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Committee Secretary
Senate Education and Employment Committees
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Dear Madam/Sir

UnionsWA submission to Inquiry into the operation, regulation and funding of private vocational education and training (VET) providers in Australia

UnionsWA is the governing peak body of the trade union movement in Western Australia, and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). As a peak body we are dedicated to strengthening WA unions through co-operation and co-ordination on campaigning and common industrial matters. UnionsWA represents around 30 affiliate unions, who in turn represent approximately 140,000 Western Australian workers.

UnionsWA thanks the Committee for the opportunity to make a submission on the operation, regulation and funding of private vocational education and training (VET) providers in Australia. UnionsWA also supports the positions and key recommendations of the ACTU's submission, particularly the point that *'the reputation of the VET sector has been hit in recent years and confidence in the value of a VET qualification has suffered'*.

UnionsWA has made a number of submissions on the subject of VET over the last few years, most recently to the Senate Education and Employment References Committee inquiry into *Technical and further education in Australia*, and the House of Representatives Standing Committee on Education and Employment inquiry into *the role of Technical and Further Education system and its operation*.¹

We have sought to mount a robust defence of the role of publically funded VET. As we stated in our House of Representatives Submission:

A fully funded public TAFE system is the crucial underpinning for strong training outcomes – particularly in the technical and trades occupations. Both national and state governments need to take responsibility for ensuring that our TAFE system is up to the task.

¹ UnionsWA Submission No. 49 (Received 18/4/2013)

http://www.aph.gov.au/Parliamentary_Business/Committees/House/Education_and_Employment/TAFE/Submissions ; UnionsWA Submission No. 148 (Received 7/3/2013)
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/TAFE/Submissions

However, in defending the role of publically funded VET, it is not our intention to downgrade the contribution of private VET providers to overall quality skills outcomes. Our concerns are more that attempts by both state and Commonwealth governments to elevate the role of private providers above public providers is damaging the effectiveness and outcomes of the entire VET sector. It may seem a paradoxical claim; however the evidence shows that the private provision of VET is not well served by the 'competitive' approach that purports to advance it. This is particularly the case when competition becomes simply a euphemism for 'funding cuts'.

Recent reports have demonstrated that competitive markets in VET have brought more benefits for shareholders than students.² The report prepared for the Australian Education Union by the Workplace Research Centre *The capture of public wealth by the for-profit vet sector* points out that in Western Australia

Substantial increases in TAFE fees (up to 390%) were introduced at the beginning of 2014, resulting in some courses costing more than a university degree.

The Report concludes that

the behaviour of for-profit providers has served to undermine confidence in vocational qualifications and taken advantage of students unable to make informed decisions. More importantly however, the complexity of the operations of for-profit providers casts considerable doubt on whether regulators can possibly stay abreast of the operations of for-profit providers, particularly given limited disclosure requirements and audits which occur on average every five years.³

The ACTU has stated in its *Pre-Budget submission for 2015-16*:

Investment in training and skills development is critical to improving Australia's economic performance, meeting the skills needs of Australian businesses, and providing Australians with access to quality jobs.

This investment is more important than ever at a time when unemployment, and youth unemployment, are at their highest levels in a decade. Yet, the Government cut around \$2 billion from skills in the 2014-15 Budget (a net cut of around \$1 billion) ...⁴

UnionsWA argues that these cuts, along with other policies promoted in the name of 'competition' will have serious damaging consequences for privately provided VET in terms of cost, quality of education, and the encouragement of 'predatory' marketing and promotional techniques. We are concerned not just about the impact of these consequences on private providers, but also about the dangers of 'contagion' to the operations of public providers – leading to lower quality VET outcomes

² 'Open training markets failing to make the grade', *The Australian* (11 February 2015) <http://www.theaustralian.com.au/higher-education/opinion/open-training-markets-failing-to-make-the-grade/story-e6frgcko-1227215048596>

³ Workplace Research Centre, *The capture of public wealth by the for-profit vet sector*, University of Sydney Business School (January 2015), pp.14, 42.

⁴ ACTU, *pre-Budget submission for 2015-16* (9 February 2015) p.10 <http://www.actu.org.au/Publications/Submissions/ACTUpreBudgetsubmissionfor201516.aspx>

overall. Our submission will concentrate on those parts of the current inquiry's Terms of Reference which address these concerns (specifically terms ii, v, vi and ix).

The cost of private VET

In previous submissions, UnionsWA has argued that current policy emphasises on entitlement funding and income contingent loans represent a general trend towards 'front-loading' the costs of education to individuals. Specifically - costs are shifted to students at times of their lives when they can least afford it. Front loading is more likely to discourage people from taking TAFE courses – a strange outcome for policies that purport to address 'skills shortages'.

