



Australian Education Union

Submission to the

Senate Education and Employment Committees Inquiry into the VET Student Loans (VSL Tuition Protection Levy) Bill 2019

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Correna Haythorpe
Federal President

Susan Hopgood
Federal Secretary

Australian Education Union
PO Box 1158
South Melbourne Vic 3205

Telephone: +61 (0)3 9693 1800
Facsimile: +61 (0)3 9693 1805
Web: www.aeufederal.org.au
E-mail: aeu@aeufederal.org.au

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. As such the AEU welcomes the opportunity to submit our view on the VET Student Loans (VSL Tuition Protection Levy) Bill 2019, and to provide some additional context for our position on this Bill.

The TAFE and vocational education sector is the bedrock of Australia's vocational education sector and TAFE institutions have a history of providing high quality technical, further and general education at a level of quality and consistency that the relatively recently conceived private vocational education sector has been unable to match. The transformative benefits of properly funded and comprehensively delivered TAFE and vocational education are widely acknowledged, and vocational education is universally recognised as a driver of increased societal and economic participation, particularly for people who have been previously marginalised in the labour market.

The surrender of Vocational Education to the market

In 2018, an estimated 4.1 million students were enrolled in vocational education in Australia, almost a quarter of the Australian population aged 15–64 years, with a notable decline in the level of qualifications undertaken. In 2018 students enrolled in nationally-recognised programs decreased by 5.9% to two million people in 2018, compared with 2017, and decreased by 16.2% from 2015 to 2018, students enrolled in subjects not delivered as part of a nationally-recognised program increased by 4.9% to 2.5 million people in 2018, compared with 2017.

Our TAFE system has been systematically undermined by profit-driven private providers advocating for a system that provides no clear qualifications, no national consistency and no guarantee of quality or qualified teachers. This Bill will allow them to continue to do so with the renewed confidence of students and the public.

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 decade to marketise vocational education and deprioritise TAFE, which has resulted in a collapse of publicly funded TAFE, the shift of public money to for-profit private providers, and disinvestment by governments in vocational education.¹ This deliberate recalibration has resulted in the extremely rapid proliferation of opportunistic private training providers and the unrestrained growth in the for profit sector, primarily at the expense of Australia's previously world leading publicly funded and delivered TAFE and vocational education system.

Wheelahan (2016) outlines the seismic changes that have occurred in the way that vocational education is resourced and delivered in Australia since 2009. There are now over 4,600 active registered training providers in Australia, 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

¹ 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

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.²

This almost complete surrender of the provision of vocational education to the market has resulted in a massive decline of TAFE as the pre-eminent provider of vocational education in Australia. In 2009, TAFE institutions taught 81% of all publicly funded full time equivalent students in Australia. Five years later, in 2014, this figure had reduced to 56%. Over the same five year period private, for-profit providers increased their share of publicly funded full time equivalent students from just under 15% to 40%, and increased their total student numbers by almost 286%.³ Similarly, the most recent National Centre for Vocational Education Research (NCVER) shows that private providers continue to dominate - of the total 3.8 million students included in the NCVER's 2017 dataset, over 2.5 million (66.6%) were enrolled with private providers. By contrast, students enrolled at TAFE accounted for only 17.8% of all vocational education students in Australia.⁴

In 2017, states, territories and the Commonwealth spent a combined total of \$6.1 billion on vocational education, but an ever decreasing portion of this spending is being made in the public system and TAFE has borne the brunt of the decline in public spending.⁵ In addition to the wholesale shift of public funds from the TAFE sector to the many and small private for profit providers described in the previous section, the established TAFE and vocational education sector bears the burden of being the lowest funded of all the education sectors in Australia. Funding was cut by more than 15% in the decade from 2007 to 2016 and government expenditure declined by 31.5% over that time.⁶ This was swiftly followed by another cut of \$177 million in the 2017 federal budget. The damage inflicted on the sector, particularly as a result of chronic underfunding and attempts at privatisation have eroded the viability of 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 2017.⁷

The transfer of public funds to private RTOs

This shift has seen private RTOs attain an increasing share of public funding, despite the potential curb on growth caused by the reputational damage from the fallout from the VET FEE-HELP scandal. In 2017 more than a third of the hours of training delivered by private providers were funded from public sources (34.5%) and more than a third of all state and commonwealth publicly funded hours (34.3%) were also handed to private providers.⁸

² 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-gjqnqe.html>

³ Wheelahan, L., (2016), *Op. cit.*, p.10.

