Increased Commonwealth control over Australian vocational education: implications of the High Court’s Work Choices decision
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Abstract

Various Commonwealth Governments have sought greater control of vocational education and training since at least 1991. Hitherto they have achieved this indirectly by using their financial power. Recently the High Court greatly expanded the Commonwealth’s power in its decision upholding the validity of the Workplace Relations Amendment (Work Choices) Act 2005 (Cth). This paper describes briefly the constitutional basis for the Commonwealth’s involvement in education, its expansion by the High Court’s Work Choices decision and considers the implications for vocational education policy.

Introduction

A convenient start to observing the Commonwealth Government’s attempts to gain more control over vocational education and training is October 1991, when the then Commonwealth Minister for Employment, Education and Training, John Dawkins, proposed that the Commonwealth Government assume full financial responsibility for all post-secondary education and training including Technical and Further Education (Gooze, 2001:84). The proposal was made public in Keating’s (1992a) economic statement One Nation published on 26 February 1992.

The States did not respond favourably to the proposed Commonwealth takeover of TAFE whereupon ‘Prime Minister Paul Keating announced in an interview on a Sunday morning current affairs television program on 31 May 1992 that if the States would not agree to the Commonwealth taking over funding and control of TAFE, the Commonwealth would set up its own vocational and training system’ (Gooze, 2001:84), possibly in alliance with industry and with a closer focus on the labour market (Ryan, 2002:121). Keating (1992b:5-6) reiterated his threat 2 days later in his address to youth training and employment forum when he said that ‘The Commonwealth will therefore support the development of a network of high profile institutions, catering for the advanced technical training needs of specific industry sectors’. On ‘3 June, minister Beazley wrote to State ministers with an even stronger demand, that States should transfer constitutional power over vocational education to the Commonwealth’ (Ryan, 2002:122). Beazley added that in response to industry demand the Commonwealth would ‘support the development of a network of small but high-profile institutions catering for the advanced technical training needs of specific industry sectors’ (Ryan, 2002:122). This proposal did not succeed and on 21 July 1992 Keating and Beazley issued a joint statement announcing the establishment of the Australian National Training Authority as a compromise (Gooze, 2001:85).

Labor’s proposed ‘network of high profile institutions, catering for the advanced technical training needs of specific industry sectors’ emerged again in the Coalition’s (2004) 2004 federal election platform in which it promised to ‘revolutionise vocational education and training through a $289 million investment over four years to establish 24 Australian Technical Colleges promoting pride and excellence in the teaching and
acquiring of trade and craft skills at the secondary school level’. The current prime minister (Howard, 2004) announced on 22 October 2004 the abolition of ANTA, Labor’s compromise for sharing power over vocational education with the States. The Commonwealth extended its control over the State TAFE systems in its Skilling Australia’s Workforce Act 2005, sections 12 and 14 of which require States to give greater discretion to TAFE institutes including over revenue generation, offer Australian workplace agreements to TAFE staff, give greater employment authority to TAFE directors, introduce a performance management scheme including performance pay for TAFE staff, require TAFE institutes to provide competitors access to their facilities.

While the Commonwealth has extended its power over vocational education and training considerably over the last 15 years, its has had to do so indirectly through its use of its financial power, initially by increasing the detail of the conditions it imposes on its grants to the States, and more recently by funding its own vocational education colleges directly. The High Court’s recent decision upholding the validity of the Workplace Relations Amendment (Work Choices) Act 2005 (Cth) greatly expands the Commonwealth’s power, enabling it to legislate directly on almost all vocational education, including on most TAFE institutes.

**Commonwealth involvement in education until 2006**

Education is generally the responsibility of State governments in federations. In the US the federal government subsidises education, collects data and oversees research on schools, focuses national attention on major issues in education, and enforces federal statutes prohibiting discrimination in programs and activities receiving federal funds. But the federal government has no role in establishing educational institutions or developing curricula (US Department of Education, 2002). In Canada education is almost entirely the responsibility of the provinces: there is no federal department of education or tertiary education, nothing equivalent to a national policy for tertiary education, and there is no national standard for secondary or tertiary education (Jones, 1996:79-81). In Germany the Länder or States are responsible for education, and while this is within a broad framework established by the federal parliament, the States have a strong role in the formulation of federal policy. The federal Bundesrat or senate consists of state ministers who participate as representatives of their State. State civil servants participate in Bundesrat committees as representatives of their ministers, negotiating inter-governmental agreements on policy. According to Lundberg (2000:7) ‘The states are able to influence federal policy effectively through the state ministers and bureaucrats, and shape its effects by requiring devolution of the implementation of domestic policies to the state level’.

