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President Gerardine (Ged) Kearney
Secretary Dave Oliver

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Committee Secretary
Senate Committee on Education and Employment
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

The Australian Council of Trade Unions (ACTU) welcomes the opportunity to make a submission on the Vocational Education and Training bills being considered by the Committee (VET Student Loans Bill 2016, the VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016).

There are however significant issues with the manner by which the Government has chosen to present these bills for public feedback and with the information available to the public about the bills. The bills in question are collectively 112 pages long, with another 100 pages of explanatory memoranda. It is unreasonable of the Government to expect that stakeholders will be able to familiarise themselves with bills of this magnitude and complexity and provide meaningful feedback within the less than one week allotted. Additionally, critical information about the changes made in the bills is not yet available. Even at the most basic level, information about the names of the courses that have been dropped from the approved courses list, for example, is missing. Without access to this information, the ACTU is unable to comment on the appropriateness of the courses removed from the list – a significant element of these reforms. These factors have combined to make it difficult to provide the meaningful stakeholder feedback we are sure the Government is hoping to receive.

These matters aside, the ACTU views the bills being considered as a broadly positive first step towards repairing the broken VET system and restoring public and industry confidence in the ability of the sector to deliver high quality skills training. Steps to limit the amounts students can borrow in order to effectively control prices, to prevent brokers from taking advantage of students and to implement a more effective compliance system for private training providers are long overdue. The ACTU has been disappointed by the Government's inaction in this area, having presided for a number of years over a system in which private providers have rorted the public purse and in many cases utterly failed students. Whilst we welcome the government finally acknowledging the significant issues with the current VET system, these bills have only taken a first step towards solving the problems of increased course fees, student debt, the declining quality of education and the undermining of TAFE as the central provider of VET as a result of de-regulation.

The costs to students have risen significantly under the current model. Reports of courses costing upwards of \$30 000 are becoming more commonplace. To take just one example, a quick scan of a sample of private RTO websites shows that a Diploma of Hospitality of 1.5 years duration can cost up to \$20 000, a Certificate IV in Commercial Cookery \$15 000 and \$10 000 for a certificate III in Commercial Cookery. Price increases were evident from the early experience in Victoria where VET-Fee Help was first introduced. Standard fees for diplomas tripled to \$2500 when loans were introduced there from mid-2009, while government subsidised diplomas in other jurisdiction were less than half that amount in most cases (\$990 a year in Tasmania, \$1212 in Western Australia, \$1350 in the ACT and \$1570 in NSW).¹ Between 2012 and 2014 VET student fees and charges increased 14.3 per cent.

Moreover, the evidence from organisations like the Consumer Action Law Centre is that students are not being properly informed about the debt they would incur or about the course they are being sold.² Only later do many find out they have undertaken a course they are either not suited to and/or does not give them the skills they need in the labour market. By then, they have a large debt hanging over them even if they never reach the salary threshold for repayment.³ The Workplace Research Centre report makes the point that many VET qualifications lead to occupations where wages fall below the current threshold so there is little realistic prospect of repaying the loan.⁴

While caps on loans may prevent students being exposed to high prices and increased debts, there is always the possibility that this will provide an incentive for unscrupulous providers to dramatically reduce costs to allow for greater profits. This price pressure may also have negative implications for the VET workforce, as private providers attempting to increase profit margins in a capped-loan environment may identify staff pay and conditions as areas where savings can be carved out. Course quality is already an issue within VET. The model of market-driven contestability, combined with entitlement funding and VET fee-help, has created the conditions giving rise to low quality provision of publicly-funded VET.

