



## **Australian Education Union**

# **Submission to the Senate Inquiry into the Higher Education Support Amendment (VET FEE-HELP Reform) Bill 2015**

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The Australian Education Union (AEU) welcomes the opportunity to provide a submission to the Senate Education and Employment References Committee Inquiry into the Higher Education Support Amendment (*VET FEE-HELP* Reform) Bill 2015.

The AEU is an organisation of employees registered under the provisions of the Fair Work (Registered Organisations) Act 2009. It has more than 186,000 members employed in government schools and public early childhood work locations, in TAFE and other public institutions of vocational education, in Adult Multicultural or Migrant Education Service centres and in Disability Services centres as teachers, school leaders, and education assistance and support workers.

Our submission updates and draws on the evidence presented to the 2015 *Senate Education and Employment References Committee Inquiry into the operation, regulation and funding of private training providers in Australia*, the 2014 *Senate Education and Employment References Committee Inquiry into technical and further education (TAFE) in Australia* and the 2013 *House of Representatives Standing Committee on Education and Employment Inquiry into the role of the TAFE system and its operation*. The AEU also endorses the findings and recommendations of the University of Sydney's Workplace Research Centre report: *The capture of public wealth by the for-profit VET sector*, a copy of which is attached to this submission.

## ***Introduction***

Since the early 1990s, governments in Australia have sought to create a contestable training market in the VET sector, by enacting policies which encourage the participation of private for-profit training providers in this market. More recently, conditions imposed on the states and territories in the 2012 *National Agreement for Skills and Workforce Development (NASWD)* and the *National Partnership Agreement for Skills Reform (NPASR)* have resulted in the significant opening up of government VET funding to the private sector. At the same time, and as part of this process, the Commonwealth Government has expanded access to *VET FEE-HELP*, a student loan scheme dominated by the private sector, which has grown exponentially over the past two years. This has provided the private for-profit sector in VET with billions of dollars of government funding.

This Inquiry must be cognisant of critical differences between how the private providers operate in the VET sector, and how they operate in the schools and higher education sector. Private providers accessing government funds in the VET sector are allowed to operate as for-profit institutions, unlike their counterparts in the schools sector. As the research from the Workplace Research Centre shows, this has resulted in alarmingly high amounts of public funding being taken from the VET sector in the form of profits to owners or shareholders of private providers, at a time when many public providers are struggling to survive.

## **Failure of the market experiment**

In a public policy sense, this radical experiment has failed, and the emerging crisis in *VET FEE-HELP* is evidence of this failure. We wish to draw the attention of the Inquiry to the attached report from the Workplace Research Centre. This report analyses the “reforms” required in the two national agreements, including the introduction of *VET FEE-HELP* and it shows that they have achieved none of the aims that were espoused in the agreements, which were to:

- Improve training accessibility, affordability and depth of skills,
- Encourage responsiveness in training arrangements,
- Assure the quality of training delivery and outcomes, with emphasis on measures that give industry more confidence in the standards of training delivery and assessment;
- Provide greater transparency through better information to ensure consumers can make informed choices, governments can exercise accountability.

Critically for this Inquiry, the last two findings throw considerable doubt on the capacity of the current regulatory system, even were it to be strengthened and improved, to stop the behaviour of those providers seeking to profit from the sector at the moment because:

- The current regulatory arrangements have failed to address serious quality issues in the for-profit VET sector, which has engaged in practices including subcontracting delivery, one hundred per cent online delivery, and allowing students to complete qualifications in less than a quarter of the nominal duration.
- 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 once every five years.

Once governments make profit the focus of the sector, rather than the delivery of vocational education to students, more regulation, not less, is required. Increased regulation, stricter and more enforceable standards, and a well-resourced monitoring and enforcement of the standards, are the bare minimum required to protect vulnerable students from exploitation and rorting – and none of these things currently exist.

With evidence of the poor practices of the for-profit sector emerging on a daily basis, governments appear to be responding in a panicked, piecemeal way, reinforcing public perceptions of a sector in crisis. This is evident in the response of the government to the emerging crisis in relation to *VET FEE-HELP*, where it has become clear that despite attempts to address the rorting of the private sector, increased regulation is not working,

and in fact, the repeated attempts by governments to “strengthen” regulations is contributing to the undermining of public confidence.

The vocational education sector is a sector whose currency is trust, and whose core purpose is the education of students, not the creation of profits for shareholders. Unless the Government acts rapidly to address the very serious problems currently undermining the sector, the damage will be irreparable. Knee-jerk responses to the activities of rogue private providers are not sufficient. Our submission will argue that the sector is in urgent need of a thorough review of the architecture which underpins it, and the core principles around which it is organised, including the bipartisan preoccupation with markets as the predominant organising principle. It must also address the serious question for Australian society of whether incentivising providers with the promise of huge profits is the way to support a dynamic and innovative economy or to ensure the futures of generations of Australians.