The drafters of the Australian Constitution adopted many of the features of the US constitution, including a provision modelled on the Tenth Amendment of the US Constitution which provides that the States are responsible for all matters not specifically vested in the Commonwealth –

**107 Saving of Power of State Parliaments**

Every power of the Parliament of a Colony which has become or becomes a State, shall, unless it is by this Constitution exclusively vested in the Parliament of the Commonwealth or withdrawn from the Parliament of the State, continue as at the establishment of the
Commonwealth, or as at the admission or establishment of the State, as the case may be.

Since the Constitution does not grant the Commonwealth a power in education it remains the responsibility of the States. The Commonwealth accordingly had little if any involvement in education until 1940 when it funded an expansion of vocational and higher education to provide the workforce needed for WWII. It did this pursuant to the Commonwealth’s defence power, which waxes and wanes as the danger mounts and recedes. However, in 1942 the Commonwealth also achieved a monopoly of income taxation powers by stopping the States levying income tax, a position upheld by the High Court in the uniform tax cases. This transferred most taxation power and therefore revenue from the States which are responsible for providing most services to the Commonwealth which is responsible for providing fewer services. States services including education steadily became run down and the Commonwealth Government was pressured to partly fund universities from 1958, non-university higher education from 1965, secondary education from 1973, and technical and further education from 1975 (DEET, 1993:8-14; Gooze, 2001 [1993]:19-21). It did this pursuant to section 96 of the Constitution –

96 Financial assistance to States

During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

The Commonwealth’s involvement in public vocational education and training has therefore until now been through the States. While the High Court has interpreted the Commonwealth’s power under section 96 so broadly that the Commonwealth has been able to impose almost any condition on the States, the Commonwealth has nevertheless had to buy power through financial grants and it has had to do so by the relatively cumbersome procedure of legislated grants and subsequent monitoring of relevant bodies through State Governments. Thus the long title of the Skilling Australia’s Workforce Act 2005 (Cth) by which the Commonwealth currently partly funds technical and further education is ‘An Act to grant financial assistance to the States and to other persons for vocational education and training, and for related purposes’. It is simpler procedurally to fund and monitor the relevant bodies directly, as the Commonwealth funds Australian technical colleges pursuant to the Australian Technical Colleges (Flexibility in Achieving Australia’s Skills Needs) Act 2005, although the Commonwealth is finding that managing bodies directly is more difficult than it appears.

Nonetheless, big changes have been wrought on Australian technical and further education over the last 15 years. Governments have narrowed TAFE from its multiple roles which included developing students and community education to its pre-Kangan single purpose of training workers. They have excluded employees from involvement in policy and institutional decision-making, either as students or as social partners in skill formation and economic development. Now ‘industry’ involvement in TAFE is generally understood to mean employers, not employees and employers

1 South Australia v Commonwealth (First Uniform Tax Case) (1942) 65 CLR 373; Victoria v Commonwealth (Second Uniform Tax Case) (1957) 99 CLR 575
who share a stake in their industry’s future. Governments have imposed on TAFE multiple changes summarised in the change from teachers teaching students knowledge and skills outlined in a curriculum developed in the States, to practitioners providing clients with support to achieve competencies specified in a national training package. And there has been a major shift in power from the States to shared federal responsibility and now to greatly increased Commonwealth power. All of this has been done with the States’ capitulation, much with their encouragement; and with the unions’ various encouragement, support, acquiescence and compliance. The next big change will be the centralisation of vocational education in the Australian Government. The Commonwealth could possibly do this using its external affairs power provided by paragraph 51(xxix) of the Australian Constitution.

The High Court has interpreted the Commonwealth’s external affairs power expansively. In Commonwealth v Tasmania (the Tasmanian dam case) the High Court held that the external affairs power grants the Commonwealth power to legislate on any matter that implements an international law or treaty. The Commonwealth has this power even where, as in the Tasmanian dam case, the relevant international agreement includes a ‘federal clause’ limiting the obligations of federal nation-states (Lundberg, 2000). The United Nations Educational Scientific and Cultural Organisation’s convention on technical and vocational education ‘provided a framework for national legislation on competency standards and integrated work-place and off-the-job national curricula, national registration of providers and accreditation of courses, nationally consistent implementation of vocational education and training curricula, including equitable access, and nationally consistent assessment, certification of individual attainments and articulation arrangements between types of providers and jurisdictions (UNESCO, 1989: art 1-3, cited in Lundberg, 2000). While the Commonwealth may be able to extend its control over vocational education using its external affairs power, it almost certainly be able to achieve this following the High Court’s recent decision upholding the validity of the Commonwealth’s Work Choices legislation.

