A Victorian tale of two texts: Skills Reform and, the Multi Business Agreement.
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Abstract

During 2008 in Victoria two influential texts were released within weeks of each other; texts that would have a significant impact on how Victorian TAFE institutes would organise both operational and human resources over the next four years. The texts were the new Victorian State Government Vocational Education and Training Policy, known as Skills Reform and the amended Victorian TAFE teacher employment conditions, the Multi Business Agreement (MBA). Skills Reform had many new policy initiatives stated to introduce a greater degree of market choice for the clients of VET providers. The MBA had pay rises with very minor changes to the core employment conditions of TAFE teachers and Senior Educators. While these two texts were created independently of each other, Skills Reform’s impact would need to be closely considered in relation to how a TAFE teacher’s work is organised from the MBA.

This paper argues that the core change agenda of Skills Reform is not to create improved access to training by broadening consumer choice but to directly reduce the cost of training in the public sector through productivity gains. This will be forced by the new activity based funding criteria and a falling financial return to institutes per training hour. This strategy will force TAFE institutes to significantly change the way a teacher’s work is organised, not driven by competition but based on diminishing financial returns against increased operational costs.

Introduction

This paper is part of a larger study using institutional ethnography (Smith 1987; 2005) as its method to research how the work of Technical and Further Education (TAFE) teachers has been affected by the Victorian vocational education and training (VET) policy known as Skills Reform (DIIRD 2008). As in most institutional ethnographies the main data collection and analysis for this study will draw on interviews (Campbell and Gregor 2002; DeVault and McCoy 2002) with teachers to relate their actual experiences of how Skills Reform has both influenced the way their work is organised and how it has changed what they do as teachers. This paper draws on the literature review and discussion of policy that are part of the larger study. They have been bought together to background how economic strategies and political tactics are being set by The Australian Commonwealth and Victorian State Government to bring about change within the VET sector. Most specifically the discussion within this paper is about how new funding arrangements, set and controlled by the Victorian State Government via Skills Victoria, are being used to force workplace change in the state’s TAFE institutes by targeting the productivity of its teachers. Changes in funding and reporting of student activity will force TAFE institutes to reconsider how they organise their teaching workforce; a workforce that has its activity and method of working prescribed within an industrial agreement that has limited flexibility allowing institutes to meet the new challenge in reduced funding.

Background

The Australian VET sector is a complex and constantly changing part of the Australian education landscape. Covering a range of vocational and further education programs
with delivery occurring in a wide variety of environments to a broad range of
individuals (Smith 2010). There is both public and private provision of VET in
Australia. The public TAFE sector not only deals with training for vocational programs
but due to its size, scope and government ownership is also involved in delivering a
variety of programs to disadvantaged groups. This often generates involvement in low
return programs that the private sector does not service (Korndorffer 2010). Funding,
institutional structure and compliance is legislated by both state and commonwealth
governments, however the bulk of Australian qualifications are nationally recognised
Training Packages. State governments can produce their own policy variations and
organise their large TAFE institutes in different ways. For example, in New South
Wales the TAFE system is centralised where as in Victoria, the 18 TAFE institutes
openly compete with each other. 14 are standalone organisations and 4 are TAFE
divisions within universities (Victorian TAFE Association 2008). To add further
complexity to the system the federal government has a stake in the funding and strategic
direction of VET where national policy and the Council of Australian Governments
(COAG) both affect and influence the sector. COAG is comprised of the Prime
Minister, State Premiers, Territory Chief Ministers and the President of the Australian
Local Government Association (Council of Australian Governments 2010).

“Raising productivity is a key focus of COAG’s agenda, and education and
training is critical to increasing the productivity of individual workers and
the economy as a whole. Effective regulation of the VET sector acts as a
key quality assurance mechanism for the skills base of Australia’s
workforce and facilitates labour mobility (Council of Australian
Governments 2009)”.

While COAG attempts to provide a national strategy and direction for VET some states,
most recently Victoria and Western Australia have abstained from some national
decisions to enact similar levels of change in their existing reform agendas (Council of
Australian Governments 2009). The sector is deeply politicized, while maintaining a
social contract contemporary notions of VET are more closely aligned with human
capital theory (Quiggin 1999), economic development and a greater roll for private
provision of funding and delivery in the sector (Anderson 2005).