⁴ 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>

⁵ National Centre for Vocational Education Research, *Ibid.*

⁶ Australian Education Union, (2018), *Stop TAFE Cuts Manifesto*, p1.

⁷ 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>

⁸ National Centre for Vocational Education Research, *Ibid.*

Additionally, and of significant concern given the damage done by VET FEE-HELP, private providers are attracting a rapidly increasing share of the current total value of loans issued to students under the current VET Student Help regime. In 2017 (the most recent figures available) private, for-profit, providers, were massively overrepresented in total loan allocations, accounting for \$325.5 million of student loans (57.1% of the total) compared to the public allocation of \$244.3 million (42.9% of the total).⁹

The National Centre for Vocational Education Research shows that in 2017, following the VET FEE-HELP scandal, nearly \$1.2 billion of public money flowed directly to private providers. Table 1 and Figure 1, below, show the amount of state and commonwealth funding to each type of provider in monetary and percentage terms. Victoria, which from 2009 onwards “implemented scorched earth marketisation policies more aggressively than any other state”¹⁰ handed private providers \$321.6 million in 2017, Queensland gave private providers \$286.1 million and New South Wales spent \$263.9 million with private providers. In percentage terms, Queensland spent 39.0% of all its vocational education funding with private providers, the Commonwealth government spent 34.9% of its funding with private providers and Victoria spent 24.9% on private, for-profit, provision.

⁹ National Centre for Vocational Education Research, *Ibid.*

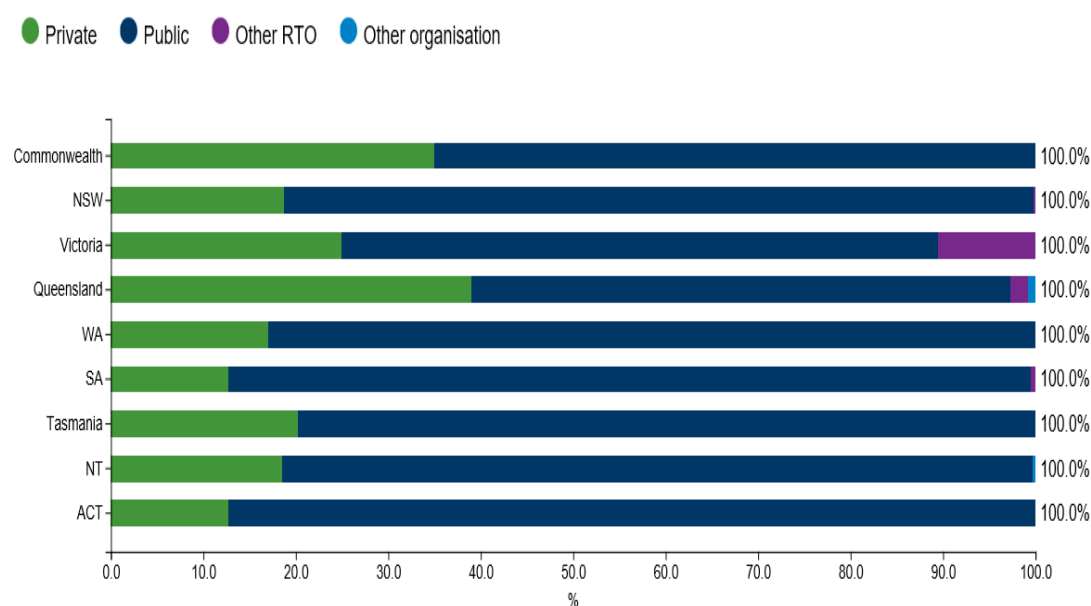
¹⁰ Wheelahan, L., (2018), *Op. cit.*

Table 1: VET funding in 2017 by RTO type and State/Territory (\$ million)¹¹

RTO TYPE	CMTH	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	TOTAL
Private	134.2	263.9	321.6	286.1	74.9	30.6	18.7	13.6	11.8	1155.3
Public	249.8	1144.1	831.5	428.5	365.8	209.4	73.8	59.6	80.9	3443.4
Other RTO	0.0	2.7	136.0	13.2	0.2	1.1	-	-	-	153.2
Other organisation	-	-	-	6.1	-	-	-	0.2	-	6.2
TOTAL	384.1	1410.6	1289.1	733.9	440.9	241.1	92.6	73.3	92.7	4758.2

Numbers have been rounded to the nearest hundred thousand. Refer to the downloadable data tables for more precision. Rounding can lead to situations where the numbers in the body of a given table may not add to the rounded totals. A dash represents true zero. Amounts include direct subsidies for VET, supplementary provider funding and capital funding.

