



**Submission to the**

**Productivity Commission National Agreement for  
Skills and Workforce Development Review Interim  
Report**

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## **INTRODUCTION**

The Australian Education Union (AEU) represents more than 189,000 members employed in public primary, secondary and special schools and the early childhood, TAFE and adult education sectors as teachers, educational leaders, education assistants or support staff across Australia, and as such the manner in which vocational education is funded is of primary concern to the union.

The AEU notes that the Productivity Commission National Agreement for Skills and Workforce Development Review Interim Report (the interim report) and its information request questions contain numerous assumptions about the inherent superiority of markets and contestability that set out a predetermined view of how vocational education should operate in Australia. Throughout, the report demonstrates a clear preference for private providers operating in an unencumbered market as the optimal mode of operation. For example, the third key point on page 2 of the interim report overview says “Governments should consider reforms to make the VET system a more efficient, competitive market, driven by the informed choices of students and employers, with the flexibility to deliver a broad suite of training options.”<sup>1</sup> The AEU does not accept this view nor the assumptions presented in the interim report that stem from it. It is our opinion that the interim report’s focus on increasing contestability, student loans, vouchers, and the measurement of efficiency, competitive neutrality and on the provision of public subsidies to private providers fundamentally dismisses and undervalues the contribution of public vocational education, and that of TAFE in particular, as the foundation of vocational education in Australia.

For the last two decades the absolute prioritisation of the market in vocational education has occurred at the expense of a properly funded, planned and executed public vocational education system that provides high quality qualifications for those that undertake it, and provides Australia with long lasting and significant societal and economic benefits. This submission will offer the AEU’s position in each area of inquiry, many of which are fundamentally at odds with the reform options presented in the Interim Report. We will provide evidence of the damaging effects of poorly conceived government policy regarding vocational education in Australia, and demonstrate the failure of policies pre-occupied with increasing marketisation and competition in the sector despite the abject failure of marketisation to date. The submission will also present the AEU’s position on the steps that must be taken now by Governments to ensure that Australia has the vocational education system it will urgently need to emerge from the current crisis in the best economic and social condition possible.

## **ROLE OF COMPETITION IN THE VET MARKET**

The damage inflicted on the sector over the last decade as a result of competition and marketisation, and of the chronic underfunding of TAFE and publicly delivered vocational education is immense. Despite the clear and undisputed societal and economic benefits that a robustly funded and administered TAFE and vocational education sector provides, there has been a concerted and continual drive from successive federal governments over the last

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<sup>1</sup> Productivity Commission 2020, National Agreement for Skills and Workforce Development Review, Interim Report overview, Canberra .p2.

decade to marketise vocational education and deprioritise TAFE, which has resulted in the shift of public money to for-profit private providers, and disinvestment by governments in vocational education.<sup>2</sup> This marketisation has been undertaken for its own sake and without any explicit justification, and without any evidence showing that it improves the quality of existing vocational education provision.

In fact, the impact on the sector has been catastrophic. Competition and contestable funding has flooded the market with inferior private providers. There are now over 4,600 active registered training providers, but only 96 of these providers have more than 100 full time students. It is plainly evident that quality cannot possibly be maintained at a system level when that system is populated by thousands of tiny individual private providers, some of whom have participated in recruitment and enrolment practices that can best be described as skirting the edge of legality.<sup>3</sup>

Private vocational education sector wide practices that prevent students getting what they signed up for include the euphemistically named but incredibly prevalent auspicing (subcontracting training from registered to lower cost non-registered providers) and channelling (enrolling students into courses other than what they originally intended, to attract higher subsidies) which have been rife in the sector over the years. Not only have these practices largely gone unchallenged by the Australian Skills Quality Authority (ASQA), any attempts at regulation of these practices have required providers, including trusted providers such as TAFE, to contribute to the funding of the cost of regulating the practices of the most unscrupulous for profit providers.<sup>4</sup>

This wholesale shift of public funds from the TAFE sector to often small, private for profit providers, has resulted in the established TAFE and vocational education sector bearing the burden of being the lowest funded of all the education sectors in Australia. Prior to the most recent cuts, funding was cut by more than 15% in the decade from 2007 to 2016 and government expenditure declined by 31.5% over that time.<sup>5</sup> This was swiftly followed by another cut of \$177 million in the 2017 federal budget and the further net cut to total funding of \$135 million in 2018. The damage inflicted on the sector has eroded the viability of TAFE colleges and undermined confidence in the system. As a result of this continual assault, TAFE enrolments have declined steadily in recent years, from nearly 800,000 in 2015 to 680,000 in 2017.<sup>6</sup>

In 2018, states, territories and the Commonwealth spent a combined total of \$6.1 billion on vocational education, a decrease of \$135 million when compared to 2017. The Commonwealth Government's contribution to all vocational education fell by \$326 million

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<sup>2</sup> Wheelahan, L., (2018) *New figures quantify the extent of the TAFE disaster*, retrieved from [http://stoptafecuts.com.au/blog/new-figures-quantify-extent-tafe-disaster?ccm\\_paging\\_p=3](http://stoptafecuts.com.au/blog/new-figures-quantify-extent-tafe-disaster?ccm_paging_p=3)

<sup>3</sup> Bachelard, M., Cook, H., & Knott, M., (2015) *Vocational Education, the biggest get-rich quick scheme in Australia*, *Sydney Morning Herald* retrieved from <https://www.smh.com.au/national/vocational-education-the-biggest-getrich-quick-scheme-in-australia-20150916-ginqwe.html>

<sup>4</sup> Yu, S & Oliver, D., (2015) *The capture of public sector wealth by the for-profit VET sector: a report prepared for the Australian Education Union*, Sydney, pp.17-18.