“The VET sector is expected to contribute substantially to the
achievement of government goals to improve the skills of the Australian
workforce and population against this background of declining resources
and a differential approach to funding higher education and VET (Long
2010, p. 8) ”.

Sector wide analysis of both state and federal funding over time shows a decrease in
state funding and a moderate increase in federal funding. The Victorian government is
the only state where VET funding has increased since 2008 (Noonan and Burke quoted
in Australian Council for Educational Research 2010). The benefits to Victorian TAFE
have been limited with the funding increase targeted for growth in the private sector.

“The proportion of government VET funding received by TAFE has
declined. Between 2002 and 2008 it fell from 91.6% to 89.0%. Payments to
non-TAFE providers increased correspondingly. In the context of
government funding that has been almost unchanged over that period, it
represents a real decline in funding for TAFE. (Long 2010, p. 5)”.
While funding is always an issue, productivity provides the current political focus on the sector. This is evidenced at the federal level with the Productivity Commission currently carrying out a review of the sector’s workforce (Australian Government Productivity Commission 2010). The state of Victoria also has a VET change agenda known as Skills Reform (DIIRD 2008) which the federal government is also supporting (Stutchbury 2010) and underwriting with funding from its Productivity Places Program (PPP). PPP funding is federal money used in a variety of contexts to address training needs in areas of skill shortages, however within Victoria conditions of its application have been altered to assist in the funding of a productivity driven resource and operational change process (Ross 2009).

**Productivity, Skills Reform and contestability.**

Productivity is an economic term that defines a method for increasing outputs by reducing inputs (Rogers 1998). Public education prior to its commodification had been difficult to equate to market driven notions of productivity because “…inputs and outputs are not easy to identify or quantify, the product is not sold in the market place and a proportion of the inputs are not bought in the market place (Snell 1982, p. 179)”. To engineer productivity in the sector education policy decisions continue to move publicly funded VET into the private competitive space. The movement of Victorian TAFE into a more commercial space has been happening for some time and was formally precipitated by the reforms of the Victorian Liberal government of Jeff Kennett that restructured then encouraged competition between the public providers of VET.

“In Victoria in the ‘90’s, Jeff Kennett delivered great autonomy to the TAFE’s. The Directors can run their institutions as a business. As such, in Victoria there exists a more effective and decentralised approach to technical education…Profits flowing from industry partnerships are invested back into the TAFE’s that generate such income (Robb 2008) ”.

The need to secure more funding through fee for service activities with commercial clients is not new; Victoria has been a leader in the commercialisation of the Australian VET market, even so, guaranteed funds had massively underpinned all TAFE institutes financial income. That situation has now changed with the introduction of Skills Reform and the Victorian Government’s recasting of how it distributes inputs to the TAFE sector. From 2011 the open and contested training market sees the end of guaranteed government income to the Victorian TAFE sector. The new environment with its core term contestability moves TAFE institutes further into a commercial market influenced by “…capitals need to secure resources and to develop low cost sources of production combined with the pursuit of new and expanded markets for the sale of goods and services (Carter, Stevenson et al. 2010, p. 4) ”. Contestability refers to a shift in how government funding is proportioned to both the public and private providers. Prior to Skills Reform the bulk of state government funding for training was only available to the TAFE sector. Once Skills Reform is fully enabled almost all government funding will be available to an open and contested market.

“The introduction of reforms announced in the Securing Jobs for Your Future policy [Skills Reform] has resulted in changes to Skills Victoria’s role. The most significant impact of these changes is the shift from a planning and purchasing model with limited contestability, to a demand based funding model with significantly increased contestability and client choice (State Services Authority 2009, p. ix)”.

