

# COMPANION PAPER 8

## **TAFE NSW: Flexibility, Sustainability and Renewal**

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## Policy context

The current public debate about skills shortages is overdue as is public recognition that the skills and capability of the Australian workforce will be the key determinants of Australia's continued economic and productivity growth. The current debate has also seen a shift away from limited science and research dominated approaches towards ideas embedded in the concept of the knowledge based economy - to a focus on the critical skills which underpin production processes, service provision, business processes and business relationships. These are the areas where many firms are focusing their efforts to boost productivity and competitiveness - through production processes, service provision, business processes and business relationships.

Increasing workforce participation and workforce capabilities are now the dominant economic challenges facing Australia and other mature advanced economies. The Australian population is ageing - there will be little growth in the years to 2020 in the numbers aged 55 or under and a rapid growth of those 56 and over (ABS 2003).

A range of strategies is required to boost workforce participation and workforce capability.

1. Increasing the supply of skilled labour through initial training for young people entering the workforce:
  - Too many young people still do not make a successful transition from school to further learning and to work. An indicator of this is the 14 per cent of 15-19 year olds in NSW who are in neither full-time education or work, a percentage little changed over the years as evidenced in the Dusseldorp Skills Forum report: *How Young People are Faring* (Long 2004).
  - There is unmet demand for places in TAFE.
  - A strong case has been mounted nationally for an expansion in traditional trades. NSW has about 31 per cent of traditional apprentices and of trainees in Australia compared with 33 per cent of population (NCVER 2004).
2. A much greater emphasis on retraining and upskilling the current workforce and the adult population more generally, particularly those disengaged from the workforce:
  - The decline in the labour force participation rate of males and the growing numbers on the Disability Support Pension highlights the importance of this (ABS 2005).
  - The role of education and training in lifting participation is evidenced by the strong relationship between education and training and labour force participation (ABS 2004, OECD 2004b). Particularly among older persons, those with more education and training have much higher rates of labour force participation and employment.
  - Rate of return studies show quite good benefits to investment in VET qualifications. For less advantaged groups the returns may also be good especially if the comparison is made not with those who complete year 12 but with earlier school leavers.
  - OECD data shows Australia to have high average levels of adult participation in education and training, but that participation is largely among those with good initial levels of education and training and many adults do not have literacy and numeracy levels sufficient for effective social participation (OECD 2000, 2004a).
  - OECD in its *Employment Outlook* for 2004 reviewed education and training for adults and found 'evidence that training has indeed a positive impact on individual labour market performance...potential benefits from training are not limited to those individuals who have already adequate skills, high wages and good employment prospects. In particular, in the case of more mature and less educated workers, training plays an important role in enhancing employment security' (OECD 2004b Ch 4).
3. Ensuring that new and existing workers have both the technical skills and broader capabilities required for today's workforce and for effective participation in a modern and complex society.
  - Technical skills are no longer sufficient. Changing technology, the operation of international markets, the capacity to use and adapt business processes, relationships and networks, increased consumer awareness and protection, sustainable development, security and occupational health and safety and intensifying the level for and changing the nature of skill requirements.

- The OECD has defined the contemporary skill requirements as know what, know how, know why and know who, and has emphasised the importance of formal and informal learning and blending codified and tacit knowledge.
- 4. Reforming career paths, workpractices and workplaces to that people can utilise their skills and capabilities in productive, engaging and rewarding employment to which they have an ongoing commitment.
  - Supply side solutions are not sufficient. Many highly skilled people leave their trades and occupations and a number of occupations in areas of skills shortages.

## **Role of TAFE**

The Vocational Education and Training sector in Australia and TAFE in particular, is central to these strategies. VET has responsibility for providing skills and knowledge to the significant majority of the Australian workforce, with over 1.7 million students undertaking some form of VET each year.

New South Wales TAFE is by far the largest VET provider in Australia and provides over 92 percent of VET courses in NSW in all areas of VET provision and in national and international markets. At present, there are over half a million enrolments in NSW TAFE Institutes.

One hundred and twenty-five thousand of these enrolments are due to the fact that NSW TAFE Institutes have increased student numbers by over 25 percent, while reducing cost per student by nearly 15 percent from 1998 to 2003.

However, the role of TAFE is not just a function of its size and coverage. As the *public VET provider* TAFE has an important and unique role to play in strategies to boost labour market participation and workforce skills and capability:

1. TAFE is a major arm of government educational, industry and social policy;
2. TAFE's community service obligations are intrinsic to its role as a public provider;
3. TAFE has a broad geographic distribution and a capacity for statewide, national and international flexible delivery. In many communities—particularly those in rural, regional and outer metropolitan areas—TAFE is the only major post school education and training provider;
4. People with major literacy and numeracy needs require specialised and intensive support available in TAFE;
5. The growing numbers of people in casual and part-time employment (the highest proportions in the OECD) and the unemployed, who do not have access to formal and informal work based learning, need access to equipment, facilities and simulated work settings that only large providers such as TAFE can offer, particularly in areas of high technology;
6. More young people are also seeking access to TAFE either directly or through their schools through the broadening of upper secondary school curriculum to include VET subjects and policies to increase participation of young people in education and training beyond the minimum school leaving age;
7. TAFE is a major provider to Indigenous learners and Indigenous communities and enrolment rates have increased in TAFE in recent years;
8. TAFE is the major or sole provider of skills training for many industries and occupations, despite the opening up of the training market;
9. TAFE Institutes will increasingly play important roles as intermediary agencies helping to support local networks of employment, skills development and innovation;
10. The benefits from the equity initiatives in TAFE extend beyond direct employment and earnings benefits. There is increasing evidence of broader benefits more social interaction, reduced crime and improved health resulting from increased levels of education and training;
11. TAFE has a growing role in training international students including those who seek to become skilled migrants to Australia.