<sup>5</sup> Australian Education Union, (2018), *Stop TAFE Cuts Manifesto*, p1.

<sup>6</sup> National Centre for Vocational Education Research (2018), *Government Funding of VET 2017: data tables*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/Government-funding-of-vet-2017-data-tables>

(10.6%) in that single year and the NCVET has reported that Commonwealth Government contributions to public VET delivery fell by more than double that total, by 23.2%, in 2018.<sup>7</sup> Again, TAFE has borne the brunt of this decline in spending as an ever increasing portion of government funding continues to be directed towards training and often non-accredited courses offered by private Registered Training Organisations (RTOs).<sup>8</sup>

The number of government funded vocational education students has fallen by almost 17% since 2012 across all jurisdictions, but in TAFE, student numbers have fallen by 25%, as all states and territories endure cuts to campuses, courses and staff.<sup>9</sup> Most recently, in 2018 the total number of students enrolled in nationally-recognised programs (most frequently delivered by TAFE) decreased by 5.9% to two million people in 2018, compared with 2017, and decreased by 16.2% from 2015 to 2018. At the same time, students enrolled in subjects not delivered as part of a nationally-recognised program (usually delivered by private providers) increased by 4.9% to 2.5 million people in 2018, compared with 2017. Overall VET student numbers have also decreased by 1.5% to 4.1 million people in 2018, compared with 2017.

The impact of this shift from high quality nationally recognised programs to non-accredited training is evident in the Productivity Commission's assessment of the National Agreement for Skills and Workforce Development's (NASWD) performance against its key targets. The interim report highlights how poorly the NASWD has performed against its key targets A) to halve the proportion of Australians without qualifications at Certificate III and above, and B) to double the number of higher level qualification completions.

From 2013 onwards, both of these indicators have been on a downward trajectory, with Target B for completions faring incredibly poorly. The decline of these target measures coincides with the de-prioritisation of public vocational education as pursued by the Commonwealth Coalition Government, and demonstrates very clearly how the funnelling of public funds to for profit providers has devalued vocational education in terms of the quality and level of training provided and in the ability of RTOs to support students through to completion.<sup>10</sup>

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<sup>7</sup>National Centre for Vocational Education Research (2019), *Government Funding of VET 2018*, retrieved from <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2018>

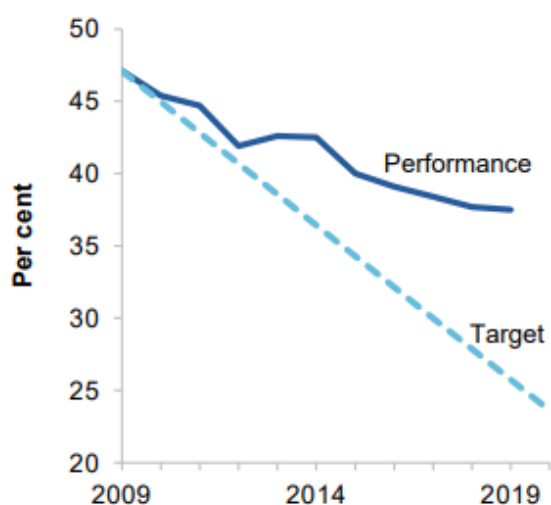
<sup>8</sup> National Centre for Vocational Education Research (2018), *Total VET Students and Courses 2017: data slicer*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/total-vet-students-and-courses-2017-data-slicer>

<sup>9</sup> National Centre for Vocational Education Research (2017), *Total VET Students and Courses 2016: data slicer*, retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/total-vet-students-and-courses-2016-data-slicer>

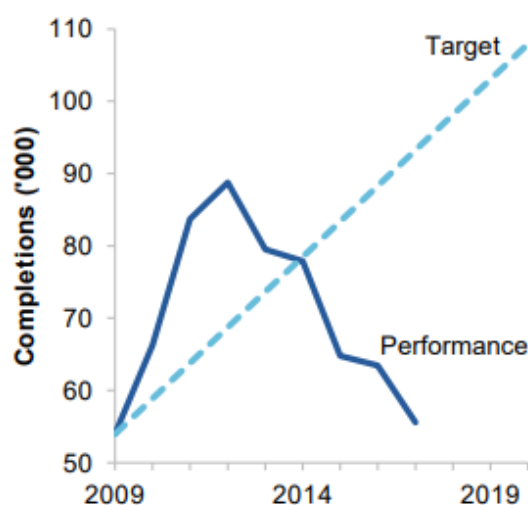
<sup>10</sup> Productivity Commission, *Op. cit.*, p.10.

**Table 1: NASWD performance against Targets A & B**

**Target A: Halve the proportion of Australians without qualifications at Certificate III and above**



**Target B: Double the number of higher level qualification completions<sup>a</sup>**



<sup>a</sup> Higher-level qualifications are defined as Diplomas and Advanced Diplomas. Includes government-funded VET and domestic and international fee-for-service activity of government VET providers only.

As the above charts from the interim report clearly demonstrate, the almost complete surrender of the provision of vocational education to the market has not only resulted in a massive decline of TAFE as the pre-eminent provider of vocational education, but also resulted in less people undertaking and completing vocational study. Of those who start, less people are gaining meaningful qualifications that will help them secure long term jobs and careers.