One of the most commonly reported problems is that of courses that are clearly too short, being delivered in a fraction of the time they are delivered by reputable providers. In the construction industry, ASQA investigated the delivery of the introductory safety training for the industry – the ‘white card’. It found the 12 RTOs delivering the vast bulk of white card training all delivered and assessed the training online. The Industry Skills Council for the sector recommended six hours for the white card training, but ASQA research found the RTOs using online delivery all had training and assessment strategies of four hours duration or less, with most people completing training and assessment in less than one hour, some as little as 30 minutes. In total, some 75 per cent of White Card training providers were found to be not compliant with the standard relating to assessment practices. The result of all this, the review found, was industry has lost confidence in the value of the White Card to assure workplace safety for new entrants to the construction industry.⁵ Similar findings were made in aged care, where 70 per cent of RTO providing less than the recommended hours of training. Over 50 per cent the courses provided less than half the recommended hours.⁶

¹ Ross, J., and Loussikian, K., “Vocational loans go through the roof”, The Australian , 1 October 2014.

² Jacks, T., “Concern at online course dropouts”, The Saturday Age, 17 January 2015, p. 17

³ Commonwealth Treasury have predicted that one in four will never pay back the taxpayer loans – Bitu, N., “Cash for trade skills used for hypnotherapy”, The Australian, 27 November 2014, p. 5.

⁴ Yu, S., & Oliver, D., “The Capture of Public Wealth by the For-Profit VET sector: a report prepared for the Australian Education Union”, Workplace Research Centre, 2015, p. 15.

⁵ AQSA, Training for the White Card for Australia’s Construction Industry, Australian Skills Quality Authority, 2013

⁶ AQSA, Training for aged and community care in Australia, Australian Skills Quality Authority, 2013

Quality issues are not confined to single qualification or area however. The 2013-14 ASQA annual report provides further evidence of poor quality provision. It found that three out of four training colleges have given students sub-standard training or questionable assessments i.e. noncompliance with the core regulatory standard for quality training and assessment. More than one in 5 still could not comply after a further 20 days. Only 20 per cent of 1515 colleges audited complied fully with national standards in 2013-14. The remaining 80 per cent had at least one case of non-compliance, ranging from minor concerns through to serious failures with training and assessment.⁷ While these changes may see some moves towards more reasonable costs for courses, they may also result in an increase in poor quality courses which government oversight, though increased through these bills, has proven to be incapable of curtailing in the past. Nationwide approximately 20 per cent of VET-fee help students complete their qualification, partially due to private-providers whose completion rates can be as low as 6.5 per cent.⁸

The measures being considered, while welcome, are only the first step in what the ACTU sees as a necessary total reform of the VET sector. The ACTU calls on government to take the following actions to comprehensively reform the VET sector:

- Restore the TAFE system as the public provider of quality VET across the country, especially in regional areas by reversing funding cuts to TAFE;
- Reduce the market share of private providers and restore TAFE as the center of the VET system by implementing, as a beginning, a 30% cap on the amount of funding allocated contestably;
- Conduct a review into the future of the market-driven approach to the delivery of VET, which has had adverse effect on individuals, communities and industry sectors and must be subject to a fundamental rethink and overhaul; and
- Ensure that the VET regulator has both the powers and the resources to ensure that students receive the training they sign up to, that the training being offered matches the student's interests, skills and aptitude, and aligns with identified job opportunities, and that on completion, students can in fact do what the qualification says they can do.

The skills, national qualifications and further education that TAFEs and the VET system deliver are vital for workers, for the future skill needs of industry and the nation and for a fair society that provides opportunities to all. The measures contained in the VET Student Loans Bill 2016, the VET Student Loans (Consequential Amendments and Transitional Provisions) Bill 2016 and the VET Student Loans (Charges) Bill 2016 are an encouraging sign that the Government has finally acknowledged that the VET system is broken, but they do not go nearly far enough.

We would welcome the opportunity to expand on this short submission should the Committee be interested.

Yours sincerely

Ged Kearney
President

⁷ Australian Skills Quality Authority Annual Report 2013-14, pp 26-28

⁸ Bagshaw, Eryk, Unique International College: CEO Amarjit Sing Transferred \$22m to family account in a day, court told, Canberra Times Online, July 2016