It is worth noting that 'front-loading' is a problem not only for younger but also older TAFE students. Older workers seeking to re-skill often have families to support, loans or mortgages to pay off etc. The income sacrifice of undertaking new training will be harder to bear for such workers – particularly if the qualification they receive at the end of it is of such a low standard it would be barely worth the trouble.

Our affiliates, the WA Branches of the Australian Manufacturing Workers Union (AMWU) and Construction, Forestry Mining and Energy Union (CFMEU), have asked us to pass on their concerns that recent increases in TAFE fees by the WA state government⁵ will discourage students from pursuing secondary education through the TAFE system, ultimately increasing barriers for disadvantaged families. This may lead to students resorting 'cut price' lower quality private providers. These providers will have the ability to undercut public VET providers by offering faster completion dates, less contact hours, student services and support. This is a particular worry in industries where workplace safety and on site experience and competence is extremely important (for example online white card training). Thus a combination of higher fees and increased reliance on private provision may bring

- a reduction in student enrolments in quality courses for the construction and manufacturing sector, leading to labour shortages. Employers may respond by using temporary immigration to fill the labour shortages, rather than encouraging training for young workers
- higher barriers to training suitably qualified Occupational Health and Safety (OHS) officers leading to fewer officers overall and lower training thresholds

It is worth bearing in mind that the 'cost' of private VET is not just upfront fees; it may also be the low wages that apprentices and trainees receive while undertaking training. Our affiliate the Electrical Trades Union (ETU) of WA is presently concerned about the underpayment of apprentices at Electrical Group Training Ltd (EGT). Owned by NECA (the employer association for the electrical industry) EGT is the largest employer of electrical apprentices in Western Australia and one of the largest in Australia. They used AWAs during the WorkChoices era, and since then have persisted with using an expired collective agreement to keep paying apprentices below the award. This is despite the 2013 national award variation to improve apprentice pay rates. EGT have been refusing to bargain for a new agreement with the union, thus allowing them to save money by

⁵ 'Fee hikes "put TAFE out of reach"' *The West Australian* (19 January 2015)
<https://au.news.yahoo.com/thewest/a/26029745/fee-hikes-put-tafe-out-of-reach/>

- taking thousands of dollars out of the pockets of apprentices by paying underneath the industry award
- shifting the cost of training onto people earning below the minimum wage

Reliance on private provision threatens to make VET increasingly unattractive to prospective trainees, thus setting the scene for future skills shortages.

The quality and outcomes of private VET

UnionsWA is concerned that the private sector, left to its own devices, has a poor track record when it comes to the quality and outcomes of VET. This is particularly the case in Western Australia where, despite a decade long ‘resources boom’, we have not seen on concomitant ‘skills boom’.

In 2010 the National Resources Sector Employment Taskforce (NRSET) Report *Resourcing the Future* found that the resources sector’s overall share of trade apprentices was lower than its share of trade employment. The Report referred to National Centre for Vocational Education Research (NCVER) research into the contribution made by the resources sector to the employment of trade apprentices relative to their trade employment share which noted:

... that the sector employs considerably fewer apprentices than would be expected from its share of trade employment. In fact the sector would have to double its number of apprentices to be on par with other industries.⁶

The National Centre for Vocational Education and Research (NCVER) has data which shows that the ‘in-training’ numbers (of the workforce currently undertaking an apprenticeship or a traineeship) for automotive, engineering and construction jobs have declined since 2010 (-2.4% and -17% respectively), while the general technical and trades category has only increased by 6.3% (see **Table 1** below). This is a poor performance for a state which has been supposedly experiencing a resource ‘boom’ during which the overall numbers of employees in these occupational groups has been increasing (see **Table 2** below). The mediocrity of WA’s performance is further highlighted when we look at the training rates for those occupations, which are derived from the number of apprentices and trainees in–training as a proportion of individuals employed (see **Table 3** below).

Table 1

WA: In-training as at the end of quarter by selected training characteristics, June 2010 & 2014 ('000)			
	June Q 2010	June Q 2014	% Change
Technicians and trades workers	22.5	23.9	+6.3%
32 - Automotive and engineering	7.4	7.2	-2.4%
33 - Construction trades workers	4.6	3.8	-17.0%

⁶ NSRT *Resourcing the Future Report*, p. 33 <http://www.innovation.gov.au/Skills/National/Documents/FinalReport.pdf>

Table 2

WA: Employee numbers at the end of quarter by selected training characteristics, May 2010 & 2014 ('000)			
	May Q 2010	May Q 2014	% Change
Technicians and trades workers	168.6	192	+13.9%
32 - Automotive and engineering	51.3	63.4	+23.6%
33 - Construction trades workers	21.2	28.1	+32.5%

Table 3

WA: Training rate at the end of quarter by selected training characteristics, June 2010 & 2014 (%)			
	June Q 2010	June Q 2014	Difference
Technicians and trades workers	13.3%	12.4%	-0.9%
32 - Automotive and engineering	14.4%	11.4%	-3.0%
33 - Construction trades workers	21.6%	13.5%	-8.1%

Sources: NCVET Apprentices and trainees 2014 - June quarter: state and territory data tables; ABS 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2014 Note that since ABS does not publish employee numbers in occupation for the June Quarter, the May Quarter figures are used to derive the training rate.