**Big constitutional change**

On Tuesday 14 November 2006 the High Court of Australia brought down its judgement in New South Wales v Commonwealth of Australia; Western Australia v Commonwealth of Australia, the decision which upheld the validity of the Workplace Relations Amendment (Work Choices) Act 2005 (Cth). This made a big change to Australia’s constitution which will have a large and far-reaching effect on education and on many other areas of Australian life over the next 50 years, so it is worth examining in some detail. Paragraphs 51 xx and xxxv of the Australian Constitution provide –

> **51.** The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to:

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(xx.) Foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth:

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^2 (1983) 158 CLR 1

^3 [2006] HCA 52 (14 November 2006)
(xxxv.) Conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State:

Are the industrial relations of foreign, trading and financial corporations covered by paragraph xx or xxxv? For a century in hundreds of decisions the High Court and federal courts have held that the corporations power is confined to the recognition of foreign corporations and to domestic corporations’ trading and financial activities and that the Commonwealth’s only general source of industrial relations power is granted by paragraph xxxv. This interpretation restricts the Commonwealth to legislating about conciliation and arbitration not industrial relations generally, for the prevention and settlement of industrial disputes not for the content of employment contracts or any other matter not related to preventing or settling industrial disputes, and for disputes that cross State boundaries, not for disputes within a State. Because of its importance every word of paragraph xxxv has been litigated in hundreds of cases.

Over a century successive Commonwealth governments have tried to expand their industrial relations power by referendum, legislation and persuasion. The electorate rejected the Commonwealth’s attempt to extend its constitutional industrial relations power in referenda in 1911, 1913, 1926 and 1946. The High Court of Australia has struck down Commonwealth Acts that attempted to legislate beyond the power granted by paragraph xxxv. Successive Commonwealth governments have failed to persuade States to refer their industrial relations powers to the Commonwealth until 1996 when finally just the Parliament of Victoria under Premier Jeffrey Kennett referred some of its industrial relations powers to the Commonwealth Parliament by the Commonwealth Powers (Industrial Relations) Act 1996 (Vic).

The Work Choices legislation ignores all these precedents by applying to employees employed by a foreign, trading or financial corporation – what are known as ‘constitutional corporations’. That is, the Work Choices Act is founded not on the Commonwealth’s power to legislate for conciliation and arbitration to prevent and settle industrial disputes extending beyond State boundaries, but on the Commonwealth’s power to legislate ‘with respect to’ foreign, trading or financial corporations. Previous decisions of the High Court would have struck down such legislation as invalid in 2 stages of reasoning. First, the Court has declined to interpret one paragraph of section 51 so broadly that it made any other paragraph close to useless. This principle was established very early by the High Court in R v Barger; The Commonwealth v McKay⁴. That decision was just 8 years after the constitution was passed, by a Court that comprised many of the founders of the Constitution: Griffith CJ, Barton and O’Connor JJ; Isaacs and Higgins JJ dissenting. Since about 85% of workers are employed by companies or corporations, interpreting the corporations power of paragraph xx to include corporations’ industrial relations makes paragraph xxxv on the prevention and settlement of inter State industrial disputes all but redundant.

So in the second stage of its reasoning the High Court would have interpreted ‘with respect to . . . Foreign corporations, and trading or financial corporations’ so that it did not cover most of the same ground as the inter State industrial disputes power. In

⁴ (1908) 6 CLR 41
previous decisions the High Court has done this by holding that the corporations power is restricted to the recognition of foreign corporations and to legislating about corporations’ trading or financial activities. That is, the Court has interpreted the corporations power as applying to many of corporations’ external activities but not to their establishment or internal management such as the management of their employees.

In upholding the *Work Choices Act 2005* (Cth) the majority of the High Court held that the corporations power grants the Commonwealth power to legislate very generally about constitutional corporations’ internal industrial relations, not just their external activities. So the *Work Choices Act* validly prevents employers from making employment agreements longer than 5 years and from including anything prohibited by Commonwealth regulation such as agreements to deduct union dues from workers’ pay, to grant leave to attend training provided by a trade union or to award paid leave to attend meetings conducted by or made up of trade union members. The High Court majority’s new interpretation of the Constitution means that, contrary to its explicit wording, each paragraph of section 51 is not interpreted ‘subject to this Constitution’ and that contrary to a century of precedent each paragraph is not read to preserve the effects of all other paragraphs of section 51. Rather, the majority of the Court has preferred to read each paragraph of section 51 in isolation from the rest of the Constitution. This led Curtin University constitutional lawyer Greg Craven (2006) to observe that ‘Unquestionably, the majority judgment in the Work Choices case is one of the most constitutionally autistic in the High Court’s long history of literalistic misinterpretation’.