### ***Failure of VET FEE-HELP***

The amount of government funding now being accessed through *VET FEE-HELP* has grown from \$25 million in 2009 to more than \$1.6 billion in 2014, with more than three quarters of *VET FEE-HELP* funding going to the private VET sector. According to unpublished data reported in the media in June, a record \$1.76 billion had been borrowed by May 15, 2015<sup>1</sup>. The Regulation Impact Statement (RIS) *Changes to the VET FEE-HELP Scheme* indicates that the rapid increase in the number of RTOs seeking approval, and being approved as *VET FEE-HELP* providers means that “there is still significant scope for further growth in *VET FEE-HELP*.” The RIS goes on to say:

Based on the number of providers approved in 2015, current applications undergoing assessment and pending, a potential increase during 2015 of 300 per cent over 2014 is indicated.

Based on the trend established by May this year, the total *VET FEE-HELP* debt for 2015 is likely to exceed \$4 billion.

This is very serious for a number of reasons, including because:

- students are having to take out loans for qualifications and courses in industry areas where their income levels may well never reach the repayment threshold. The Grattan Institute’s submission to the Senate Inquiry into private providers in April this year shows that so-called “doubtful debt” in the VET sector is likely to be double the rate in Higher Education (around 40% as compared with 20% in universities), with even this research looking modest when recently released

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<sup>1</sup> Natasha Bitu, The Australian, Colleges on notice over student fines June 25, 2015

NCVER research<sup>2</sup> showing non-completions in *VET FEE-HELP* qualifications as low as 8%, and

- the complete deregulation of fees in the sector means that the only discipline on the amount of money a provider can charge being the lifetime limit on borrowings which is currently \$97,728.

### ***The underfunding of TAFE and VET – context for the introduction of VET FEE-HELP***

The rapid expansion of *VET FEE-HELP* is occurring in the context of the VET sector being the worst funded of all education sectors in Australia<sup>3</sup>, and a growing realisation that this lack of funding and resourcing is having a serious impact on quality. This is the result of almost 25 years of reductions in recurrent funding, which the most recent *Productivity Commission Report of Government Services* shows, has declined between 2004 and 2013 by more than 26 per cent. This combined with the settings of the 2012 *NASWD* and *NPASR*, which required states and territories to open their recurrent VET funding to the private market, are largely responsible for the perilous situation in which the sector now finds itself, and the liberalisation of the conditions attached to *VET FEE-HELP* were pivotal to the negotiation of these agreements. In fact, weakening the protections around the *VET FEE-HELP* scheme was one of the mechanisms by which the then Commonwealth Government elicited agreement from states and territories to sign up to market reform. The opening up of *VET FEE-HELP* encouraged the states and territories to shift responsibility for the resourcing and funding of higher level VET qualifications from themselves, temporarily onto the Commonwealth through the loans scheme, and then eventually onto students.

The AEU rejects the argument that a so-called entitlement to training (the National Entitlement) and an income contingent loan scheme (*VET FEE-HELP*) were a way of giving Australian students, for the first time, affordable access to vocational education. In fact, Australians had had access to affordable education through the public TAFE system for decades, and the operation of both the National Entitlement, and *VET FEE-HELP* have restricted access to affordable education, and seen fees and charges for students rise dramatically – either directly, or through debt. The AEU contends that the extension of the HELP scheme into the VET sector in 2009 for full fee-paying students was not for the purpose of allowing more vocational students to access further education, but rather to facilitate a significant change in the way the VET sector was funded and organised. Up until this time, governments subsidised higher level VET qualifications, delivered primarily through the highly regarded TAFE system, in the same way as resourcing was provided to all vocational qualifications. Even in the scheme's relatively short history, fees

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<sup>2</sup> NCVER 2015, *A preliminary analysis of the outcomes of students assisted by VET FEE-HELP*, NCVER, Adelaide. P8 - 9

<sup>3</sup> *Financing tertiary education in Australia – the reform imperative and rethinking student entitlements - Issues paper*, Peter Noonan, Mitchell Professorial Fellow Sarah Pilcher, Mitchell Policy Analyst Mitchell Institute for Health and Education Policy February 2015, p 11

have escalated dramatically. The VET FEE-HELP Statistical Report<sup>4</sup> released by the government in October, shows that average tuition fees paid increased from \$4,814 in 2011 to \$12,308 in 2014, a rise of almost 300%. In 2014 the average tuition fee paid by State subsidised students was \$4,857 compared to \$14,144 for full fee paying students. It is now not uncommon for students to be charged \$45,000 or more for Diplomas and Advanced Diplomas in the VET sector<sup>5</sup>.

It has now become clear that the rapid expansion of the private VET market as a result of both the opening up of government funds, and the expansion of *VET FEE-HELP*, under promise of profit margins well in excess of market standards, is encouraging the type of unscrupulous behaviour which we are now seeing.