The only feasible way to repair this damage is to urgently restore public funding of TAFE. As a first step towards the rebuilding the TAFE system, the AEU is pursuing a guarantee from government that a minimum of 70% of all government spending on vocational education will be delivered directly to TAFE.

## SIMPLIFICATION OF SUBSIDIES

The interim report overview suggests “simpler subsidy arrangements” with the mooted possible options including requiring “all governments to apply a nationally-consistent set of course subsidies, based on the efficient cost of delivery”, with yet to be determined loadings “to address higher delivery costs in some locations and to some student groups or replacing the individual subsidy rates for courses with a limited range of subsidy rates, but otherwise leaving jurisdictions to set their own subsidy levels and allocation.”<sup>11</sup> It goes on to suggest that “simplification could take various forms, including:

<sup>11</sup> Productivity Commission, *Ibid.* p.10

(a) a single subsidy rate for all courses on a skills/priorities list, set as a constant percentage of course costs. This approach would not affect relative prices between courses

(b) a flat dollar subsidy for all courses on the skills/priority list. While very simple, this would mean that students would pay a higher share of the costs for high-cost courses, which may be seen as inequitable. It could also mean that the subsidy could exceed the cost of a course. Unless the student was able to pocket the difference, this would discourage students from seeking value for money

(c) a small set of subsidies whose values would be a share of the average (or efficient) cost of delivering groups of similar courses.”<sup>12</sup>

The concept of consistency in pricing is not, in and of itself a bad thing, but its application in a fully contestable unrestrained market as proposed in the interim report will inevitably lead to significant issues for public TAFE as the costs of delivery and the breadth and quality of services offered are not the same as for private providers. TAFE delivers a much higher level of provision, at a significantly larger cost than the offerings of most private providers. TAFE has superior infrastructure, provides a higher level of pastoral care and guidance than the standard private RTO model and has made substantial historical and contemporary investments in forming and maintaining wide ranging community and industry links.

The funding available to providers is not put to equivalent use in the public and private sectors. Private providers focus on courses that are relatively cheap to run but fully funded by public subsidies - such as business studies, media studies, tourism and community services courses and neglect to provide higher cost trade and qualification based courses, while TAFE providers continue to dominate training provision to disadvantaged learners, as well as in areas of high-cost training, and specialised and in-shortage skills.<sup>13</sup> Under a consistent pricing mechanism that does not take full account of all costs and benefits provided it is very likely that private RTOs would react in the way they have previously – by cutting their content offerings to bare minimum required to maintain a subsidy, and inflicting further damaging the quality of provision. Indeed, the interim report recognises that this is a likely outcome, and states that contestability in conjunction with consistent pricing “would create strong incentives for RTOs to minimise costs“. This would lead to private providers reducing the quality of courses offered even further so that they could extract as much profit as possible from each subsidised place offered. It goes on to state that “in a workably competitive market, it would create strong incentives for RTOs to minimise costs.”<sup>14</sup>

This is the very crux of the issue with contestability and with allowing private providers access to public subsidies. The market is not “workably competitive” because its actors are providing very different levels of service, with different aims. The inherent danger in consistent pricing is that it doesn’t interrogate the true cost of delivery by different types of organisations providing VET services and doesn’t take account of the value and the benefits provided in return for that investment. The complete reliance on the market mechanism, as

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<sup>12</sup> Productivity Commission, *Ibid.* p.23.

<sup>13</sup> Hamdhan, A., (2013) *Contestable funding in the VET sector: implications on the role of public TAFEs – a cause for concern*, cited in Australian Education Union (2015) *Submission to the Inquiry into the operations, regulation and funding of private vocational education and training (VET) providers in Australia*, p.10.

<sup>14</sup> Productivity Commission, *Op. cit.*, p.23.

assumed in the interim report, further highlights the fundamental issue in applying the same pricing mechanism to vastly different outputs by different providers for two different purposes – the public good vs. the extraction of profit.

A robust nationally consistent pricing mechanism cannot be established until a nationally consistent measure of cost and of total benefit is established. The establishment of a nationally consistent price that does not take all costs and their total value into account will inevitably lean towards the lowest common denominator in terms of quality.

The proposal for consistent pricing begs a series of questions which are largely not considered in the interim report. For example:

- What will be the impact in regional and remote areas that do not provide a viable market for private VET providers, but which have already lost their TAFE institute?
- How will the range of regional and cultural differences across the country be factored in to the proposed uniform loadings?
- How will the pricing mechanism account for all the activity and investment that TAFE undertakes to serve the public good?
- How will the new agreement prevent an imbalance in offerings resulting from private RTO's rent seeking by only offering training from higher subsidy groupings?
- Based on the previous practice of private RTOs prioritising low cost and high return accreditations, how will the agreement ensure that the full breadth of high level courses are available to all who want to undertake them?

The announcement of the so called "Jobtrainer" plan on July 16<sup>th</sup> including \$500 million matched funding from the Commonwealth and State and Territory Governments is welcome. However, its contingency on a consistent pricing mechanism in a contestable market is fundamentally flawed. As detailed throughout this submission, consistent pricing only works if all costs and levels of benefits accrued and the vastly different offerings of public and private vocational education providers are taken into account. Allowing private RTOs to contest this additional funding for targeted areas of skills need will only reduce the quality of the additional courses provided.

The AEU's position is that public subsidies should be available to public providers only, and should not be used to aid the transfer of public money into private profit. The combined Commonwealth and State and Territory contributions of \$1 billion restores approximately one third of what has been cut from vocational education since 2013.