UnionsWA is concerned that the resources boom period has seen a squandering of opportunities to develop a skilled local workforce. The private sector cannot be relied upon by itself to deliver on the necessary development of skills for the future of the Australian economy. It must complement the publically funded VET sector, not replace it.

Both CFMEU and AMWU are also concerned that an increasingly private provision of VET, especially when tied to company specific training will degrade the portability of skills between industries and companies. A growing number of company-specific training courses are not recognised outside a particular workplace or organisation, which acts as a significant barrier to workers using their expertise and experience in the most economically productive way should they need or want to change their employer. If 'employer-specific' institutes proliferate under a private VET model, this will severely limit an employee's options and decrease their attractiveness to future employers.

At a time when we are hearing of the increasing need for 'flexible' workplace arrangements, it must be a paramount consideration to ensure employees are able to adapt to volatile employment situations by having their skills as widely recognised as possible. A predominantly private VET provider system will undermine the standardisation and portability of employee skills and qualifications.

However, it is also the case that VET courses should not just be responding to the needs of the 'big end of town' e.g. industries such as mining. Smaller industry courses such as those concerned with the arts, design, massage, and beauty are important in providing opportunities for women,

particularly in regional areas, to re-enter the workforce. However these courses, and the opportunities they provide, will be endangered if the immediate needs of the largest industries are allowed, through their market power, to determine what courses are offered.

There is an inherent obligation on public training providers to deliver in what are called 'thin markets', despite the cost pressures. Thin training markets are mostly either geographical or occupational. In a competitive training market this obligation will likely to become more difficult to maintain. The aforementioned social costs of withdrawn training provisions will be paid by groups such as women in regional areas seeking to re-enter the labour market, and small businesses in 'niche' industries that need skilled staff. Reliance on private VET provision will not increase the quality or diversity of training outcomes.

Marketing and promotional techniques

The House of Representatives Standing Committee on Education and Employment report *TAFE: an Australian Asset*, made comment that

*Evidence received regarding unscrupulous marketing practices and other questionable practices is of concern to the Committee. Such practices can endanger both the experience of students and the reputation of training providers generally.*⁷

The report cited the evidence of Ms Aliesje Kolovis (a youth worker with vulnerable women), who provided specific examples of poor marketing practices within the VET sector. Ms Kolovis has clients who are particularly vulnerable to these practices. One of her examples cited in the report is as follows:

*[One private provider] provide[s] [a] Diploma in Child care for \$15 000. Prior to my commencement, existing staff were unaware that State TAFEs provided this course (and many others) at much lower costs. [The private provider was] providing tailored information workshops to the young, vulnerable and at risk mothers advertising their courses accompanied by VET FEE HELP payment options, highlighting the conditions of repayment (only required once earning over a certain wage) with full awareness of their financial difficulties.*⁸

CFMEU and AMWU are also concerned that an increase in private provision of 'TAFE-level' courses will see an increase in sham Diploma and Certificate courses (completed in days rather than months) which dilute the integrity of all courses in the eyes of employers. Both the public and private VET systems must uphold the integrity of the nationally accredited training system, to ensure the widest possible recognition of skills and experience for workers.

A VET sector in which private providers and competitive pressures predominate will likely see an increase in unscrupulous behaviour.

⁷ House of Representatives Standing Committee on Education and Employment *Report - TAFE: an Australian asset* (October 2014) p.133

http://www.aph.gov.au/Parliamentary_Business/Committees/House/Education_and_Employment/TAFE/Report

⁸ *ibid.*, p.129.

Conclusion

UnionsWA argues that, at their best, private VET providers could potentially serve to diversify courses offered to students, and lift the quality of outcomes. Unfortunately the present trajectory of policy to encourage competitive training markets will degrade the mission of VET.

- Higher costs will make VET increasingly unattractive to prospective trainees
- The quality and diversity of training will deteriorate
- Competitive pressures will drive predatory behaviour from providers

The current conception of a competitive training market relying on private VET will undermine both public and private providers alike, and the opportunities for students from all backgrounds to engage in high skilled future careers will suffer.

UnionsWA and its affiliates would like the opportunity to speak to and give evidence directly to the Senate Committee. Please contact me on 08 9328 7877 or MHammat@unionswa.com.au to discuss matters further.

Yours sincerely

Meredith Hammat
Secretary