET are also charged a hefty 20% administrative fee for the privilege of deferring their loan.

There are two other features of the privatisation process:

- The removal of community service obligation (CSO), or full service delivery funding from TAFE. Victoria simply cut all funding to TAFE for student support, facilities, counselling – any of the funding which TAFE requires to support their students, and to offer services in the community. South Australia is gradually removing additional support for TAFE for CSOs. Where some governments are continuing to acknowledge the need for additional funds through the CSO, they have also signalled that this funding can and should be detached from the public provider, and should be allocated on a tendered basis to private providers as well.
- The removal of TAFE assets. Queensland, has taken away TAFE’s facilities and intends to relet these facilities out on a commercial, fee for service basis for public and private RTOs. This was a recommendation from the Queensland VET Skills and Training Taskforce (ACPET, the peak private provider organisation had two representatives on this Taskforce, TAFE had none, and ACPET had lobbied hard for this “reform” in the lead-up to the announcement of the recommendations)

These are the key components of the privatisation of TAFE in Australia and this process is



under way in every state and territory, including NSW. The only difference between states is the stage of reform. Victoria and SA are much further advanced than any other state or territory, and therefore the impact of the reforms are much more obvious.

Some people argue that there is a second difference and that is the open hostility that conservative governments in Victoria, Queensland and NSW have towards public provision, and therefore TAFE. It is this, they say, which has resulted in budget cuts in these states.

So exactly what has happened in the states where the reform process has progressed furthest?

I opened this presentation by referring to the loss of more than 2400 TAFE workers in Victoria in the last 12 months. So dramatic has the impact of market reform been in Victoria that TAFE's share of vocational education has plummeted from close to 70% in 2008 to less than 44% in 2013. At the same time, private for-profit provider share of the VET market in Victoria has soared from 14% in 2008 to 46% in 2013. TAFE has become a minority provider in the second last state in the country.

In 2008, at the very beginning of the reform process, all TAFE institutes had budget surpluses, and were highly entrepreneurial (some would argue too entrepreneurial). In May this year, the Victorian Auditor General released his report into TAFE. His report showed that ten of the 14 TAFEs (71%) are now at either medium or high-risk due to poor results for their self-financing and capital replacement indicators. The Auditor General found that the TAFE sector's financial sustainability had declined between 2008 and 2012 and that if greater capital investment did not occur, assets will deteriorate at a greater rate than they are replaced or renewed. He went on to say:

“This presents a risk to the long-term financial sustainability of TAFEs, as buildings and other infrastructure assets will become unusable.”

He went on to say:

“The worsening position indicates that expenses are growing faster than revenue and places the long-term financial sustainability of TAFEs at risk” and that “if individual TAFEs do not change their operations to cut costs and increase student revenue, they may become unsustainable.”

He also made the point that the real impact of the cuts would not be felt until 2013, this year – after he had concluded his study.

The situation for Victorian TAFE is disastrous. TAFE enrolments continue to drop away. Students are not able to afford the costs of vocational education in Victoria, and they are turning away from TAFE **AND** from the universally poorly regarded private providers.

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But what of the more “gentle” reforms implemented by the Labor government in South Australia? The South Australian government has implemented the COAG reforms in a way which they alleged is friendlier to TAFE, and the SA “model” has been held up as an example of a better way to proceed. But the effect of the COAG reforms in SA is the same. In 2011, SA TAFE market share was 74% and private provider share was 26%. In 2012, SA TAFE market share was 62% and private provider share 38%.

I use the SA example to make the point that the market reforms currently at different stages of implementation across the country will result eventually in the same outcomes as the extremes which have occurred in Queensland (where TAFE has been stripped of its assets altogether) and Victoria (where TAFE institutes are currently hovering on the edge of collapse).

What has occurred in Victoria will eventually and inevitably occur across the country because the **architecture** of the reform process is the same across the country.

What will happen to students as the TAFE system is progressively dismantled across the country?