This decision will have extensive consequences because it extends the Commonwealth’s power to legislate on almost all matters concerning constitutional corporations and because many State powers are exercised through trading corporations. A corporation includes any body established by or pursuant to an Act of Parliament such as a company even if it is established by a State Act of Parliament such as a university or an incorporated association. In *Commonwealth v Tasmania* (the Tasmanian dam case) the High Court held that a corporation is not a trading corporation by virtue of its nature or character but by virtue of its conduct of ‘significant’ or ‘substantial’ trading activities. In that case the Court held that the Hydro-Electric Commission of Tasmania was a trading corporation and thus subject to the Commonwealth’s corporations power notwithstanding that it was a public body established by an Act of the Tasmanian Parliament, was wholly owned by the Tasmanian Government and subject to various ministerial controls. Universities are therefore also trading corporations for the purposes of the Constitution, which the Federal Court recently confirmed about the University of Western Australia in *Quickenden v O’Connor*.

**Effect on vocational education providers**

The corporations power allows the Commonwealth to legislate directly on incorporated vocational education providers rather than negotiate through funding agreements on all the matters included in the *Skilling Australia’s Workforce Act 2005*

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5 (1983) 158 CLR 1
6 (2001) FCA 303
(Cth): on constitutional corporations’ internal decision-making, internal employment conditions and industrial relations, relations with students and employers, fee levels and on providing competitors access to their facilities. Of the 3 million Australian businesses 29% are registered companies and are thus are now subject to the Commonwealth’s greatly expanded legislative power over corporations. Of the unregistered businesses 18% are trusts and 15% are family partnerships, neither of which is likely to be heavily involved in vocational education. The remaining 39% of unregistered businesses are sole proprietorships, and many are likely to be involved in vocational education as consultants or small trainers. However, 52% of all businesses employing staff, 64% of medium size enterprises and 79% of big enterprises are incorporated (ABS, 2005) so most private vocational education provision is now subject to the Commonwealth’s legislative powers.

The initial impact on technical and further education will depend on how it is constituted, which may be illustrated by comparing the constitution of TAFE in Victoria and Queensland. In Victoria TAFE colleges are incorporated pursuant to section 24 of the Victorian Vocational Education and Training Act 1990. This makes Victorian TAFE colleges corporations. They are almost certainly trading corporations because they charge tuition fees, provide training services to employers for fee, sell food to the public through their restaurants and canteens, operate other commercial services and sell various other goods and services ancillary to their main role. The Howard Government therefore has the power to transform all Victorian TAFE colleges to be like Australian technical colleges.

In Queensland sub section 191(1) of the Vocational Education, Training and Employment Act 2000 provides that –

(1) A TAFE institute is an institution operated by the State that provides vocational education and training.

Queensland TAFE institutes are thus like all State schools in being a part of the Queensland Department of Education, Training and the Arts, a department of state and therefore not a corporation. Of course TAFE Queensland charges tuition fees and offers the range of commercial services offered by TAFE in Victoria and the other States, as its web site proudly promotes. However, because these are offered by TAFE Queensland as part of a department of the State and not as a corporation, TAFE Queensland is not a trading corporation for the purposes of the Constitution and is therefore beyond the reach of the Commonwealth’s corporations power. Many but not all Victorian TAFE colleges were initially established as part of the Victorian Government’s State departments, just as many university education faculties originated as State teachers’ colleges which were the training arms of the State department of education. There is nothing to stop the Victorian and other State Governments from decorporatising their instrumentalities including their TAFE colleges and thus removing them from the Commonwealth’s corporations power.