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However the contestable space is not open and fully competitive but is a finite market with specific boundaries on whom can access funding and how it is accessed, as such it is a quasi market (Anderson 2005a). The quasi market is a risk managed market; set to control government funding of VET by reducing the numbers of individuals that can access subsidised programs. If it were a truly open market then all VET providers would set up systems to maximise enrolments and repeat business. The magnified cost in training to the state government would be open-ended and unbudgetable. The Victorian Skills reform policy controls contestability by only allowing individuals to receive a subsidy for certification at a single Australian Qualifications Framework (AQF) level. For example anyone holding a Certificate IV qualification would not be able to undertake another Certificate IV and receive a subsidy. They already hold a qualification at that level. To qualify for a subsidy they would have to move up to or beyond the next AQF level. The key risk management angle of this condition is that there is no time limit set on the validity of previous qualifications. So someone completing a Bachelor of Arts in Media Studies in 1996 would be ineligible for a subsidy to undertake a Diploma of Graphic Arts in 2010. The difference to the individual could be somewhere either side of $6000 in fees. The importance of the linear pathway eligibility rule as a productivity measure was evidenced when the Victorian Greens, a political party in opposition to the 2010 Labor Government attempted to change this policy in the Victorian Upper House. While the change was unsuccessful the Victorian Government’s rebuttal was squarely based on budgeting requirements with a reasonably precise figure on what dropping linear pathway eligibility would cost “… the government has warned that the amendment amounts to an almost ‘open-ended guarantee’ for a subsidised place that could cost $200 million over two years (Trounson 2010)”. The inverse of this argument is that the Government expected to remove or relocate $200 million within the Victorian VET sector.

Funding to TAFE institutes under Skills Reform is significantly different to the model it supersedes. Prior to the full implementation of Skills Reform all Victorian TAFE institutes received the bulk of their funding through negotiated contracts; that is, a total amount of hours of delivery with payment against those hours made in quarterly instalments. As long as the delivery target was reached and the integrity of the delivery could be confirmed through samples (Invalid Module Enrolments audits) then there would be little recourse between institutes and the Victorian Government body, Skills Victoria, responsible for the TAFE sector and training (Adams 2008).

Under the new more complex funding model payment is made to institutes on a monthly basis once evidence of student participation in the course is confirmed for that month. For example, if the delivery of a Unit of Competence runs over a three month period and the total funding attached to a student in that Unit is $600 then the student would have to be active within the course for the whole three months for all $600 to be returned. However if the student were only active or engaged for the first month then only one-third ($200) would be returned to the institute. The loss of income based on one student’s decision not to continue study is minor, but the loss of income to an institute will be significant when magnified across dozens of students that may drop out of programs during the year. There is also significant risk for the months of December and January where there is little activity, risk exacerbated by the fact that funding is paid one month in arrears. Both risk and potential loss coupled with new eligibility rules and increased competition is a significant financial challenge that TAFE institutes will need to manage strategically and actively.
“Traditionally, an administrative approach to planning has dominated the Australian VET system. Under that approach, governments consulted with industry to determine the quantum and profile of VET places to be funded each year. This afforded providers a measure of certainty when undertaking workforce planning...More recently, greater emphasis on public–private competition, contestability of public funding and student choice of VET courses and providers — through, for example, COAG’s National Partnership Agreement on the Productivity Places Program and Victoria’s Training Guarantee [Skills Reform] — have been features of some public funding. Should this trend gain momentum across the nation, it may hold profound implications for the ability of providers to plan their course offerings and, therefore, their workforce (Education and Training Workforce Study Productivity Commission 2010, p. 29)

To compensate for the relocation or loss of these funds TAFE institutes could be expected to ramp up their fee-for-service offerings or look for significant productivity gains. However in a contestable market fee-for-service options available to TAFE institutes will be difficult to secure due to the increased state government investment in and flexibility of private RTOs. Therefore productivity actions and efficiency measures remain a necessary strategy for reducing costs in an optimised training market.

“Under centrally planned or funded systems knowledge about efficiency can be used to allocate funds between institutes. Under a more market-based structure, competition will tend to drive inefficient operators out of the market. (Fieger, Karmel et al. 2010, p. 7)

In the 2010 NCVER report on TAFE efficiency (Fieger, Karmel et al.) two primary input measures were used to scope the size of institutions and calculations of efficiency: infrastructure and human resources. This is because they account for the greatest expenditure in the running costs of TAFE institutes. Delisting significant infrastructure assets while sometimes necessary also significantly affects an institutes capability to deliver training. In regards to a search for productivity, bulk optimisation of labour can return significant savings: “Marketization has placed a premium on efficiency measures and resulted in an increasing pressure to drive down labour costs...”(Forward 2007)”. Reviewing how the VET workforce is utilized is a core theme of the commonwealth's Productivity Commission.

