



COMMONWEALTH GRANTS COMMISSION

DISCUSSION PAPER CGC 2002/40

VOCATIONAL EDUCATION AND TRAINING

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TABLE OF CONTENTS

Introduction	1
The 1999 Review Assessment Approach	1
General Issues	3
Scope of the Category	3
Provision of Services	3
Issues for the Assessment	4
Assessment Issues	4
Socio-demographic Composition	5
The 1999 Review Assessment Approach	5
State Views	5
Options for Assessment	5
Service Delivery Scale	6
The 1999 Review Assessment Approach	6
State Views	6
Options for Assessment	6
Vandalism and Security	7
The 1999 Review Assessment Approach	7
State Views	7
Options for Assessment	7
Administrative Scale	7
The 1999 Review Assessment Approach	7
State Views	8
Options for Assessment	8
Input Costs	8
The 1999 Review Assessment Approach	8
State Views	8
Options for Assessment	8
Conclusion	8

INTRODUCTION

1. This is a discussion paper prepared by the staff of the Commonwealth Grants Commission on possible methods of assessment for Vocational Education and Training (VET) for the 2004 Review. It is one of the papers prepared for the staff level conference being held in Canberra on 20-21 November 2002. This paper deals with:

- (i) the methods adopted by the Commission in the 1999 Review;
- (ii) the views put by States in submissions and at workplace discussions, and their proposals for change; and
- (iii) the options under consideration .

2. The views expressed in this paper are views of the Commission staff only and are put forward to encourage debate on these issues.

The 1999 Review Assessment Approach

3. In the 1999 Review, the VET category included expenditure on:

- (i) government funded vocational education programs provided by both VET and private providers;
- (ii) education programs for leisure-time activities, industry and commerce, and non-vocational courses offered by VET;
- (iii) labour and employment programs such as employment creation, regulation of working conditions, conciliation and arbitration, and anti-discrimination programs;
- (iv) migrant education programs;
- (v) education programs not definable by level, such as adult education courses which are essentially non-vocational and associated with leisure-time activities other than those offered by VET; and
- (vi) apprenticeship and training programs designed to facilitate entry into the work force of people who are unemployed or need retraining.

4. The category excluded VET courses provided in schools and any transportation provided to VET students.

5. The expenditure and revenue assessments for the VET category in the 1999 Review are summarised in Table 1.

Table 1 ASSESSMENT STRUCTURE — VOCATIONAL EDUCATION AND TRAINING

Component	Component weight	Factors	Basis of calculation
%			
Expenditure			
Scale-affected expenditure	2.70	Administrative scale	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Institutes	97.03	Socio-demographic composition	Based on relevant populations (persons aged 15 years and over) adjusted for: <ul style="list-style-type: none"> • age-sex participation; • lower participation rates of people living in small urban and rural centres; and • additional weights given to indigenous persons.
		Cross-border	Derived from the net proportions of annual hours associated with clients with interstate home postcodes.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Service delivery scale	Same factors as assessed for Government Secondary Education.
		Dispersion	General method.
Isolation	0.27	Isolation	General method.
Revenue			
Fees and charges	100.00	User charges	Based on the population aged 15 and over adjusted for the proportion of persons aged 15-64 receiving unemployment benefits.

GENERAL ISSUES

Scope of the Category

6. In CGC Discussion Paper 2001/12, *Scope and Structure of the Standard Budget*, the Commission indicated that, for the 2004 Review, it was inclined to widen the scope of this category to include labour market and employment programs. This better conformed to the ABS Government Finances Statistics (GFS) classification now used by the Commission.

7. Commission staff are of the view that, to the extent that these programs are reflected in the annual hours published by the National Centre for Vocational and Education Research (NCVER) used by the Commission, the inclusion of these programs does not warrant any changes in the methods of assessment. However, because the Commonwealth provides specific purpose payments (SPPs) for these functions, there may be some implications for assessment methods. Thus, we would like details of Commonwealth and State spending on these programs.

Provision of Services

8. As far as Commission staff are aware, there have been no important changes in the way VET services are provided or funded, or in the relationship between State training authorities and the Australian National Training Authority (ANTA), since the 1999 Review that have implications in the methods of assessment.

9. With the greater recognition being given by one education sector to courses conducted by another, the boundaries between sectors¹ are becoming increasingly blurred. In particular, the number of secondary students doing VET type courses is increasing. These courses are usually conducted in secondary schools by secondary school staff with a VET accreditation. Secondary schools sometimes arrange for their students to undertake courses at TAFE institutes during school hours, but the number of students involved with this method of service provision is believed to be relatively small. It is also understood that where the courses are conducted in secondary schools the costs are met by the school, and where done at a TAFE institution the institution meets the costs.