I want to quote from a letter from a parent in the ACT to new minister Brendan O’Connor about his experiences with the TAFE reform process in the relatively benevolent ACT. The ACT is slowly rolling out the COAG reforms. In his letter, Bill says:

This year CIT increased fees on a couple of their vocational courses to the point where students are looking at a debt of around \$27,000 for a two year Advanced Diploma course that previously cost a fraction of that amount. (In fact when my daughter did the same course a few years ago, she paid just over \$1,100.) The explanation given by CIT for the fee increase is that they have had funding cuts from government, so they have decided they should start charging "commercial rates" for some courses. One of the problems I have with this is that there appears to be no logic or defensible basis for what they have done. Their course for the Advanced Diploma of Graphic Design now appears to be the most expensive TAFE course in Australia. Not only is it dearer than any comparable course at other TAFEs but it is dearer than the three year degree in graphic design at the University of Canberra.

This is a real disincentive for young people to try to improve their education at TAFE colleges. And it is really hard to understand why the Commonwealth government would be implementing policies now that result in this negative impact on tertiary education at a time when there is so much talk about, and focus on, improving school education.

Of course, Bill is right – on all accounts. This example of fees spiraling out of control is a

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glimpse into the future of vocational education in Australia – and it will result in a disincentive for young people to study at TAFE and VET, and there is no logic or defensible basis for the fee rise that CIT has implemented.

Forty years ago, upon the release of the Kangan Report, the outcome of that first government TAFE inquiry, then Minister for Education, Kim Beazley said:

The report envisages a major shift of emphasis. It abandons the narrow and rigid concept that technical colleges exist simply to meet the manpower needs of industry, and adopts a broader concept that they exist to meet the needs of people as individuals . . . The report takes a long step in the direction of lifelong education and of opportunities for re-entry to education. It recommends unrestricted access for adults to vocationally oriented education. (Beazley, 1974)

“TAFE was always about working class education, and it was always about opportunity for those who were marginalized or dispossessed. TAFE was about lifelong learning, not lifelong toil, or lifelong debt.”

This is the vision upon which the modern TAFE system was founded. It was a vision which acknowledged the centrality of work for the dignity and prosperity of individuals and society at large, but it saw work as a sight where young workers could act powerfully as citizens in a community. TAFE was always about working class education, and it was always about opportunity for those who were marginalized, or dispossessed. TAFE was about lifelong learning, not lifelong toil, or lifelong debt.

Slowly, over the last twenty years, in a calculated way, and not without the active resistance of teachers in the sector, governments have moved to dismantle public vocational education – TAFE. Governments are saying that Kangan’s vision for a vocational education system that effectively empowered workers in society and in the workplace is not the vocational education that they want for workers. Governments may be saying this – communities are not – and that is why the community has responded to TAFE cuts in the way that they have.

We do not need to look any further for evidence of the manifest policy failure of the marketisation of vocational education in Australia than the current crisis in the system wrought by dodgy private providers. The lessons are clear:

First, once you create a market, gaining profit becomes the point of the activity, not education.

Second, the actions of a few lead to penalties for all as society’s trust in our education system is eroded.

Third, the market will flood the lower-cost end of provision.

And **fourth**, more and more regulation is required leading to compliance cultures.

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This is the crisis facing vocational education at the moment.

But just these few statistics give you a snapshot of the reality of the VET system in Australia today.

There are currently about 5300 VET institutions in Australia. This includes 59 TAFE institutes, and about 4300 private providers. The remainder is a combination of schools, universities and community education providers and they are mostly very small. About 66% of students in 2011 studied in TAFE and other government providers.

The biggest 100 providers (or 1.9% of all providers) in VET delivered 81% of teaching in 2011. Australia has had to construct a VET system and associated regulatory and quality assurance frameworks to police 98% of providers that deliver less than 20% of all teaching because it believes in the primacy of the market. This is the madness of the current situation in the VET sector.

The university sector has about 50 universities, and a total of 100 higher education providers. Entry to the higher education market is tightly restricted by the sector, and by governments.

And in the school sector, private schools cannot operate on a for-profit basis. In vocational education, they can.

Recently, a VET “insider” said:

I don't think what happened in Victoria was an accident. To see it as an over-zealous, efficiency obsessed government looking for a savings in tight economic times is wrong. They knew what they were doing. They were turning TAFE Colleges into RTOs – just another provider on a level playing field. They were saying “TAFE is a 40 year old Labor experiment which hasn't worked and we're going to kill it.”

He is, of course right. Anyone who thinks what happened in Victoria was an accident – first by a Labor and then by a Liberal government is wrong. Governments have been intent on privatising TAFE for twenty years. And we are engaged, through our Stop TAFE Cuts campaign, in the fight of our lives.

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