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SHEET

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Income contingent loans in TAFE and VET

Federal government policy in TAFE and VET is increasingly based on reducing government investment in the sector, encouraging the growth of private providers, giving more control to business and increasing the contribution to the cost of their education by individual students. The VET sector is the worst funded education sector in Australia, and it has sustained reductions in government investment for almost 15 years.

Governments have introduced income contingent loans into the VET sector to mask the effects of these policy changes which have resulted in considerable increases in fees and charges to students.

Governments are not proposing to introduce an income contingent loan scheme to help TAFE and VET students currently struggling with the costs of their education. They are introducing the income contingent loans like VET Fee Help to mask the increase costs to students.

The federal government argues that income contingent loans will encourage students and workers to enrol in TAFE and VET. This is not true. In 1973, the Whitlam government abolished student fees in TAFE. This resulted in enrolments growing from 400,700 in 1973 to 671,013 in 1975, a 59% increase.

In 2010 a report by the Centre for the Economics of Education and Training (CEET) at Monash University showed just how much funding to the TAFE sector had declined. It found that the funding per student hour had declined by over 22 per cent since 1997. In the period between 2003 and 2008 alone expenditure fell by 11.9 per cent. The report showed government funding for TAFE has declined both because of the decline in recurrent public VET expenditure per hour and the shift of government recurrent funding away from the TAFE sector.

According to the CEET Report, if both expenditure per hour and TAFE's share of that expenditure had been maintained at even 2003 levels, TAFE's funding would have been \$623.6m (or 17.0%) greater in 2008 than it actually was.

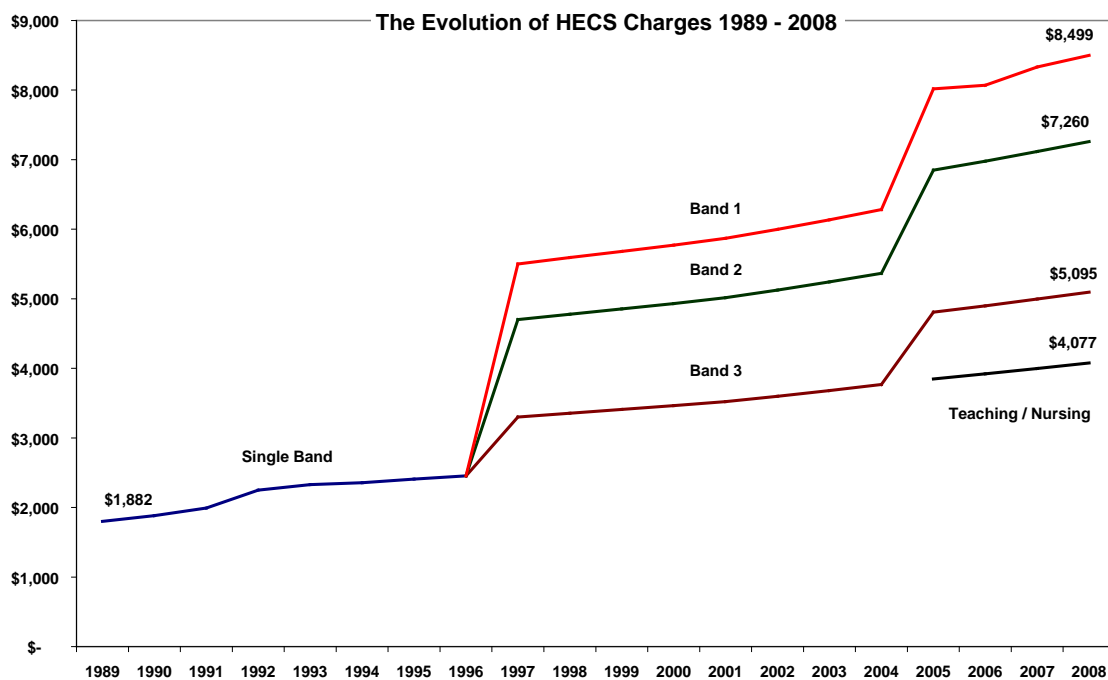
In most states and territories, TAFE fees still remain comparatively low, in contrast with the university sector. However the burden of these fees is growing at an extraordinary rate, and increasingly these fees operate to exclude people from participating in vocational education. The principle of an income contingent loan is that individuals can defer repayment of the loan until their income from earnings has reached a level where they are able to afford to pay it back.

Supporters of this scheme argue that it is fair because students who gain university qualifications will earn more throughout their lives, and should therefore contribute to their education. Human capitalists are now using similar arguments about the effect of VET qualifications on individuals' earnings to justify increasing fees and charges in TAFE.

Individuals contribute to the costs of running the TAFE system through taxes over their lifetimes and through reduced income when they are actually studying. The average income level of those undertaking VET qualifications is still lower than the income of those undertaking university qualifications.

In recent times, as governments have made knee jerk responses to skills shortages in areas such as education and health, one strategy they have pursued is to reduce student contributions (HECS) in selected university courses **to encourage increased enrolments**. It is disingenuous then of these same governments to argue that the introduction of higher fees and income contingent loans will increase participation in VET and therefore solve skills shortages.

Proposals to introduce income contingent loans in TAFE are about shifting the costs of education and training from government funds back on to individuals. The lesson to be learnt from the introduction of HECS in universities is that governments will always find it easier to increase resources to education by increasing the student contributions rather than government contributions.



As the data in the chart above shows, HECS rates have increased substantially since first introduced in 1989. There were major changes in 1997 and again in 2005. In 1997 the Howard Government introduced a three-tier HECS system and the student contributions (HECS fees) increased between 33% and 122% between 1996 and 2007 (see Table 1). The other major change in 2005 allowed universities to increase HECS fees by 25% except for national priority students in education and nursing.