### ***The underfunding of VET and TAFE***

In 2011, the *Centre for the Economics of Education and Training (CEET)* produced *TAFE Funding and the Education Targets* (an update)<sup>6</sup>. This report provided information up to 2009, which showed that government recurrent expenditure per hour of training declined by 15.4 per cent between 2004 and 2009 – part of a longer term trend that saw funding per student contact hour in VET decline by about 25.7 per cent from 1997. The *CEET* Report update made the point that government funding for TAFE had declined both because of the decline in recurrent public VET expenditure and because of the shift of government recurrent expenditure away from the TAFE sector. It went on to say that:

*If both expenditure per hour and TAFE's share of that expenditure had been maintained, even at 2004 levels TAFE funding would have been about \$974 million (or 19.9 per cent) greater in 2009 than it actually was.*<sup>7</sup>

The evidence clearly shows that the shift in government funding away from TAFE has accelerated since 2009, and both the *Australian Workforce and Productivity Agency's (AWPA) Future Focus 2013 National Workforce Development Strategy*, and the *2014 Report on Government Services*, show that the decline in recurrent public VET expenditure has continued. The *AWPA* report shows that expenditure per annual hour decreased by 14 per cent between 2006 and 2010, and that this downward trend in funding per student contact hour in VET needed to be investigated “*in relation to quality*”.<sup>8</sup> *AWPA* noted that all jurisdictions except South Australia and the Northern Territory reduced VET budgets for 2012–13, and then makes the strong point that:

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<sup>4</sup> <https://education.gov.au/vet-fee-helpstatistics>

<sup>5</sup> Clamp on private college loan costs  
Weekend Australian, Natasha Bitu 07 Nov 2015

<sup>6</sup> Michael Long, ‘TAFE Funding at the education targets (an update)’, *Centre for the Economics of Education and Training*, < <http://www.aeufederal.org.au/Publications/2011/CEETreport2011.pdf> > (accessed 12 March 2014)

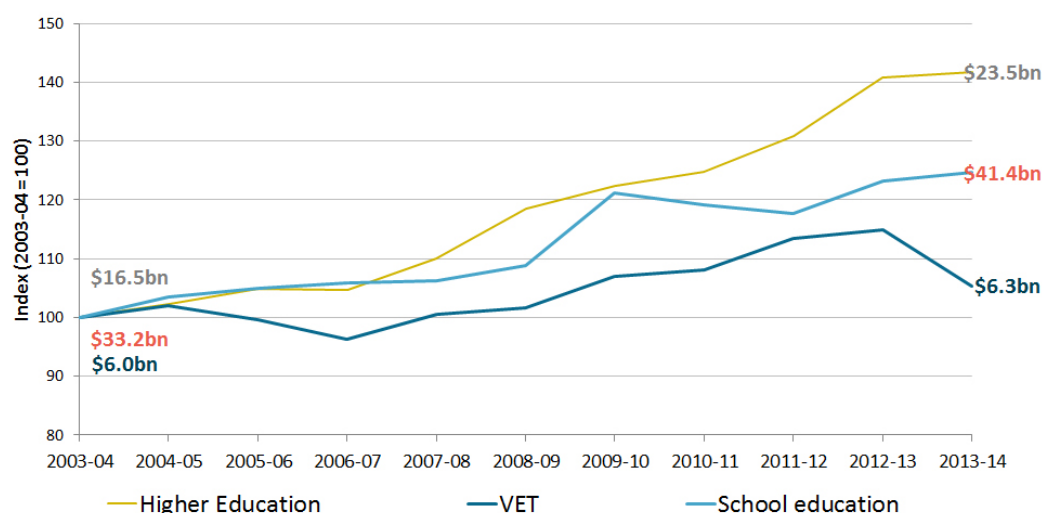
<sup>7</sup> Ibid

<sup>8</sup> *AWPA Future Focus 2013 National Workforce Development Strategy*, Canberra, p130

*The danger in coming years, if the Commonwealth, states and territories continue to tighten their budgets, is that there may be ongoing use of the somewhat blunt instrument of reducing funding per student contact hour to meet growth targets, rather than the more positive and creative approaches to sustainability and growth. For while increased efficiency is to be applauded and encouraged, the extent of the reduction in expenditure per student annual hour on VET raises questions about the ongoing quality of VET teaching and delivery, especially when compared to the per student hour rate trends in the school and higher education sectors.*<sup>9</sup>

Graph 1, from the Mitchell Institute<sup>10</sup>, shows that despite its importance as a critical tier of the Australian education system, the rate of Commonwealth and State government recurrent funding per full time student for vocational education and training has stalled, yet it has grown strongly in higher education. Indeed the VET sector is the only education sector to have experienced an overall decline in funding in real terms during this period as the graph below indicates. On current trends, this expenditure gap will widen.

**Graph 1: Expenditure on education by sector – 2003-04 to 2013-14<sup>11</sup>**



ACIL Allen Consulting analysis based on Australian Bureau of Statistics data  
Note: School expenditure includes all expenditure on government schools (including private contributions) and government expenditure on non-government schools.  
CAGR = Compound Average Growth Rate

*In this table, indexed figures are based on schools, higher education and VET data which has been estimated using the ABS Chain Price Deflator for GDP at 2010-11 prices. More weight can be given to differences in the growth rates than to comparisons at a point in time.*

The extent of the continuing decline in funding per annual hour has is shown by the