“The structure of the workforce and its consequent efficiency and effectiveness, including: the extent to which job design and employment agreements in the VET sector are aligned to contemporary work practices in a commercially competitive environment... (Education and Training Workforce Study Productivity Commission 2010a, p. VIII)”.

There is then some question about what are ‘contemporary work practices' in the sector. The terms ‘design’ and ‘employment agreements’ in the preceding quote connote a challenge to the institutional structure and operations of the VET workforce; a workforce that in Victoria straddles both public and private sectors and a TAFE workforce that incorporates a teachers industrial agreement and an administrator’s industrial agreement (Korndorffer 2010). While the preceding quote is too narrow to take in all aspects of the sector it does appear to be arguing against award driven institutional organisation and championing the more individually negotiated reality of the commercial market. With the bulk of VET teachers employed in the TAFE sector,
this is an interesting judgment casting them as other. Clearly within both state and federal government there is a desire to change how that workforce is organised, if it is a question of design then new paradigms may be considered.

The Multi Business Agreement
The Australian VET sector is a place of constant analysis, change, review and adjustment and has been so since the 1990s (McLean 2010). The variety of change within the sector is pervasive, suggesting that change might not adequately describe the reform it experiences. Instead, other terms such as restless, unsettled, incomplete, or even volatile may be more appropriate (Cooney and Long 2010). Within both state and federal government there is a desire to fund the most productive and efficient systems (Fieger, Karmel et al. 2010), to reach this aim adjustment and reform seem continuous. Change within the sector is experienced at all levels from the classroom, to the boardroom and government to the point that change fatigue in the VET sector is well acknowledged and documented (Harris, Simons et al. 2005). One key area where little change has occurred in the past 10 years is the Victorian TAFE teaching agreement, now referred to in its latest version as the Multi Business Agreement (MBA) (Australian Education Union 2009). The Victorian branch of the AEU has managed to achieve regular pay raises and near parity with the wages of secondary school teachers without sacrificing the core conditions of not only its members but all TAFE teachers and Senior Educators (AAP 2008). While the agreement has been through 3 iterations since 2000 methods of structuring a TAFE teachers work have essentially remained the same. This is unusual in a sector where the diversity of work practice and skill level is acknowledged (Faculty of Education Monash University 2010).

In Victoria the conditions within the agreement are usually negotiated and settled by two different bodies. Teachers and Senior Educators are represented by the Victorian branch of the Australian Education Union (AEU). TAFE institutes and the boards/councils are represented by the Victorian TAFE Association (VTA). Productivity gains form the basis of an enterprise bargaining agreement (EBA) between the two groups with the core aim an increase in pay with an adjustment to employment conditions enabling either savings in institute operations, innovations in delivery or an increase in the profitability of operations. As in any negotiations both parties will be trying to maximise their gains and minimise their losses. For the AEU the motivation is the maximum increase in pay with minimal loss in its member’s conditions and the protection of a workplace model it believes is designed to benefit educational outcomes (Forward 2007). The VTA would be looking to maximise productivity chiefly by altering the conditions on how a TAFE teachers work can be organised (Victorian TAFE Association 2010).

The MBA and its precedents are quite specific on how a TAFE teachers work is structured. The agreement not only contains base employment conditions but also describes in some detail how the annual and weekly workload of a teacher is apportioned based on a division of duties with a target amount of hours associated with each division. This contributes to a systematic and patterned way for organising the work of most TAFE teachers either in classrooms or workshops in the form of academic terms and semesters. Though there are many significant variations of the standard academic year and delivery methods outside classrooms and workshops, the flexibility of many institutes is limited in its capability to maximise access to their training facilities by the structural constraints of a teachers work (Smith 2010) and optimise one of the most expensive assets in their operation: human resources. This challenge places limits on flexibility and responsiveness and therefore productivity. This is reflected in
the core productivity / pay rise concession in the MBA; a subtly worded definition that could increase the number of hours a teacher spends teaching or assessing and therefore proving a significant productivity enhancement to a large institute.