10. As far as Commission staff are aware, this is not an issue of concern at this stage as it is understood that, where the courses are conducted in secondary school by school staff, the students and staff are only counted in the school statistics. However, if the incidence of school students doing VET courses at TAFE institutes during school hours increases significantly, this may lead to a problem of double counting. This is because these students are counted as full-time school students in the Australian Bureau of Statistics (ABS) school data collection, and they are also included in the VET data collected by the National Centre for Vocational Education Research (NCVER).

¹ Secondary school, VET and higher education.

Issues for the Assessment

11. Only some States discussed the VET assessment in their submissions. The main issues raised were:

- (i) Socio-demographic Composition factor —
 - the additional costs associated with persons of non-English speaking, and culturally and linguistically diverse, backgrounds (NESB/CALD) and unemployed youths;
 - the appropriateness of maintaining an urbanisation element.
- (ii) Vandalism and Security factor — the costs associated with vandalism and security for TAFE facilities in large urban areas should be recognised as is currently done in the government school categories;
- (iii) Administrative Scale factor — the disabilities experienced by small States in meeting the increasing demands of Commonwealth initiatives and accountability requirements, and the greater need to provide simulated working environments;
- (iv) Input Costs factor — the appropriateness of maintaining this factor;
- (v) Service Delivery Scale factor — the appropriateness of linking this factor to that assessed for government secondary schools.

12. **Assessment Structure.** No comment was made on the structure. Staff are therefore inclined to recommend that it not be changed for the 2004 Review.

13. **SPP Funding.** All relevant SPPs, except payments for national projects run under the auspices of ANTA, are treated by inclusion. The national projects are treated by exclusion. No comment was made on the treatment of SPPs. Staff therefore are inclined to recommend that they not be changed for the 2004 Review, subject to any changes that may result from the inclusion of the migrant education and labour market and employment programs discussed above.

ASSESSMENT ISSUES

14. The only assessment issues discussed relate to particular factors. For the common factors, this paper simply records any issues raised by the States that will be addressed in separate discussion papers. No issues were raised by States concerning the cross-border, dispersion and isolation factors. Staff are inclined to recommend that the existing approach to the assessment of the cross-border factor be retained. The dispersion and isolation factors are discussed in separate papers.

SOCIO-DEMOGRAPHIC COMPOSITION

The 1999 Review Assessment Approach

15. The socio-demographic composition factor was designed to take account of differences among States in the demand from and cost of use of VET services. In the 1999 Review, it was based on use and cost weighted populations for each State.

16. The Australian standard use weights for nine age groups, for people resident in larger and smaller urban centres, and for indigenous and non-indigenous people were derived from data on participation in VET. These data were obtained from the 1996 Census of Population and Housing and from the NCVER.

17. Unit cost weights were derived by judgement and applied to Indigenous students only. The weights were 1.25 for Indigenous persons in non-remote areas and 1.5 for Indigenous persons in remote areas.

State Views

18. *New South Wales* and *Victoria* argued that this factor should include an additional cost weight to reflect the higher levels of participation and costs associated with persons of non-English speaking, and culturally and linguistically diverse, backgrounds (NESB/CALD) in VET. The cost weights proposed were 2.0 by New South Wales and 1.5 by Victoria.

19. *Victoria* also presented information in its Workplace Discussions illustrating the high costs associated with NESB students. The data provided were limited to demand indicators (above average per student hours) but additional unit costs were also discussed.

20. *Tasmania* claimed that there were higher costs associated with training some unemployed youth who tended to be disruptive and had enrolled mainly to receive Commonwealth allowances. It wanted a weighting based on differences among States in the proportions of young unemployed. Tasmania also claimed that the adjustment to reflect the lower participation rates of rural areas was no longer needed following changes to Commonwealth policies on youth training and the working environments in rural areas.

Options for Assessment

21. In the 1999 Review, the Commission investigated whether persons of NESB had above average participation rates (in Annual Hours terms) in VET, but concluded, after examining the NCVER data at that time, that they did not. Staff propose to attempt to find out, using the latest NCVER data, how much the VET participation rates (in student hour terms) of indigenous persons, persons born in non-English speaking countries², unemployed

² This is the definition used by NCVER.

persons and persons living in small centres differ from the average participation rate and, where significant, introduce weights. This analysis will also test Tasmania's contention that the rural participation rates are no longer markedly different from urban rates.

22. No comments have been made on the supply side cost weights (that is, per student hour) used in the 1999 Review for Indigenous persons, and staff are inclined to recommend that the Commission use the cost weights adopted for the 1999 Review.