Figure 1: VET funding in 2017 by RTO type and State/Territory (%)¹²



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 loans such as business studies, media studies, tourism and community services courses and neglect to provide higher cost trade and qualification based courses, while public

¹¹ National Centre for Vocational Education Research, *Op. cit.*

¹² National Centre for Vocational Education Research, *Ibid.*

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.¹³

Table 2, below, starkly shows how, from 2009 to 2016, a huge proportion of the total publicly funded hours of vocational education delivery have shifted from TAFE to private providers. Nationally, the share of hours of delivery allocated to private providers almost tripled (194.3% growth) over the seven year period, and in Victoria and Queensland it more than tripled. Over the same period, TAFE's share of publicly funded hours declined from 81.3% in 2009 to 54.1% in 2016, a collapse of 30.0% nationally. At the state and territory level, only the Northern Territory saw any increase in TAFE's share of hours in that time, and the largest states posted the biggest shifts – in Queensland TAFE share of total hours collapsed by 50.1%, from a 77.0% share to a 29.8% share between 2009 and 2016, in South Australia TAFE lost 29.5% of its share of hours and Victoria and New South Wales TAFEs lost 28.8% and 28.7% of their 2009 shares respectively.

Table 2: Share of vocational education delivery hours by provider type (2009 & 2016)¹⁴

		Share of hours		% change in no. of hours	% change in \$ per hour
		2009(c)	2016(c)	2009 – 2016 (d)	2009 – 2016 (e)
NSW	TAFE	88.5	76.5	-28.7	
	PPs	8.1	20.8	111.0	
	Total			-17.4	18.6
Victoria	TAFE	77.6	42.0	-28.8	
	PPs	15.1	49.6	332.9	
	Total			31.4	-24.5
QLD	TAFE	77.0	29.8	-50.1	
	PPs	20.8	68.2	322.2	
	Total			28.9	-27.0
SA	TAFE	71.4	62.6	-29.5	
	PPs	26.8	36.2	8.7	
	Total			-19.6	-9.6
WA	TAFE	83.7	70.1	-19.4	
	PPs	15.1	28.0	78.1	
	Total			-3.8	0.7
Tas	TAFE	75.6	67.1	-15.4	
	PPs	24.4	32.9	28.5	
	Total			-4.6	1.7
NT	TAFE	66.0	60.8	13.7	
	PPs	34.0	39.2	42.2	
	Total			23.4	-23.9
ACT	TAFE	75.5	68.9	-22.7	
	PPs	24.5	31.1	7.5	
	Total			-15.3	-3.9
Australia	TAFE	81.3	54.1	-30.0	
	PPs	14.9	41.7	194.3	
	Total			5.2	-9.7

Despite these massive decreases in the total number of hours of delivery available to public TAFE provision, the fact that TAFE enrolments have reduced at a lower rate than funding has, means that each current TAFE student is being taught with significantly less resource than they were a decade ago. At the same time the majority of TAFE provision is

¹³ 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.

¹⁴ Wheelahan, L., (2018), *Op. cit.*

concentrating on more costly and resource intensive courses in the skilled trades and on providing students with greater levels of support.

Over the last decade, we have seen access to government funding restricted through so-called entitlements or vouchers, the opening of all government vocational education to the private for-profit sector and removal of funding for high level vocational qualifications through a student loan scheme. These key manifestations of market influence are fundamentally flawed and do not constitute an efficient and effective way for governments to administer such an essential public good as vocational education. They also cannot deliver value for money in the long term and do not represent a prudent, efficient and sensible way to invest in vocational education.¹⁵

The above information is presented in to order provide some context to the emergence of the VET Student Loans (VSL Tuition Protection Levy) Bill 2019 and to the AEU's objections to the way that the bill has been constructed to further encourage enrolment with private RTOs and to impose an additional expense and potential burden on public TAFE .

There is no doubt that concerns about the declining quality of vocational education in Australia stem primarily from the activities of private for-profit RTOs, and these concerns have unfortunately been indiscriminately generalised across the entire sector, including the high quality TAFE sector. The impact of poor quality provision by private for-profit RTOs in the sector causes reputational damage for all RTOs, and has a significant impact on the status and integrity of all vocational education qualifications. The long term consequences of this damage extend beyond the immediate financial impact of RTO failure on students and their families, and the undermining of confidence for employers in the qualifications being issued by RTOs, to the future stability and integrity of the sector.