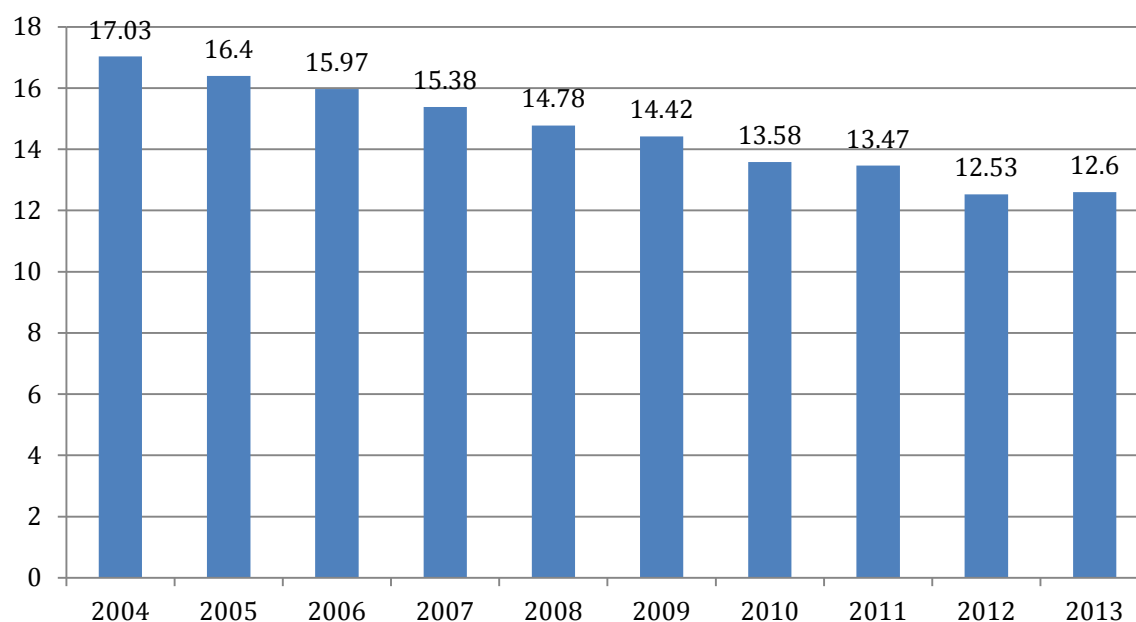
<sup>9</sup> AWP A Op. Cit., p130

<sup>10</sup> Financing tertiary education in Australia – the reform imperative and rethinking student entitlements Issues paper, Peter Noonan, Mitchell Professorial Fellow, Sarah Pilcher, Mitchell Policy Analyst Mitchell Institute for Health and Education Policy February 2015

<sup>11</sup> Peter Noonan, Gerald Burke, Andrew Wade, Sarah Pilcher. Mitchell Policy Paper No. 08/2015: Expenditure on education and training in Australia, August 2015

*Productivity Commission's 2015 Report of Government Services (Vocational Education and Training).*

**Graph 2: Government real recurrent expenditure per annual hour (2013 dollars)<sup>12</sup>**



While the *2015 Report of Government Services* confirms the downward trend in VET and TAFE funding, there are some standout issues in this year's report that are worthy of emphasis. The national investment in vocational education has continued to plummet by more than 13 per cent since 2007. In the eleven years since 2004, national investment in TAFE has dropped by 26 per cent, in stark contrast with trends in schools and university funding (see Graph 1).<sup>13</sup> Investment in education in the schools and university sector is crucially important, but so is investment in the TAFE system, which has a crucial role in supporting a highly skilled and innovative workforce, and in providing second chance education.

Competition in VET is primarily about price, and it is imperative that this changes.

In 2013, AWPAs recommend that the Australian Government commission a review of funding in the VET sector to determine an appropriate price for the delivery of high quality VET. In making this recommendation, AWPAs said:

*... TAFE institutes remain the bedrock of the national VET system, offering vital programs in industry areas and geographical locations that many other providers find challenging... AWPAs support those authorities that have recognised TAFE's distinctive role and position in the national VET system and have funded it appropriately. There are great risks if the balance tips beyond*

<sup>12</sup> SCRGSP (Steering Committee for the Review of Government Service Provisions) 2015, Report on Government Services 2015, Productivity Commission, Canberra

<sup>13</sup> Report on Government Services 2014, Table 5A.19



*efficiency to cuts in quality and services for the diverse student cohort and geographical localities often provided by TAFE.*<sup>14</sup>

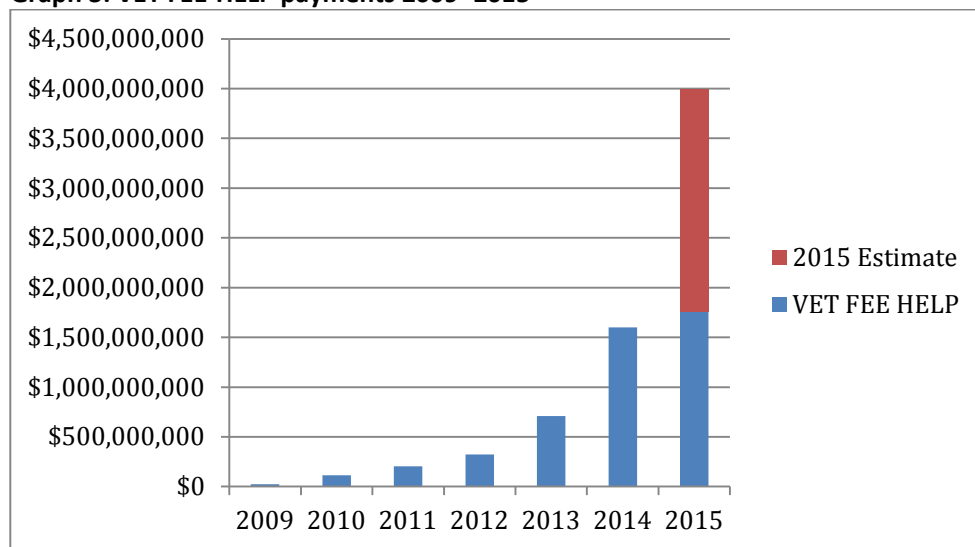
This recommendation was ignored.