23. It has been implied that CALD/NESB and unemployed students cost more, in student hour terms, than the student average, but little indication of appropriate cost weights has been provided. To establish what, if any, additional cost weights are appropriate for these groups, it will be necessary for States to provide information illustrating the cause and extent of these additional costs.

SERVICE DELIVERY SCALE

The 1999 Review Assessment Approach

24. The service delivery scale factor was designed to recognise differences among States in the impact of diseconomies of small scale, where they exist, that are associated with the provision of VET services in smaller population centres.

25. In the 1999 Review, the service delivery scale factor calculated for government secondary schools education was used as a proxy for VET. This was because it was judged that service delivery scale disabilities did exist for VET, but VET data were either not available, or not comparable at the campus level.

State Views

26. *The ACT* argued that it was not appropriate to use secondary school staff to student ratios as a proxy for service delivery scale disabilities in the VET sector as VET has a very different organisation and resource deployment. It said that, for the ACT, the implied disabilities were overstated as student to staff ratios for VET were 21 per cent higher than those for government secondary schools.

Options for Assessment

27. Staff are of the view that service delivery scale disabilities do exist in the provision of VET services. It intends to find out whether the NCVET staff and annual hours data at the campus level have improved sufficiently to measure the impact of service delivery scale. If not, staff are inclined to recommend that, unless comparable staffing and annual hours data are available at the campus level, the service delivery scale factors calculated for secondary government schools continue to be used.

VANDALISM AND SECURITY

The 1999 Review Assessment Approach

28. In the 1999 Review no factor was assessed for vandalism and security.

State Views

29. *Victoria* noted that a vandalism and security factor, recognising the higher costs associated with vandalism and security, in the major urban areas, was assessed for the government schools categories but not for VET. It argued for the introduction of a vandalism and security factor for VET, claiming that the nature of the facilities and the patterns of usage were similar to those in government secondary education..

Options for Assessment

30. The reason, in previous reviews, for calculating a vandalism and security factor for government schools but not VET was that it was considered that the incidence and therefore costs of vandalism in TAFE³ institutes was much lower than for schools. This was because previous claims about vandalism costs focussed on schools, and the longer hours of operation of TAFE institutes appeared to reduce the likelihood of vandalism. The judgement made was that the assumed lower costs and differential disabilities for VET were not material.

31. At the Victorian Workplace Discussions, information was provided that the Holmesglen TAFE spent 2 per cent of its budget on security. This proportion is double that assumed by the Commission in its current assessment for government schools.

32. If a vandalism and security factor is to be introduced for VET, it would be necessary for States to show that the proportion of expenses and the higher unit⁴ costs in major urban areas are significant. It would be helpful if comparisons could be made between VET and government schools on the proportions of budgets spent on vandalism and security and on security in VET institutions in urban and rural areas.

ADMINISTRATIVE SCALE

The 1999 Review Assessment Approach

33. The administrative scale factor was assessed by the general method.

³ Technical and Further Education (TAFE) refers only to the government provided part of VET.

⁴ For example, cost per student hour.

State Views

34. *Tasmania* argued that accountability requirements were increasing and wanted an additional element for the administrative factor to reflect the impact on smaller States of complying with ANTA requirements. *The ACT* argued for the continuance of the administrative scale factor and said that having to be represented on about 350 industry, community and other bodies imposed significant per capita costs on a small jurisdiction.

Options for Assessment

35. Staff are inclined to recommend that the administrative scale factor continue to be assessed using the general method. The question of whether, or how, to make allowance for ANTA requirements would be examined as part of the review of the administrative scale factor. Information such as that provided by Tasmania and the ACT is helpful.

INPUT COSTS

The 1999 Review Assessment Approach

36. The input costs factor was assessed by the general method.

State Views

37. Consistent with its general approach, *Tasmania* argued that the input costs factor was no longer needed. *The ACT* supported its continuation.

Options for Assessment

38. Staff are inclined to recommend that the input costs factor continue to be assessed using the general method. The assessment methods under consideration for this factor are dealt with in the discussion paper on Input Costs.

CONCLUSION

39. It is envisaged by Commission staff that the VET assessment for the 2004 Review will be similar to that used in the 1999 Review, subject to analysis of the NCVER data and data from the States on:

- (i) the unit costs (that is per student hour) in providing VET services to Indigenous, unemployed and NESB/CALD students compared with costs for students who do not have these characteristics;
- (ii) differences in unit costs due to institute size (that is service delivery scale);
- (iii) comparisons between VET and government schools on the proportions of expenditure spent on vandalism and security in urban and rural locations; and
- (iv) the main services that States provide under labour market and employment programs, including:
 - the amount spent on each service in 2001-02, with the Commonwealth payments separately identified; and
 - where these expenses appear under the GFS classification.