The AEU believes that the vocational education sector has been badly damaged in recent years, and that the impact on its reputation requires a serious examination of the fundamental architecture of the system and its resourcing. Tinkering around the edges, and compelling high quality public TAFEs to pay a levy to protect loans for studies undertaken with risky private providers will not restore confidence in the system. On the contrary, such a requirement is only likely to further demonstrate the precarious operations of many private RTOs and further undermine confidence in the system as whole.

The AEU's long held position is that no public funding should be directed towards private, for-profit providers of vocational education, and this extends to the payment of administration fee component of the Valuation Protection Levy.

The AEU agrees that students taking out loans to undertake vocational education should be protected and assisted in the case of provider or course closure, but TAFEs should not be punished for the failures of the mass privatisation of vocational education in Australia nor for the lack of quality and rigor of some private RTOs. As the explanatory memoranda for the bill itself states "the lower levy on such [TAFE and publicly owned] providers recognises that they are at lower risk of default."¹⁶ This amounts to an admission that it is within the gift of all jurisdictions to determine whether a TAFE institution fails. In that case, the inclusion of

¹⁵ Australian Education Union (2018), *Submission to the Terms of Reference for the ALP Commission of Inquiry into post-secondary education*, p.9.

¹⁶ https://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bId=r6416

TAFE as subject to the administrative fee component of the levy is unnecessary and should be removed from the Bill.

The Bill leaves open the possibility of changes to the administration fee component of the levy

While the Bill states that the maximum administration fee component of the levy will be determined by the Minister at an “amount determined in an instrument” and states that the two components of the fee shall not exceed \$325 and \$15 per student annually, there is no guarantee that this fee could not be increased through regulation at a later date. This leaves TAFE institutions exposed to the payment of a levy for which the specific current cost to the TAFE sector has not been divulged and which could potentially increase at any time, making future planning and budgeting very difficult.

Other burdens on TAFE resulting from this Bill

Apart from the obvious financial cost to TAFEs of having to subsidise the administration of the VSL Protection Levy for Private RTOs there are significant additional issues pertaining to the requirement that TAFEs take on students who have been let down by failing for profit RTOs. TAFE Directors Australia (TDA) have raised significant concerns about this requirement and rightly question how TAFEs can be expected to take on students who may have been subject to poor training practices, without the option to decline enrolments or advise students in this position to restart their courses. The absurdity of this predicament as proposed by this bill is described by TDA CEO Craig Robertson:

“For VET Student Loans the good providers are being asked to pick up the pieces from the poor, at least those that rapidly close courses or close altogether. The office of the TPS can issue fines and penalties for those providers which refuse to take on students. One has to wonder how things have got to this point. The government is relying on threatening the good providers to pick up the poor.”¹⁷

There is also a significant risk that TAFE institutions that take on students who have received certificates of attainment from failed private RTOs, as directed to by this bill, will find themselves subject to an increased risk of regularity non-compliance. As Robertson again points out, the recent increased rigor of ASQAs auditing of assessment and record keeping practices leaves TAFEs open to the risk of non-compliance merely for taking on students left in the lurch due to the closure of their private, for profit RTO.

¹⁷ <https://www.tda.edu.au/newletter/political-heat-in-the-vet-kitchen-comment-by-ceo-craig-robertson/>

Conclusion

For over forty years TAFE has provided high quality public vocational education in Australia to students at all levels. In recent years, through a deliberate policy of increased marketisation of the vocational education sector, the balance of the delivery of vocational education has swung towards private providers.

This bill amounts to an admission from the government that this shift has failed, that the private vocational education sector is failing, and the profit imperative driving the proliferation of fly by night RTOs that populate it, is also failing.

This begs the questions of why TAFE is being called on through this bill to subsidise low quality private providers, to subsidise the administration cost of providing protection for their failures and with absorbing their student cohort after their rent seeking endeavours fall apart.

The AEU strongly urges the committee to exempt TAFE entirely from the payment of the administrative fee component of the Bill and to provide additional regulatory protections for TAFEs that take on students abandoned by failed private RTOs.

Additionally, the AEU believes that the protection offered to private providers by this Bill should be contingent on the following requirements:

- **that vocational education RTOs have as a main or proper or primary or significant purpose the provision of vocational education;**
- **that vocational education RTOs can demonstrate that they operate in the interests of students and be required to provide ancillary support services for students;**
- **that in order to be offered protection vocational education RTOs must demonstrate appropriate quality standards for teaching and learning.**