### ***The operation of VET FEE-HELP***

An income contingent loan scheme – the *Higher Education Contribution Scheme (HECS)* – was first introduced into Australia’s Higher Education sector under Education Minister John Dawkins in 1989. *HECS* has become *HECS HELP* in the Higher Education sector, and *HECS-HELP*, *FEE-HELP* and *VET FEE-HELP* are all administered under the *Higher Education Loan Program (HELP)*.

Since its introduction in 2008, Commonwealth Government funding for *VET FEE-HELP* has grown at an extraordinary rate – from \$25 million in 2009 to about \$1.6 billion in 2014, and an estimated \$4b in 2015 (see Graph 3). As a result, student indebtedness has also increased.

**Graph 3: VET FEE-HELP payments 2009- 2015**<sup>15</sup>



*HECS HELP* is available for students in Higher Education who are eligible for a government subsidised place, also known as a *Commonwealth Supported Place (CSP)*. *FEE-HELP* and *VET FEE-HELP* are loan schemes available for students in Higher Education (*FEE-HELP*) and VET (*VET FEE-HELP*) who are paying the full cost of their courses. *VET FEE-HELP* was extended, in 2010 to courses in VET which were government subsidised, and the mandatory loan fee paid by all *FEE-HELP* students (now 25 per cent of the cost of the loan) was removed for those in subsidised places.

<sup>14</sup> AWP *Future Focus 2013 National Workforce Development Strategy*, Canberra, p.131

<sup>15</sup> Minister for Industry (2014); Department of Education and Training (2015, unpublished)

Undergraduate students who are eligible for a *CSP* generally pay much less through their *HECS HELP* loans, than either category of *FEE-HELP* student.

While there are some similarities between *HECS HELP*, *FEE-HELP* and *VET FEE-HELP*, there are also some crucial differences. Because all *HELP* loans are income contingent loans, repayments are made through the Tax Office when an individual's income reaches a certain threshold, currently \$53,345. The philosophy behind the schemes is the same. The argument put by governments is that individuals receive some benefit, in the form of increased earnings throughout their lives as a result of completing a qualification. Therefore, it is argued, individuals should share the cost of their education with the state. In VET however, the introduction of *VET FEE-HELP* has occurred in a context of declining government funding and investment. And also in the context, as this submission shows, of attempts to incentivise private for-profit providers' entry into the market. In essence, governments are looking for ways to shift the funding of education from themselves and onto students. This has significant implications for the community, in particular those sections of the community who are least able to afford the costs of education, and who are often debt averse.

There are also some crucial differences between the sectors in their approaches to their income contingent loans. In higher education, students eligible for a *CSP* take out a *HECS HELP* loan from the Commonwealth Government to pay for part of the cost of their qualification. Costs of fees for degrees are currently regulated, and the government pays for part of the cost of the qualification, with the student paying the remainder, through *HECS HELP* if they choose. Currently, university students pay on average 40 per cent of the cost of their degree, and they start to repay that loan through their tax when their income reaches the threshold. In VET, fees for non-government subsidised courses, which comprise more than 76 per cent<sup>16</sup> of loans, are completely deregulated; that is, a provider can charge whatever they want for a VET qualification, and a student must therefore borrow the full cost as a *VET FEE-HELP* loan. In addition, students who take out a *VET FEE-HELP* loan for a qualification which receives no government subsidy must pay a 20 per cent administration fee on top of the loan. This administration fee is waived where the qualification receives some government subsidy.

Many of the proposed changes that the Federal Government tried to make to the Higher Education sector would have drawn it into line with the current arrangements in the VET sector, and the proposal to uncap the limit on the amount of debt that students can take out throughout their lives (currently \$97,728 for most students and \$122,162 for medicine, dentistry and veterinary science students) would have removed the only constraint on the amount that private providers are currently charging students.

When *VET FEE-HELP* was first introduced into the sector in 2008, there were restrictions on the courses that could be eligible and which organisations could offer the loan scheme.

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<sup>16</sup> Regulation Impact Statement – Changes to VET FEE-HELP Scheme – August 2015 p 18

The 2008 Guidelines for *VET FEE-HELP* required eligible qualifications to be VET Diploma and Advanced Diploma courses which attracted no government subsidy; ie. were full fee for service. In addition, the VET Provider had to have specified credit transfer arrangements with a Higher Education provider. Providers had to be body corporates, unless they were organisations established under government vocational education and training legislation (ie. TAFEs). They were also required to have education as their principal purpose, and provide tuition assurance for all their eligible courses.