**Two texts: Skills Reform and the Multi Business Agreement**

In mid-2008 negotiations between the AEU and VTA over details and conditions in the MBA had apparently stalled. A decision was taken by the AEU to announce a 24 hour day of action, effectively a strike, on August 20\textsuperscript{th} 2008. While the attention of TAFE teachers was squarely on the outcome of the industrial action, Skills Reform was just days away from being launched (Tomazin 2008).

Skills Reform was introduced to the Victorian VET sector in early September 2008 as part of a three-year cycle of ministerial statements that set the strategic direction for VET in the state. Skills Reform was initially sold to the people of Victoria as a policy that would: enable greater access to training, provide many newly funded training opportunities and, increase the number of Victorian workers holding qualifications (Tomazin 2009). Both the Victorian branch of the AEU and the VTA, while generally occupying contrary views, quickly refuted this selling point. Both bodies highlighted similar parts of the policy that they believed would actually reduce the numbers of individuals willing to undertake VET within Victoria through increased fees and changes to eligibility (Trounson 2010a). The AEU was particularly strong in this area devoting almost all of its 2009 Victorian conference to discussion of fee increases and their effects on students. The AEU has maintained this strategy through its TAFE4ALL (Australian Education Union Victoria Branch 2008) campaign and in its newsletters. The core tactic of the AEU was to focus on the increased costs to potential students through changes in enrolment fees, the removal of concessions for the unemployed and linear pathway eligibility. There are now broader messages of quality implications posed by productivity efficiencies that may lead to institutes and private RTOs saving money by increasing class sizes and shortening the length of courses (Australian Education Union Victoria Branch 2008).

At around the same time of the 2009 Victorian AEU conference the VTA was working across TAFE institutes to look at how the MBA could be used to increase productivity within the TAFE sector using the newly modified Excess Teaching Duty Hours clause in the MBA. Excess Teaching Duty Hours could be considered the core enterprise bargaining success between the AEU and the VTA. It is the one area of significant, although subtly worded, change in the MBA when compared to the previous agreement. Depending on interpretation (and this is where it is subtle) clause 19.16 of the MBA (Australian Education Union 2009) enables managers to consult with teachers for an increase in their teaching load during normal working hours, usually capped at 21 hours per week, and thereby get a greater return on government funded courses through having to pay only an additional 50% of the hourly rate for the excess hours (Australian Education Union 2009). Teachers must present an unreasonable right of refusal based on listed criteria within the agreement if not wanting to undertake the increase in teaching load. The subtlety occurs in what is considered a reasonable request by a TAFE Manager and what is an unreasonable right of refusal on behalf of the teacher.

There are at least two possible reasons why the VTA would undertake a broad and multi-institute initiative of change. Firstly, the VTA represented the TAFE Directors perspective in enterprise bargaining with the AEU. As mentioned earlier the changes in the agreement were minimal and pay rises over 3 years were secured, it would be necessary for the VTA to encourage institutes to prioritise productivity expectations to
offset the pay rises. The second reason was motivated by the Victorian Treasury baulking at funding the recent pay rises for TAFE teachers. A degree of brinkmanship with TAFE institutes via Skills Victoria occurred in 2009 with the Victorian Treasury through a budgeting price review asserting that the TAFE sector was both profitable enough to pay for a greater proportion of the MBA pay rises and had the capability to manage any risk through productivity gains. To date there is little documented knowledge of the successful uptake of Excess Teaching Duty Hours within TAFE institutes or the ultimate outcome of the price review.

At the end of 2010 a change of government occurred in Victoria with the Liberal-National coalition taking office. They were quick to alter one aspect of Skills Reform relating to concession fee rates for 15 to 24 year old healthcare cardholders wanting to enrol in Diploma or Advanced Diploma programs. The expected cost of this modification to the State Government is $56 million (Hall 2010), almost half the annual amount claimed as necessary to fund the big-ticket item of linear pathway eligibility. They further promised a review of all enrolment fees and conditions as affected by Skills Reform (Hall 2010). Their commitment to federal and state VET change is yet to be revealed yet their relationship with the AEU currently points to one of shared concern about access to training in the public system. The TAFE4ALL campaign claimed success in influencing the new Victorian Coalition Government to change the concession fee rates outlined above (Bluett 2011).