## **Flexibility and renewal of TAFE**

TAFE Institutes must help enterprises to build the capabilities required to be productive and competitive and to harness the capabilities of all of their employees. They must help individuals to acquire the capabilities for productive and rewarding work, to manage their transitions through the labour market and in their life circumstances and to improve personal and social well-being. They must assist

communities to develop learning resources and to harness the substantial but latent knowledge and capability within firms, community organisations and individuals across NSW.

This will require:

- A further transformation of pedagogical practices in NSW TAFE Institutes;
- The development of a range of new products, services and programs in NSW TAFE Institutes;
- Partnerships with a range of public, private and community organisations and the development and management of an extensive range of networks and intermediary services;
- Investment in staff capability changes in the role of teachers and other staff and effective management of workforce aging and staff renewal in TAFE Institutes;
- Investment in infrastructure, in particular in information and communications technology and in new technology relevant to current industry needs;
- Greater understanding of the needs of different industry and community ‘segments’ through effective market research and client engagement, and a capacity to develop programs and services to meet identified need;
- Business development strategies to increase fee for service and privately funded revenue;
- An improved governance and business model encompassing management, funding and accountability.

The financial capacity of TAFE NSW to meet these needs is also crucial.

### **Costs and sustainability**

TAFE Institutes will need increased resources to meet the costs of provision of additional places, facilities, especially for those who do not have access to workplace training and experience, and staff and staff development for new range of activities and industry and community partnerships.

Strategies for accessing increased public and private funds will be required.

In this context the recent changes in expenditure and student numbers across the education sectors need to be considered. Tables 1 and 2 provide an overview for Australia.

- VET—largely TAFE— provides for about a quarter of all student enrolment in the whole education system (though noting that most of the VET enrolments are part time);
- VET expenditures are only a little over 10 per cent of all education expenditures;
- The VET sector receives over 80 per cent of its funds from government (and NCVET data shows that it is a higher percentage in NSW);
- Enrolments in VET have increased substantially from 1997 to 2003 for very little additional real expenditure, and this resulted in a large reduction in expenditure per student<sup>1</sup>;
- School expenditures have risen quite rapidly, and expenditure per school student has risen, especially in non-government schools; and
- Employer expenditure on training is as large as all expenditure on the formal VET system, and provides some training for very large numbers of workers.

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<sup>1</sup> It can also be noted that hours of training per student have increased in recent years, meaning that expenditure per hour declined more than expenditure per student.

**Table 1. Total expenditure on education and training by sector, Australia 2003 (approximate estimates)**

	Total \$ billion	Government funding %	Enrolments million
Government schools*	18	100	2.3
Non-government schools	10	57	1.1
VET	5	80	1.7
Universities	12	44	0.9
<b>Total formal education</b>	<b>45</b>	<b>73</b>	<b>6.0</b>
			Employees trained million
Enterprises: direct spending on structured training	5	12	5

Source: Based on data from DEST, MCEETYA and NCVER

Note: \* No estimate is included for private funds received by government schools

**Table 2. Expenditure on education in constant prices\*, Australia, percentage change 1997 to 2003**

	Students Per cent increase 1997 to 2003	Total public and private expenditure per student Per cent increase 1997 to 2003
Government schools	1	16
Non-government schools	13	25
VET	19	-18
Universities—total	26	-4
Universities—Australian publicly supported students **	0	-7

Source: Based on data from DEST, MCEETYA, NCVER and ABS

Note: \* Constant price estimates prepared with an index based mainly on the ABS Wage Cost Index.

\*\* Refers to Australian students supported by government funding (excluding international students and full-fee paying Australian students).

The increased provision of funds for TAFE by industry may flow from the development of an increasing range of partnerships. NSW TAFE has raised relatively low amounts of revenue from fee-for-service activities compared with Victoria and has relatively low proportion of international students. The exploration of industry levies used in some sectors of industry could be further explored but the experience of the early 1990s with the national Training Guarantee Levy was not successful, and yielded it seems very little funds for TAFE.

Tuition fees have recently been reviewed in TAFE in NSW. The fee levels have been increased while exemptions for persons in need have been retained. Relative to higher education fees remain low. The case for low fees and for exemptions is strong given the socio-economic background of many students in TAFE and the needs of industry. However, whatever the rate of fees, there is a case for the provision of income-contingent loans similar to HECS to enable the payment of fees by those who do not have access to funds. The matter may need further consideration in the light of the provision of FEE-HELP to a range of full-fee courses including those in the VET sector.

In recent years public funding by both Commonwealth and states of VET has been relatively static while the number of students has grown. The Commonwealth, in most years, has only adjusted its funding for price changes, and the price measure it used has not covered the full increase in wage and salary levels.

A strong case can be made for a new partnership agreement between the Commonwealth and the States for long term resourcing of VET to meet skills shortages and other future challenges flagged in this paper.

### **Summing up**

The debates on skill shortages and the ageing of the population have markedly increased the attention given to VET and to TAFE. The new roles for VET include new products, pedagogy and partnerships with industry, all with implications for staff development. TAFE has particular responsibilities for equity including concern for those in casual employment, for those not in employment, for Indigenous peoples and regional communities. There is a need for increased private and public funding, with a strong case to be made for a long term funding agreement between the Commonwealth and the States that gives public recognition to the important and growing needs of the sector.

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