## **IMPACTS AND RISKS OF VOUCHERS**

As noted by Robin Shreve in a recent online discussion on the interim report, vouchers aim to empower the demand side but are not any use [and can actually be damaging] if students don't have the information available to make informed choices. The result is that "vouchers are not as intended a demand side restraint, but become a supply side opportunity".<sup>15</sup> Passing

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<sup>15</sup> AVETRA Policy Webinar: Productivity Commission NASWD, July 2, 2020, retrieved from - <https://www.youtube.com/watch?v=7yyNJgNMyc4&feature=youtu.be>

control to the demand side of the equation, in conjunction with increased contestability and removal of price caps leads to the inevitable decline of quality and value on the supply side.

This is the exact environment that lead to the endemic rorting that has plagued vocational education in Australia in recent years. Previous programs to limit access to government funding through vouchers saw the opening of all government vocational education to the private for-profit sector and the removal of funding for high level vocational qualifications through a student loan scheme. These will likely again be the outcomes of the interim report's proposal to increase reliance on income contingent loans and to reintroduce vouchers and are all key features of the market in vocational education.

This is not an efficient and effective way for governments to administer such an essential public good as vocational education. Vouchers cannot deliver value for money in the long term and do not represent a prudent, efficient and sensible way to invest in vocational education.<sup>16</sup>

## **INCOME CONTINGENT LOANS**

The AEU is adamantly opposed to the use of income contingent student loans in vocational education and the VET FEE-HELP scandal of recent years stands as a powerful reminder of why the sector should not be funded from student loans. Over its short life, VET FEE-HELP did unprecedented damage to Australia's vocational education system, as successive governments allowed the crisis to escalate to the point where experts estimate more than \$7 billion in total was expended on the scheme, a significant proportion of which will never be recovered.<sup>17</sup> This wasted amount is more than was spent on the entire public funding of the vocational education sector in Australia in 2018.

The continued fallout from the scandal has caused catastrophic reputational damage to the entire vocational education sector, and many qualifications have been (possibly irredeemably) devalued. Students have been ripped off and cheated by unscrupulous for-profit providers, and significant numbers of qualifications which were previously government funded have been shifted to a government loan system where students will eventually have to pay the full cost of their education. Too many students within the vocational education system do not complete their course, brokers and other agents have operated as key players selling useless qualifications to an unsuspecting public and unregistered providers delivered qualifications for which they received public funding. At the height of the VET FEE-HELP scandal, the regulator did not know how many students were receiving training which evaded even the relatively low standards which currently exist. The burgeoning private for-profit sector in vocational education made enormous profit wasting scarce government funding, and trashing the reputation of an already damaged education sector.<sup>18</sup>

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<sup>16</sup> Australian Education Union (2018), *Submission to the Terms of Reference for the ALP Commission of Inquiry into post-secondary education*, p.9.

<sup>17</sup> Australian Education Union, (2018), *Stop TAFE Cuts Manifesto*, p1.

<sup>18</sup> Australian Education Union (2018), *Submission to the Terms of Reference for the ALP Commission of Inquiry into post-secondary education*, p.8.



The interim report recognises that the VET FEE-HELP regime was subject to widespread rorting, but attributes this to a failure of policy design and implementation, rather than to the activities of unscrupulous and often illegal activities prevalent amongst many private, for profit RTOs. However, as shown in the section above, the liberties taken of the VET FEE-HELP scheme by unscrupulous private providers are not an anomaly in the market, but rather an indication of the market operating true to its design.

This scandal did not emerge out of the blue, but was precipitated by a deliberate, calculated and forceful move to the market and a symptom of the deliberate and large scale movement of public funds away from TAFE and public provision over many years by both Labor and Coalition federal and state governments. VET FEE-HELP orchestrated a significant change in the architecture of the sector. Large sections of the Australian vocational education system are now designated as “User Pays”, with restricted access to government subsidised places, increased fees and charges as a direct result of the exploitation of the system by private for-profit providers. As a result a generation of young people are not able to access vocational education because of costs from the TAFE system.<sup>19</sup>

Additionally, the expansion of income contingent loans is likely to result in students suffering under increased debt burdens accrued in the pursuit of unsuitable or insufficiently rigorous training courses. The interim report dismisses this concern when it states that “the contingent nature of loans means they do not have adverse equity effects if training does not deliver its expected dividends”<sup>20</sup>. While that may be the case initially for students who do not meet the repayment thresholds provided that loan repayment thresholds are set at a reasonable level, students still have the burden of debt and are still subject to the potential for thresholds to increase beyond wage growth and inflation. There is a strong recent precedent for loan repayment thresholds being lowered out of line with wage growth. In 2018-19 the Higher Education Loan Program (HELP) repayment threshold was lowered from \$52,957 to \$42,000. At the same time that indexation was changed from Average Weekly Earnings to inflation. These changes have meant that those with HELP debts are now repaying their loans whilst when they reach earnings of less than half the average full time wage.<sup>21</sup> How can we be assured that a similar repayment creep would not eventuate for VET loans?

It is also worth noting that unlike the vocational education sector, HELP-HECS loans are provided for a sector that is overwhelmingly public, is more closely regulated and with which students usually have long term associations. HELP-HECS loans therefore subject to much higher levels of oversight than it seems the proposed increase in availability in the availability of income contingent loans for vocational education as proposed in the interim report would provide.

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<sup>19</sup> Australian Education Union, *Ibid.* p.8.