Effect on vocational education qualifications

It will be recalled that paragraph 51(xx) of the Constitution gives the Commonwealth ‘power to make laws . . . with respect to . . . Foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth’. How closely does the Commonwealth legislation have to be related to a constitutional corporation
to be ‘with respect to’ a corporation? A long line of authority has settled that legislation about corporations’ trading activities is sufficiently related to them to be ‘with respect to’ corporations. But would a law about a corporation’s suppliers or customers be ‘with respect to’ a corporation? The majority of the High Court held that the Commonwealth’s Work Choices legislation about a corporation’s relations with its employees was sufficiently related to a corporation to be a law ‘with respect to’ a corporation, so it seems that the Commonwealth’s expanded powers also extend to a corporation’s relations with its suppliers and customers. This is explained by Callinan J (para 793, p 344) in a dissenting judgement in the Work Choices case –

793 The joint reasons hold that because the Act regulates or affects the relationship between corporations and a class of those through whom those corporations may act, it is constitutionally valid. If that is correct, the opportunities for further central control are very numerous. It is not difficult to foresee legislation seeking, for example, to control wholly or at least partly, subcontractors to corporations, or the solicitors or barristers who act for a corporation, or anyone else who deals with, purchases from or sells to a corporation, or has any form of financial, or indeed any other, relationship with a corporation, insofar as it touches or concerns a corporation.

If this is correct the Commonwealth could legislate to require, for example:

- all corporations that supply electrical services to employ only electricians who are licensed in accordance with a national scheme and are on a national register of licensed electricians;
- all corporations that buy electrical services to buy them only from electricians who are on the national register of electricians;
- all corporations that employ electricians to employ only electricians who are on the national register; and
- all people who supply electrical services to corporations to be on the national register.

This would cover most important electrical services in Australia. Thus the Commonwealth can use its corporations power to establish a national scheme for occupational licensing, accrediting training providers, monitoring standards and quality control even if many or perhaps all States’ TAFE systems were not constitutional corporations. As someone who has had to navigate the arcane thickets of mutual recognition to be admitted to practice as a lawyer in South Australia, New South Wales and Queensland based on my admission in Victoria, I am longing for the interminably discussed national practising certificate. So I am not opposed to national occupational licensing, but it has far-reaching implications. A national scheme could provide that all nationally registered electricians must be trained by a training organisation accredited and registered in accordance with the scheme and it could impose all sorts of conditions on the accreditation of registered training organisations. TAFE Queensland would want its electricians to be eligible for the national register so it would have to comply with the Commonwealth’s accreditation requirements even though it is not a constitutional corporation.
Implications for vocational education policy

Thus by a combination of legislating on constitutional corporations directly and legislating on their suppliers and customers the Commonwealth can control almost all aspects of vocational education. This power is independent of the Commonwealth’s financial power and so applies to vocational education that is funded wholly by a State Government or privately. The Commonwealth can thus greatly expand its control of vocational education without increasing its expenditure, and even while cutting funding.

One option, of course, is for the Commonwealth to decline to exercise its new power in vocational education or to exercise its power in cooperation with State Governments through the council of Commonwealth and State ministers responsible for vocational education. I do not think this is likely. The history of Australian federation since the Engineers’ Case\(^7\) in 1920 is the history of the steady transfer of powers from the States to the Commonwealth. While the Commonwealth may not take over vocational education immediately, I expect it will do so eventually. The States could respond to the Commonwealth’s takeover of vocational education by relinquishing their remaining role in tertiary education. This would follow most States’ practice after the Commonwealth’s takeover of higher education in 1975: most States withdrew their funding from and active involvement in the universities established by their own legislation. Alternatively, the States could respond to the Commonwealth’s takeover of vocational education by renewing their interest in adult and community education, literacy and general education which have hitherto been largely ignored by both Commonwealth and State governments. This holds the potential for a very considerable improvement in the standing, policy, management and perhaps even funding of adult and community education.

A third possibility is for the Commonwealth and the States to negotiate a new form of cooperative federalism, which has previously been advanced by former prime ministers Fraser and Hawke (Ryan, 2000) and more recently by opposition leader Rudd (2005). This could take the form of ‘composite sovereignty’ as Lundberg (2000) terms Germany’s shared federalism, or less ambitiously ‘leadership federalism’ as envisaged by Craven (2006). Craven envisages that in leadership federalism the Commonwealth would increasingly would set the national parameters of basic policy but allow the States to interpret and implement the policy locally. A fourth possibility would be for the States to become decentralised agents of Commonwealth vocational programs. The Department of Education, Science and Training already has offices in all States and these would have to expand considerably if the Commonwealth took over responsibility for vocational education. It seems inefficient for the Commonwealth to expand State offices of vocational education while the States already have established extensive vocational education offices.

Whatever path is eventually followed, we may expect the Commonwealth to have far greater say in determining and implementing vocational education and training policy in the medium and longer term if not in the short term.

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\(^7\) *Amalgamated Society of Engineers v Adelaide Steamship Co Ltd* (‘the Engineers’ Case’) (1920) 28 CLR 129
References


Keating, P J (1992a) One Nation, AGPS, Canberra.