These guidelines, as Graph 2 above shows, meant that initial take-up of *VET FEE-HELP* was low. In response, in July 2009 amendments to the guidelines extended *VET FEE-HELP* to courses which were partially government subsidised so long as the VET provider was in a “reform” state or territory. A designated reform state was one which had agreed to open its VET funding to the private sector. At this time, the only eligible “reform” state was Victoria, which had introduced market reforms of its VET system in 2008 – the Victorian Training Guarantee. Following their sign-up to the *2012 National Agreement on Skills and Workforce Development (NASWD)* all states effectively met the conditions which allowed their providers to be *VET FEE-HELP* eligible.

In other words, the introduction of *VET FEE-HELP* was the opening of a significant new source of Commonwealth funding for higher level VET qualifications, with the final “burden” of this debt being transferred fully to individual students into the future. It started the process of the states and territories shifting their responsibility for the funding and provision of higher level VET qualifications from themselves, temporarily onto the Commonwealth, but finally onto individuals. In a number of states, this is exactly what has occurred, and it has served as a powerful and lucrative incentive for the states and territories to introduce market reforms of their VET systems.

### ***Weakening protections around the original VET FEE-HELP scheme***

As part of the 2009 extension of access to *VET FEE-HELP* in Victoria, the Commonwealth commissioned a review of the scheme. This was largely because there was a concern about the low take-up rate of *VET FEE-HELP*. The review found that RTOs were experiencing “significant issues” with the scheme, including issues associated with the application process and meeting financial viability, principal purpose, credit transfer and tuition assurance requirements. These issues, according to the reviewers<sup>17</sup> were impeding the take-up of the scheme by students. Some stakeholders, the reviewers argued, were concerned that many of the requirements which RTOs had to meet in order to become eligible were too harsh, or inappropriate for the VET sector. In truth, some of these requirements had been put in place specifically to protect students and public money, and acted as additional quality assurance measures for this purpose.

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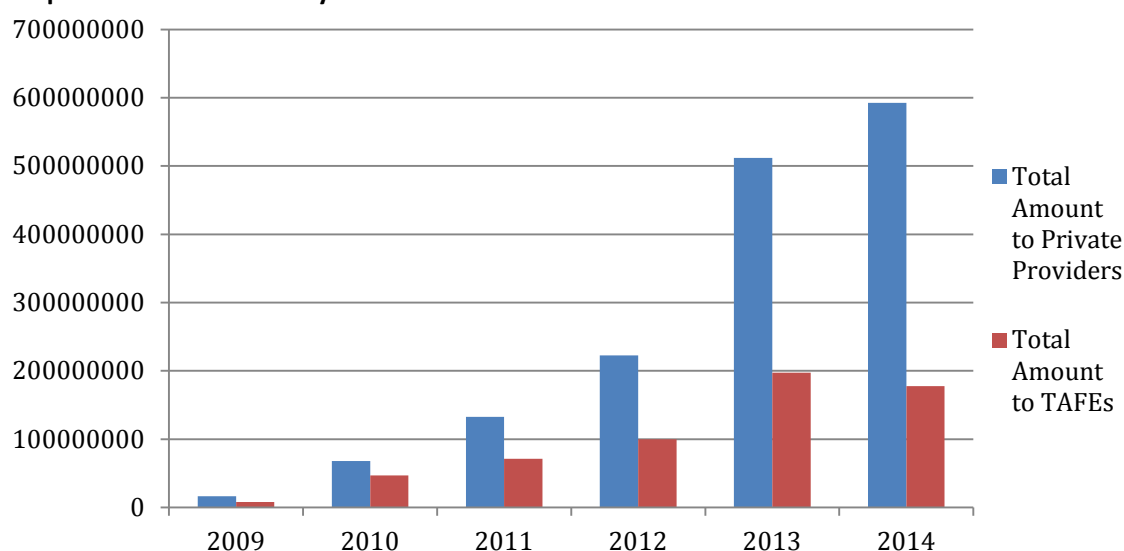
<sup>17</sup> Post Implementation Review of the VET FEE-HELP Assistance Scheme – Final Report 30 September, 2011 p10

A good example of this was the requirement for an approved *VET FEE-HELP* provider to have a credit transfer arrangement in place with a higher education provider for their *VET FEE-HELP* courses. Some RTOs argued that this was inequitable, that it reduced opportunities for VET students, and that it effectively set the bar too high. In reality, it meant that the course had to be of sufficient substance and merit that other providers, including universities, recognised it for purposes of pathways into higher level qualifications, and it meant that such a pathway actually existed - even if students chose not to use it.

A number of revisions in 2012 were necessitated by the introduction of the *National VET Regulator Act* and the requirements of the *National Partnership Agreement on Skills Reform (NPASR)*. All obligations concerning credit transfer arrangements in order to obtain *VET FEE-HELP* were removed. The concept of a “reform” state or territory was replaced by that of an “eligible” state or territory. The revisions of 2012 made explicit the connection between the introduction of market reforms through the 2012 *NASWD* and the *NPASR*, and the introduction of *VET FEE-HELP*. In fact, the weakening of the conditions attached to becoming a *VET FEE-HELP* provider, made it much easier for many more largely private for-profit providers to become eligible, and as the data shows, resulted in a rapid expansion of the scheme after 2012.