<sup>20</sup> Productivity Commission, *Op. cit.*, p.25

<sup>21</sup> Australian Bureau of Statistics, media release, 20 February 2020, retrieved from - <https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6302.0Media%20Release0Nov%202019>

The Victorian experience of free TAFE courses shows how removing the costs burden of fees and income contingent loans has a huge positive impact on participation, particularly among underrepresented groups. Enrolments in free TAFE courses in 2019 almost doubled on the previous year, with nearly 40,000 Victorians enrolling in priority courses. These additional enrolments included:

- 118% more women in enrolled in TAFE
- Double as many learners with a disability
- 75% increase in enrolments in Regional Victoria
- Double the number of culturally and linguistically diverse students<sup>22</sup>

Previous experience has shown that the introduction of income contingent loans has the effect of reducing the number of people from underrepresented groups enrolling in vocational education, and contributes to driving up fees for loan eligible courses. The proposal to offer loans for Certificate III and IV qualifications in conjunction with increasing loan caps would result in an increase in the number of students undertaking courses guided by companies whose sole aim is to increase the use of these loans without concern for student suitability. This is just one of the potential pitfalls of pursuing the proposal in the interim report, all the more reason not to further open up the availability of loans in a sector that has already been ravaged by the worst impulses of an unconstrained market. Indeed, the interim report actively suggests that “[f]iscal risks could be reduced by re-considering the threshold for loan repayment to limit unrecovered loans, especially if restrictions are relaxed to include qualifications where expected earnings are below the current threshold, which may often occur for the lowest-level qualifications”. This active statement actively encourages the shift of risk from government to the individual learner and an abdication of the governments’ responsibility to provide accessible technical and further education in an equitable manner.

The interim report goes so far as to make an explicit offer to any increased risk the Commonwealth may accrue from increasing loan access to lower level qualifications. It describes opening all courses up to VET Students Loans with the “quid pro quo for the Australian Government’s exposure to greater loan liabilities would be its withdrawal from (or reduction in its) funding through its agreement with the States and Territories.” And that “Moreover, any expansion of governments’ funding of the VET system may be best undertaken through a greater reorientation to loans rather than more subsidies.”<sup>23</sup> Under this proposed model the only winners are a Commonwealth Government seeking to curtail its expenditure and to absolve itself of its responsibility to vocational education, and particularly to TAFE, and the private providers who profit from the newly available loan funds. The losers are the learners subject to often lifelong debts for the benefit of diminished qualifications.

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<sup>22</sup> Gail Tierney MP, media release, June 6, 2020, retrieved from email communication

<sup>23</sup> Productivity Commission, *Op. cit.*, p.27

## **EMPLOYER INCENTIVES TARGETING DISADVANTAGED GROUPS**

It is the AEU's view that targeted additional support should be available to support employers to take on staff from disadvantaged backgrounds, but there should also be a co-contribution from employers towards the costs of training. Employers benefit from training provided at the expense of the state and individual, and should therefore contribute to the development of those skills. Any incentives available to employers to target students from disadvantaged backgrounds should be accompanied by a levy on employers (commensurate to employer size) to subsidise public vocational education and associated apprenticeships.

In any scheme there should also be increased monitoring of employers taking advantage of such an incentive to ensure compliance with awards and agreements.

## **PATHWAYS AND TRANSITIONS**

It is essential that young people from all locations across Australia and from all backgrounds have access to all available post school pathways so that they are able to explore all options and choose the most appropriate one for them, without restriction. There is a significant and urgent need to improve the esteem in which VET pathways are held, which can only be done through the restoration of a properly funded and fully accessible public TAFE system.

The interim report notes that VET “completions for people living in remote or very remote areas fell by 28 per cent from 2009 to 2018”<sup>24</sup> and it is well known that there are differential outcomes for post-compulsory students in metropolitan and non-metropolitan schools including a lower rate of Year 12 completion, and lower levels of participation in higher education for non-metropolitan students. Longitudinal analysis by the NCVET of the pathways young people take through education and employment over the course of a decade shows that those from metropolitan areas are more likely to have multiple pathways open to them than those from regional and remote areas, more likely than any other cohort to smoothly transition from school to employment, and more likely to be able to transition into other study activities if they choose to change their pathway. Despite the significant challenges presented to rural and remote learners there has been steady decline in vocational education provision in rural and remote areas. Opportunities for learners outside of metropolitan centres have significantly diminished under this government's policies, as large numbers of TAFE campus have closed resulting in a 60% drop in the number of TAFE providers in recent years.<sup>25</sup> At the same time, private RTOs have abandoned what they see as unprofitable “thin” regional markets.

The Halsey review into regional, rural and remote education confirmed this. It found that state governments had withdrawn TAFE delivery in the non-metropolitan regions of the nation. Despite the expectation that increased choice of providers would materialise in regional areas, the reality is that providers have retreated to the cities.<sup>26</sup> Where markets are

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<sup>24</sup> Productivity Commission, *Ibid.*, p.8

<sup>25</sup> Productivity Commission, *Report on Government Services 2020*, retrieved from <https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/child-care-education-and-training>

<sup>26</sup> Zoellner, D., *How good is choice in the VET market? 'Not very' says big data*, The Australian TAFE Teacher, spring 2019, Vol. 53/3, p.26

thin, private for profit providers usually either reduce services or increase costs to compensate for lower levels of demand and other costs associated with operating away from metropolitan areas. The only way to ensure that vocational education remains a viable pathway for non-metropolitan young people is for the role of public TAFE to be protected and enhanced by adequately funding TAFEs to operate in areas with diseconomies of scales and geographic isolation is equally important in promoting TAFE to non-metropolitan students as a pathway to employment or further education.