Whether Treasuries negotiations with Skills Victoria was a productivity push coordinated with Skills Reform policy or not the State Government of Victoria was definitely putting pressure on TAFE institutes to reform and the pressure related directly to the financial security of those institutes. A targeted strategy of change is flagged in the opening pages of the Skills Reform document, where access to training and increase in qualifications gives way to a productivity and structural change agenda. It’s just now the Victorian Government not only seems to mean it but has a multi-layered plan backed by federal funding to see change succeed.

“The Victorian Government recognises the clear need for structural changes in the way the training system works, the way in which government funding flows to providers and the training products and services that individuals and businesses can access with government support. It is clear that change must be far-reaching and it must begin now. (DIIRD 2008, p 7)”.

The push for structural change with an open and direct link to funding is quite explicit. The aims are nothing new in the sector (The Boston Consulting Group 2007); an analysis of the actual policy strategies within Skills Reform suggests a total strategy to engineer reform. Unlike some negotiated change in the political theatre this is not a take it or leave it approach. Institutes require government funds to operate; change would be forced through by the technicalities of funding at the level of individual enrolments and individual progress. For institutes to stay viable closer attention may now need to be paid to individuals, rather than cohorts.

**Conclusion**

After many years and many attempts to reform the VET sector both the Commonwealth and Victorian Governments are engineering an offer that the sector can’t refuse. What I suggest in this paper is that Victorian Skills Reform has a funding model engineered to *force* industrial reform within TAFE institutes’ through coordinated and calculated
financial risk management. That change is squarely targeted at altering the productivity of its teaching workforce through a multi-pronged funding strategy where the Victorian State Government has: (1) decreased the amount it contributes to a student’s total fees, (2) decreased the amount Skills Victoria returns to institutes for an hour of instruction, (3) instituted a funding model that only pays against monthly measures of student activity in a course and (4) affected eligibility requirements for individual students thus reducing the number of students in the system. At the time of writing student applications for Victorian TAFE places were down by 10%, however there are mitigating circumstances that could have affected that drop including high employment figures and compensation for dropping international student numbers in Universities through reductions in enter scores (Topsfield 2011). The reduction in revenue returned to institutes through the changes in funding outlined above in points 1 to 4 poses significant risk to the viability of many operations, specifically those that may suffer a high level of attrition; TAFE institutes will be compelled to design and implement productivity measures across their operations.

Knowingly or unknowingly TAFE teachers themselves have been active in carrying out the agenda of human capital theory that has driven the conceptualisation and design of VET in Australia since the mid-1990s. Both competency based training and a push for greater productivity in the workplace through better-qualified workers is a core part of the economic imperative of contemporary VET. Through analysis of Skills Reform it is possible to see how these issues are now held up as a mirror to teachers in the TAFE sector. The economically constructive strategies of human capital theory, competency based training and productivity has been turned upon TAFE teachers with an expectation to change. Recent academic research has called for higher-level qualifications in the sector (Wheelahan, Curtin et al. 2010), as human capital theory demands. Entry-level qualifications for the VET sector (DEST 2007) and the preferred union qualification are both competency based. And, as outlined in this paper, productivity at both a state and federal level is setting the future and current policy of the sector. Teachers are now both implicit and explicit in the economically driven VET change agenda, what they have been effecting now affects them. Further study should reveal to what degree teachers are knowing of the complicit nature of their work in regards to productivity and how productivity, as opposed to pedagogy, feedbacks into the coordination and construction of their work. How teachers respond to the productivity measures that their institutes initiate will make up the core data for the larger institutional ethnography that this paper is drawn from. That response will be experienced and lived by teachers within their everyday worlds and the boundaries of their industrial agreement.

The MBA can be considered a bastion of resistance to many of the least palatable changes in the sector but it can also be considered an impediment to change. The MBA expires on 30th September 2012 and Skills Reform will be fully implemented by 2012. At the end of their cycle it remains to be seen how Skills Reform will change the sector and how it will be affected by a change in government. Most specifically, how will quality of teaching and, a comprehension of what vocational education is, be understood and shaped by those that actually do the work? There will be some interest in how negotiations for the next iteration of the TAFE teaching agreement are influenced by the policy. With Productivity such a core theme in the sector it also remains to be seen if the irresistible force of policy and funding can shift the immovable object of the TAFE teaching agreement and what this means for teachers in the sector.
References