*VET FEE-HELP* has become a lucrative source of income for private for-profit providers in the VET sector. More than 75 per cent of *VET FEE-HELP* funding goes to private for-profit providers (Graph 4). The scheme has grown exponentially, as more and more private providers market their courses as “no up-front fees” and offer inducements to students such as free iPads and computers, or even overseas trips.

**Graph 4 – VET FEE-HELP Payments 2009-2014<sup>18</sup>**



*The 2013 figures in this graph may be revised as a result of the ongoing reconciliation processes for 2013*  
*The 2014 figures are all payments as at 28/7/2014. Providers are still to receive another 5 schedule payments in 2014*

<sup>18</sup> Minister for Industry (2014)

It is the significant amounts of funding being allocated through *VET FEE-HELP*, when combined with the public VET funding being allocated contestably (around 42 per cent of recurrent VET funds), which contributes to the profit margins which private for-profit providers are making out of the VET sector and which fuels their expansion. *VET FEE-HELP* was a powerful inducement for states and territories to sign up to the 2012 *NASWD*, and *NPASR*. It has effectively encouraged a number of states and territories to remove public funding of higher level VET qualifications.

### ***Crucial difference between HECS and VET FEE-HELP***

Finally, there is another crucial difference between *HECS* and *VET FEE-HELP* that should be highlighted here. *HECS* was introduced in 1989 on the recommendation of a major national public inquiry into higher education financing, which was chaired by Neville Wran. People were given several months to respond to the recommendations, and there was vigorous debate. In contrast, there has been no national public inquiry into vocational education financing since the *Kangan Report* in 1974, and *VET FEE-HELP* was introduced and then radically extended, without any public inquiry.

The AEU's 2013 submission to the *House of Representatives Inquiry into TAFE* provided evidence of how successive Commonwealth Government policies aimed at increased competition for government funding in vocational education, combined with an associated policy shift to increase the proportion of funds derived directly from students in vocational education, have contributed to increased levels of student debt, and hardship for both students and their families. In addition, in an environment where a number of key manufacturing sectors are being shut down, it is unclear how governments' policies of forcing people to pay full fees for qualifications at the same level or below the ones they currently hold is going to impact on the capacity of individuals to retrain and transition into new industries. This has traditionally been the role of a supportive and cohesive TAFE sector, which has assisted many hundreds of thousands of workers for decades to both cope and adapt when they become retrenched, and then retrain into new industry areas and new jobs.

The traditional users of the TAFE system are impacted most by the shift to a market model. These include working class students, retrenched and displaced workers, unemployed people, those from disadvantaged backgrounds, students with disabilities, and Aboriginal and Torres Strait Islander communities. The onus will increasingly be on these potential students who will be expected to make choices, and pay increasingly higher fees for courses in a "buyer beware" market context. The decisions made by this generation of young people will have an impact on them for the rest of their lives; they will be indebted for qualifications which may be of uncertain quality, and/or limited labour market usefulness. Significant questions also exist about the quality of information available to these prospective students who now are now required, as "consumers" to make informed choices in this rapidly expanding, and poorly regulated private market.

In the first study of *VET FEE-HELP* students yet undertaken by the sector, the NCVER has found that students more likely to access *VET FEE-HELP* are:

- females more than males
- those aged under 25 years more than those aged 35 and above
- those with a disability more than those without a disability
- those not employed more than those employed
- students attending externally more than those attending internally.<sup>19</sup>

The study also showed an alarming rate of non-completion:

*Overall, a lower proportion of VET FEE-HELP assisted students who commenced their training between 2009 and 2012 completed their course than did eligible non-assisted students. By 2014, 24% of assisted students had completed their course compared with 34% of non-assisted students.*

*The proportions of assisted students completing their training differ considerably by student characteristic, ranging from 6% for those attending externally, to 63% of those undertaking a VET graduate diploma. Considerable variation was also observed between providers.<sup>20</sup>*

In the Regulation Impact Statement for the *VET FEE-HELP Reform Bill*, the point is made that “the ready availability of low cost student loans ... appears to have dampened price sensitivity among potential students in this sector.”<sup>21</sup> It goes further to argue that “opportunistic behaviour by some well-resourced but in some cases unconscionable operators has led to unethical, aggressive profit-driven student recruitment with rapid unanticipated growth in enrolments at those providers. Many of these students lack the academic skills and backgrounds to successfully undertake or complete these courses.”<sup>22</sup>

The AEU rejects the argument that *VET FEE-HELP* could be repaired by rebuilding “price sensitivity” in the “market”. Vocational education is fundamentally different to the products and services that young people, and retraining workers customarily access. As the University of Sydney’s research argues:

*... education and training is not a commodity but an experience good, whose quality can only be judged after it has been purchased.<sup>23</sup>*

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<sup>19</sup> NCVER 2015, *A preliminary analysis of the outcomes of students assisted by VET FEE-HELP*, NCVER, Adelaide. P8 - 9

<sup>20</sup> NCVER 2015 p 8-9

<sup>21</sup> Regulation Impact Statement p.10

<sup>22</sup> Regulation Impact Statement p.10

<sup>23</sup> *The capture of public wealth by the for-profit VET sector* – Serena Yu and Damian Oliver, University of Sydney Workplace Research Centre p.29