This present review of the NASWD must seek to ensure that the breadth of vocational pathways available to rural, regional and remote young people is as close to that available to their metropolitan peers as possible. As Halsey stated “TAFE has to be put back into the regions, closer to people, places and the heartland of much of Australia’s productivity.”<sup>27</sup>

## VET IN SCHOOLS

Vocational education should be introduced in schools from year 10 onwards as an additional component to complement the comprehensive education in the national curriculum received in schools. It is therefore essential to ensure that vocational education provision in schools appropriately meets the needs of the students undertaking it. This is why the AEU asserts that any person delivering VET in Schools should have a sound understanding of pedagogical principles, including the importance of consolidation and context for learning, should be properly qualified to deliver VET and meet state and territory registration requirements, and that VET in schools must be delivered in partnership with local TAFE institutes.

While the total amount of VET taught in schools has reduced in recent years, the most significant decline has been in the level of qualifications taught, particularly in public schools. Accredited qualifications taught as VET in Schools have reduced from over 46,275 to 25,855 from 2014 to 2018 and non-accredited training packages now total 315,635, down from 340,000 in 2014. However, these non-accredited training package qualifications still comprise the vast majority of VET program enrolments at over 92% of VET taught in public schools. Nearly 70% of VET taught programs in schools are at certificate 1 and 2 level, and more than 60% of VET in schools is taught in government schools. And more than half is taught at certificate II level, whereas although a much lower number of VET programs are completed at independent schools, the program level at independent schools is much more evenly split across Certificate II and Certificate III.<sup>28</sup> These differences point to a systemic and chronic lack of resource available in public school systems, which prevents public school and TAFE partnerships from being able to provide the full breadth of certificate level qualifications and increases the potential for significant narrowing of the pathways and options available to public school students engaged in VET whilst at school.

This differentiation in the level of programs offered to students in the public and independent schooling sectors raises the significant and important question of whether there is a systemic reason, such as a lack of funding and resources that inhibits the ability of public schools to provide higher level courses. The insufficient recurrent funding provided to public schools

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<sup>27</sup> Halsey, J. *Independent Review into Regional, Rural and Remote Education – Final Report*, 2018, p.53.

<sup>28</sup> NVCER, *VET in schools data slicer*, <https://www.ncver.edu.au/research-and-statistics/data/all-data/vet-in-schools-2018-data-slicer> 2019

through the combined failure of the Commonwealth and state/territory governments to meet the Schooling Resource Standard (SRS) often results in students funding their own VET studies in school and further limits access. This raises the question of the extent to which students' capacity to pay additional fees for VET enrolment impacts on the type and level of programs offered.

The AEU has identified several systemic issues with the current provision of VET in Schools as outlined below. All of these issues could be rectified through the proper allocation of resources to meet the Schooling Resource Standard (SRS) in public schools and through the reinstatement of public TAFE as the provider of VET in schools:

- The transfer of recurrent funding from public schools to private RTOs.
- The requirement, caused by a lack of sufficient recurrent funding to schools, that students additionally fund their own VET courses with private RTOs arranged via schools.
- The potential for a lack of direct knowledge of and responsibility for oversight and co-ordination of VET in schools policy and implementation in state and territory education departments.
- As outlined above, accredited and higher level qualifications are declining in schools in favour of lower level qualifications and non-accredited training is still the vast majority of VET in schools.
- The VET system is structured around the needs of industry and current quality measures reflect this. However, schools have much wider responsibilities than meeting the needs of industry and the economy and these are often not properly considered in the delivery of VET in Schools.

To address these issues it is essential that VET in Schools should be funded from a specific budget directed to TAFE for that purpose rather than provided by for profit RTOs diverting resources from public schools, and/or requiring students to fund provision themselves through additional charges.

## **CAREER GUIDANCE FOR SCHOOL STUDENTS**

Experience has shown that much career guidance received through years 10-12 leans strongly towards university education and often schools refer disengaged or academically struggling students into VET pathways. Under intense resource pressure, as a result of the immense resource pressures felt by schools, it is sometimes considered more practical for schools (for example, in terms of administrative planning, curriculum and assessment workload, and teacher time) to offer VET separately or as a standalone course than to embed it into general education courses.

Inadequate recurrent funding, (now locked until 2023 through bi-lateral National School Reform Agreements which fail to meet the SRS in all states and territories except the ACT) means that public schools simply do not have the resources to invest in career and guidance counsellors. This is why it is critically important that school systems have capacity to provide

frequent, high quality and accessible careers advice to students, delivered by fully qualified teaching personnel. Australia begins its conversation with school students at far too late a stage, often only in the last two to three years of secondary school. Career guidance could start much earlier, in an age appropriate way, with students at the later stages of primary school. This is the case in other countries (for example, Scotland) and has resulted in much greater efficacy in the advice given and improved knowledge of available options and outcomes for students.

## **MENTORING AND PASTORAL SUPPORTS**

Adherence to the social contract and the unwavering pursuit of the public good is woven into the fabric of TAFE. TAFE has never just been about the assessment of and training for the skills for just one job. It has always played a larger role responding to the needs of people and communities throughout their lives. Since its inception TAFE has consistently offered those living precariously the opportunity through education to give their life orientation, and this will only become more essential in the current and post COVID-19 economy and society. Indeed, the additional support that TAFE provides to learners is the very reason that many people who may otherwise be disengaged (such as people with disabilities) are able to engage in vocational education.

The AEU's recent *State of Our TAFEs* survey of over 1,400 TAFE teachers shows that they are engaging in ever higher levels of pastoral support for students, against a backdrop of ever increasing workloads, reduced funding and increased class sizes. In total, 73% of respondents reported that their workload is unmanageable at least half the time and only 2% of people said that their workload is entirely manageable, and the vast majority of TAFE staff reported that the pace and intensity of their workloads had indeed increased in recent years. Three quarters of respondents reported that the pace and intensity of their work had increased significantly in the last three years, and another reported that it had increase slightly. In total, the vast majority – 93% - reported that the pace or intensity of their work had increased over the last three years. Only 2% said that it had reduced, either significantly or slightly.<sup>29</sup>

81% of those who were aware of their departmental budget said that the budget in their department has decreased in the last three years and nearly half (49%) of those in teaching roles said class sizes had increased. It is in this environment of increased class sizes and workloads, brought about by funding decline, that TAFE teachers maintain their steadfast commitment to supporting and providing pastoral care to their students. 63% of respondents said that the amount of time they had spent on providing pastoral care to students had increased in the previous three years, and 66% reported an increase in the amount of time spent on student consultations.

By comparison, pastoral care is often a negligible afterthought or absent altogether within the practice of private RTOs. As Don Zoellner has found, increased marketisation of vocational education means that private providers are not interested in dealing with “difficult” or hard to engage learners. They are overwhelmingly interested in providing the minimum service

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<sup>29</sup> Guy, J, *State of Our TAFEs survey: A wake up call for government*, The Australian TAFE Teacher, Vol 54/1, autumn 2020, pp.15-17.

required to extract the maximum amount of profit from the fees or subsidies available.<sup>30</sup> This is why, as Zoellner has also noted, that the relationship between community services obligations as a buffer to potential market failure needs to be removed from the vocational education paradigm. These obligations, as they are described in the interim report, are designed to set the market as the default, and leave TAFE to pick up the pieces when the market approach fails. This view fundamentally fails to recognise the prioritisation that TAFE gives to mentoring, student support and pastoral care. These things, central to what TAFE provides, are of core importance to Australia's vocational education system. As Zoellner again notes, setting the market and narrowly framed pricing as the default fails to recognise the much higher level of student support that TAFE provides when compared with private RTOs.<sup>31</sup> This traps TAFE in trying to acquit its responsibilities in regards to pastoral care whilst also competing with entities which have no interest or motivation in expending resources on such matters.

Urgent attention is needed to ensure that specialist pastoral support and well-funded mentoring programs are included in any re-formulation of subsidies that arises from this review, and that the increased costs intrinsic to these essential supports are accounted for when determining subsidy levels.

## **INVESTMENT IN PUBLIC PROVISION AND COMPETITIVE NEUTRALITY**

For years prior to the current pandemic the TAFE sector in Australia has been undermined, and unless governments act urgently and decisively to restore the gradual and systematic erosion of TAFE funding its role in the Australian education system is under threat. Successive Australian governments have failed to address this systemic under-funding, and recent market “reforms” have further damaged TAFE.

The reassertion of competitive neutrality will significantly hinder the public good that TAFE can do. By withholding funds from public providers in order to assert competitive neutrality governments are wasting potentially hundreds of millions of dollars a year, and much more in long term economic benefit. As outlined at length in this submission, private RTOs do not engage in pastoral support at the same level as TAFE, nor provide the extensive wrap around services that TAFE do, and often do not have long term engagement with students. The funding available to providers is not put to equivalent use in the public and private sectors. Private providers focus on courses that are relatively cheap to run but fully funded by public subsidies such as business studies, media studies, tourism and community services courses and neglect to provide higher cost trade and qualification based courses, while public TAFE providers continue to dominate training provision to disadvantaged learners, as well as in areas of high-cost training, and specialised and in-shortage skills.<sup>32</sup>

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<sup>30</sup> Community Colleges Australia, *VET markets has disadvantaged regional and rural Australian Learners*, retrieved from - <https://cca.edu.au/vet-markets-have-disadvantaged-regional-and-rural-australian-learners/>

<sup>31</sup> AVETRA, *Op. cit.*,

<sup>32</sup> Hamdhan, A., (2013) *Contestable funding in the VET sector: implications on the role of public TAFEs – a cause for concern*, cited in Australian Education Union (2015) *Submission to the Inquiry into the operations, regulation and funding of private vocational education and training (VET) providers in Australia*, p.10.

Enforcing competitive neutrality risks TAFE's ability to provide these additional services, will curtail the breadth of courses available and will subsequently lower all VET provision to the lowest "competitive" common denominator. This is why it is essential that the review examines the true cost and true value of the services being delivered by RTOs. The assertion of competitive neutrality between private for profit providers and public providers cannot work as they do not provide the same service, quality or additional support to students.

## **THE CHALLENGES OF ONLINE DELIVERY**

The AEU has received reports of significant difficulties with online delivery in recent months arising from the sudden shift to remote learning, but many of the reports are of pre-existing issues that are now exacerbated. These challenges include many TAFE students not having access to the technology or digital devices they need to access their course online, limited access to reliable internet and low levels of ICT knowledge.

In addition, increasing online delivery hampers student engagement and interaction and increases the difficulty in completing practical learning tasks. The impact is particularly severe on learners who may not be suited to this mode of delivery and who are likely to become disengaged as a result.