For this reason, calls by some state governments for students to “Do their homework” in relation to *VET FEE-HELP* courses offered by private VET providers are clearly ludicrous. One state government minister recently urged young people to “Take extra steps to protect themselves from unethical practices that could leave them with substantial debt for a course they can’t complete or which doesn’t get them a job.”<sup>24</sup> In March 2015, Education Minister, Simon Birmingham introduced a series of reforms to the VET FEE-HELP Scheme “to prevent unscrupulous marketers targeting vulnerable Australians and exploiting taxpayers to the tune of billions of dollars.” He urged anyone considering VET study to become a “savvy consumer”:

*If a training offer seems too good to be true, then it probably is. Free laptops, tablets and shopping vouchers aren’t free if they come with a VET FEE-HELP debt that you’ll have to pay through the tax system.*<sup>25</sup>

It is simply not good enough for politicians to attempt to make students responsible for the outcomes of a broken system. Governments must face up to their responsibilities in approving private providers who are offering *VET FEE-HELP* loans. It is not students who are at fault if they are ripped off by providers who are government approved, offering loans that have been provided by the government. Students and the public generally are entitled to believe that if a government is allowing private colleges to offer these government-endorsed loans, then individuals can be assured that the proper checks and balances are in place. These are government loans offered for nationally endorsed qualifications and it is reasonable to assume that they are legitimate, and that the price these providers are charging represents value for money. It is simply not good enough, and it represents a dereliction of duty for governments to then say that the risk in entering into these arrangements rests with young and vulnerable people, rather than themselves. If governments cannot be certain that the qualification being offered is of a high enough quality to warrant them providing funding for it, then they should not provide funding. This should be the starting point for reforms of *VET FEE-HELP*.

## ***Conclusion***

In our earlier submissions, we demonstrated how the imposition of so-called market reforms, including *VET FEE-HELP*, have had far-reaching consequences for the capability and sustainability of the public TAFE system. The activities of unscrupulous private for-profit providers are damaging the reputation of the VET sector and these activities are increasingly fuelled by billions of dollars of *VET FEE-HELP* funding. They damage not only the private sector but the trust that society has in the quality and usefulness of vocational qualifications overall. Trust is critical in education systems. Individuals must trust the institutions which offer courses and qualifications, because in this new market,

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<sup>24</sup> Honourable Yvette D’Ath, Minister for Training and Skills – Queensland Government, “Do your homework on training provider” – Media Release

<sup>25</sup> “Government targets VET FEE-HELP scammers” Senator the Hon Simon Birmingham

students are extraordinarily vulnerable. Many are encountering the prospect of incurring a lifetime of debt, with little protection and limited recourse if they do not get what they have paid for. Employers rightly use qualifications as a proxy for the skills they require in the workplace, and base their decisions to employ on the qualifications that individuals hold. If employers do not trust the qualifications – if they cannot be certain that the qualifications signify a set of skills and capabilities – then in more than one sense, the qualification is worthless, and trust in the national system has broken down.

Even employers have expressed concerns about the current trajectory of reform, and the impact that freely available public funding distorts the “market”:

*In ACCI, we’re all about saying the market can dictate, but at the end of the day the public funding element of it (VET reform) changes the market dynamics. In economic terms, it (public funding) distorts the market and can incentivise providers to head down and follow the money trail, rather than what the customer wants. Free enterprise is one thing, but free enterprise with public money is quite different again.<sup>26</sup>*

### **Recommendations:**

The AEU supports attempts to strengthen the regulations around *VET FEE-HELP*, including those proposed in this legislation, and through the Amendments proposed by the Australian Labor Party. However, the Government and the regulators are currently locked into a game of “catch up” with unscrupulous and greedy for-profit providers. The fundamental architecture of the VET system, and of the *VET FEE-HELP* scheme are deeply and irrevocably flawed. Billions of dollars are currently being wasted, and young and vulnerable people in the community are being exploited.

The current crisis must be grasped by the Commonwealth Government as its last opportunity to fix what was once a world-renowned and highly regarded TAFE and VET system.

The Commonwealth Governments should as a matter of urgency:

- 1. Suspend the *VET FEE-HELP* scheme;**
- 2. Initiate an independent review of funding and resourcing in the TAFE and vocational education sector in Australia, to restore trust and to provide a secure and sustainable base for its continuation into the future. This should include an examination of the real cost of providing education and training in an increasingly complex range of industries, and an evolving society.**

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<sup>26</sup> Mitchell, J “From Unease to alarm: escalating concerns about the model of ‘VET reform’ and cutbacks to TAFE”, *John Mitchell and Associates*, October 2012



There is no justification for providing public funding to for-profit providers, and no evidence that doing so achieves any of the outcomes claimed. However, pending a thorough review of funding and resourcing in the TAFE and vocational education sector governments must act urgently to restore stability, certainty and trust, and so must:

- 3. Implement an immediate cap on contestable funding of no more than 30 per cent of government VET funding.***
- 4. Guarantee a minimum 70 per cent of funding for TAFE colleges. Where jurisdictions currently have in excess of 30 per cent of funding open to the private sector, they must put in place a program of restoration of the funding as a matter of urgency.***