The self-pace/self-serve online model where there is no teacher is particularly problematic. Teachers write the course content and upload this online, but if questions/issues arise, students are usually directed to contact the course coordinator. If it is an educational question, students are then directed back again to the course content. This model increases frustrations and reduces engagement, leading to high non-completion rates. Additionally, the AEU has heard reports from our State Branches and Associated Bodies of online course content being handed over entirely to industry professionals untrained in pedagogical principles, which resulted in learners struggling to understand the course content.

The NCVER has found that online delivery is characterised by higher subject withdrawal rates and lower completion rates. Their study of 17 qualifications across six subject areas found that qualification completion rates for fully online courses are consistently lower than for all other modes of delivery. This higher rate of non-completion than for in person studies could be attributed to several factors, including poor quality training, the delivery mode not suiting the student, issues with securing a required work placement or learners lacking access to the necessary tools or technology to complete the course.<sup>33</sup>

For TAFE teachers and lecturers, the much larger classes that are common in courses delivered online, and the increased marking, student consultation time and administration requirements that result, also have significant workload implications. Wholly online learning also encourages learners to view their teachers as permanently available for email or message contact, which reduces work/life balance and again increases workload.

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<sup>33</sup> Griffin, T & Mihelic, M 2019, *Online delivery of VET qualifications: current use and outcomes*, NCVER, p.3 <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/online-delivery-of-vet-qualifications>



While we recognise that there is a place for online delivery in vocational education as part of a suite of options focused on in person education, we reiterate that the high level of holistic service that TAFE provides to learners is not suited to online or remote learning unless there is a significant increase to resourcing to update infrastructure and technology, but also to alleviate workloads.

## **IMPACTS OF COVID-19 ON VET MARKET, SKILLS AND EMPLOYABILITY**

The massive and likely long term impact of COVID-19 on employment, and its disproportionate impact on young people has been well documented. In order to rebuild Australia's economy and workforce a clear and strongly supported national workforce strategy is required. This is particularly important for youth employment. The Mitchell Institute estimates new apprenticeships and traineeships will decline by 30% within two years. This equates to approximately 130,000 fewer new apprentices and trainees from the start of the pandemic to June 2023, and cite evidence from previous recessions that shows an amplified relationship between the unemployment rate and apprenticeship and traineeship figures. In the last two recessions, a 5 percentage point increase in the unemployment rate resulted in a 30% decrease in apprenticeship commencements.<sup>34</sup> The additional \$1.5 billion apprentice 50% wage subsidy to employers announced on July 16<sup>th</sup> is welcome, but offers no ongoing security to apprentices once they have completed their training. This subsidy should therefore be dependent on apprentices having their employment maintained for at least twelve months from the conclusion of their apprenticeship.

Apprenticeships offered alongside TAFE qualifications offer a clear pathway from school to a career, unlike those gained through many private RTOs who may offer unaccredited fragments of qualifications and narrow traineeships, often with minimal ongoing support.

So far the Commonwealth's skills strategy in response to the pandemic has been limited to the rolling out a series of online, short, and largely micro credentialed courses. This transparent attempt at a quick fix only temporarily masks the issue and will not lead to long term skills gains or provide the boosted productive capacity that Australia needs. A true strategy for workforce renewal post COVID-19 can only be achieved through the national support for TAFE, and by making use of TAFE's longstanding partnerships with industry – the job of rebuilding Australia's skills base cannot be left to private, for profit RTOs.

The interim report recommends that "Australian, State and Territory governments should negotiate a new, principles-based intergovernmental agreement. Such an agreement should commit governments to developing an efficient, competitive market driven by the informed choices of students and employers."<sup>35</sup> This blinkered view of the market as inherently good fundamentally fails to recognise the importance of TAFE and public vocational education as a public good, and if enacted, will only serve to severely limit the contribution that TAFE can make to Australia's skills and jobs strategy and eventual economic recovery.

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<sup>34</sup> Hurley, P., 2020, *The impact of coronavirus on apprentices and trainees*. Mitchell Institute for Education and Health Policy, Victoria University.p.2.

<sup>35</sup> Productivity Commission, *Op. cit.*, p.37

Similarly, the interim report recognises the lifelong economic and social benefits of vocational education, but fails to recognise that these benefits are realised to a much greater extent when they are not curtailed by the profit motive. Vocational education should be publicly funded, for the public good with the benefits returned to society through improved employment and health outcomes. It should not be a deregulated free for all built to benefit private companies.

The AEU proposes that, as opposed to increasing contestability, issuing vouchers and increasing the availability of student loans as proposed in the interim report, this review should strongly recommend that the Commonwealth take the following steps to guide Australia, and particularly young Australians, through and beyond the crisis.

The review should recommend a co-ordinated effort to put TAFE at the forefront of the recovery and potential future economic stimulus efforts through immediate increased federal funding support and investment in infrastructure, equipment, staffing and programs, including;

- Restoration of the more than \$3 billion funding cut from TAFE and training since 2013.
- Implementation of targeted support for the public VET provider, guaranteeing a minimum of 70% of all government VET funding to TAFE.
- A significant capital investment in TAFE infrastructure, both in terms of improvements to existing campuses and the redeployment of closed campuses in regions without sufficient provision.
- A significant reinvestment in the TAFE teaching workforce, to replace the many tens of thousands who have been driven out of the sector over the last ten years, and to alleviate current workloads.