

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

Referral

1.1 On 24 November 2014 the Senate referred the following matter to the Education and Employment References Committee (committee) for inquiry and report by 10 August 2015:

The operation, regulation and funding of private vocational education and training (VET) providers in Australia, including:

- (i) the access private VET providers have to Commonwealth and state public funding,
- (ii) the cost of education at private VET providers,
- (iii) the regulatory regime private VET providers operate within,
- (iv) the operation of VET-FEE-HELP,
- (v) the quality of education provided by private VET providers, volume of learning requirements and graduate outcomes,
- (vi) marketing and promotional techniques employed by private VET providers and education brokers both domestic and international,
- (vii) any incidents or allegations of non-compliance with regulation and funding arrangements at private VET providers,
- (viii) political donations made by private VET providers,
- (ix) international comparisons to the Australian funding and regulatory regime,
- (x) the operation, regulation and funding of private VET providers specifically offering courses in aged care and early childhood education and their labour market outcomes, and
- (xi) any related matters.¹

1.2 The committee presents this interim report to the Senate on 2 March 2015 and intends to present their second interim report by 15 June 2015.²

1 *Journals of the Senate No. 67*, 24 November 2014, p. 1828.

2 *Journals of the Senate No. 67*, 24 November 2014, p. 1828.

The context of this inquiry

1.3 In April 2012 the Council of Australian Governments (COAG) agreed to a revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform.³

1.4 At the heart of these reforms was the adoption of the Commonwealth proposal for a national training entitlement, the increased availability of income contingent loans, and a more open and competitive vocational and educational training (VET) market.⁴

1.5 As of July 2014, VET providers in all states and territories, excluding ACT, have access to the income contingent loan scheme VET-FEE HELP.⁵

1.6 Since the introduction of these reforms the profile of VET provision in Australia has changed significantly,⁶ and as such, this inquiry aims to provide some perspective on the impacts of these changes, with a specific focus on private providers.

Increased government funding to non-TAFE providers for VET delivery

1.7 The committee is concerned about the rapid increase in government funding to non-TAFE providers since the implementation of the market-driven funding model for VET. Specifically, the committee notes that government payments to non-TAFE providers for VET delivery was \$523.4 million in 2008, compared to \$1362.8 million in 2013.

3 Council of Australian Governments, *Reform Agenda: Skills and Training*, https://www.coag.gov.au/skills_and_training (accessed 18 February 2015).

4 Council of Australian Governments, *COAG Meeting, 13 April 2012*, <http://www.coag.gov.au/node/313> (accessed 18 February 2015). A national training entitlement is a government-subsidised training place to at least the first Certificate III qualification.

5 Australian Government, Department of Education, *VET Administrative Information for Providers*, November 2014, p. 35. VET FEE-HELP is an Australian Government loan program to help eligible students enrolled in higher-level VET courses pay their tuition fees.

6 Y. Serena, & Oliver, D, *The Capture of Public Wealth by the For-Profit Sector*, The University of Sydney Business School, <http://www.aeufederal.org.au/Tafe/WRCAEU2015.pdf>, p. 10 (accessed 18 February 2015).

**Figure 1 – Government payments to non-TAFE providers
for VET delivery 2004 – 2013**

Table 5A.7 **Government payments to non-TAFE providers for VET delivery (a), (b)**

| | <i>Unit</i> | <i>NSW</i> | <i>Vic</i> | <i>Qld</i> | <i>WA</i> | <i>SA</i> | <i>Tas</i> | <i>ACT</i> | <i>NT</i> | <i>Aust</i> |
|---|-------------|------------|------------|------------|-----------|-----------|------------|------------|-----------|-------------|
| Government payments (2013 dollars) | | | | | | | | | | |
| 2013 | \$m | 95.7 | 799.2 | 185.0 | 122.5 | 128.8 | 11.9 | 8.8 | 11.0 | 1 362.8 |
| 2012 | \$m | 148.6 | 804.2 | 200.4 | 132.5 | 81.0 | 11.3 | 8.8 | 13.5 | 1 400.3 |
| 2011 | \$m | 189.7 | 506.9 | 251.1 | 138.7 | 50.9 | 7.7 | 8.9 | 8.4 | 1 162.2 |
| 2010 | \$m | 197.3 | 296.1 | 196.6 | 120.9 | 38.3 | 8.6 | 8.7 | 15.9 | 882.4 |
| 2009 | \$m | 116.3 | 148.0 | 146.5 | 92.7 | 34.4 | 9.4 | 10.1 | 12.6 | 570.0 |
| 2008 | \$m | 122.3 | 150.9 | 130.5 | 65.7 | 22.7 | 9.2 | 9.6 | 12.5 | 523.4 |
| 2007 | \$m | 127.9 | 158.6 | 100.2 | 58.2 | 21.6 | 8.3 | 11.3 | 10.2 | 496.4 |
| 2006 | \$m | 116.0 | 165.3 | 65.0 | 67.0 | 23.9 | 8.6 | 10.6 | 9.6 | 466.0 |
| 2005 | \$m | 102.6 | 150.7 | 89.0 | 58.7 | 27.0 | 8.2 | 12.5 | 8.8 | 457.6 |
| 2004 | \$m | 101.1 | 147.9 | 105.8 | 60.4 | 27.8 | 8.8 | 15.2 | 5.9 | 472.9 |
| 2013 payments to non-TAFE providers as a proportion of Government recurrent funding (c) | % | 5.6 | 47.2 | 18.7 | 18.5 | 28.5 | 9.3 | 9.2 | 11.1 | 23.5 |
| Real change in payments to non-TAFE providers between 2012 and 2013 (d) | % | - 35.6 | - 0.6 | - 7.7 | - 7.5 | 59.1 | 5.1 | 0.8 | - 18.8 | - 2.7 |

(a) Payments to non-TAFE providers of VET delivery include payments to secondary schools, other government providers, enterprises, private providers, community providers, industry and local government providers.

(b) Data for 2004-2012 have been adjusted to 2013 dollars using the GDP chain price index (table 5A.93).

(c) The denominator 'Government recurrent funding' is sourced from table 5A.8.

(d) The percentage change in real payments may not match manual calculations due to rounding of reported figures.

Source: NCVER unpublished, National financial collection.

Australian Government, Productivity Commission, *Vocational education and training*, 2013, Attachments, Table 5A.7.

The volume of VET FEE-HELP

1.8 The committee is also concerned about the increased volume in VET FEE-HELP funding to for-profit VET providers who retain a substantial amount of the loan as profit. The committee notes, Sydney University Research, commissioned by the Australian Education Union, claiming that in 2014 the VET-FEE funding to for-profit providers was \$592.6 million compared with \$177.5 million for state-administered TAFE institutes.⁷

1.9 In a submission to this inquiry, the Australian Council for Private Education and Training (ACPET) argues that 'VET FEE-HELP has created greater choice for students, and created real opportunities for students who would not have had the opportunity without the program'.⁸

1.10 In taking into consideration this increased volume in a deregulated fee environment market, the committee is particularly interested in exploring through this inquiry the economic and social costs and benefits associated with for-profit diploma and advanced diploma qualifications.

7 Minster for Industry (2014) Response to Question on Notice No. 769, 17 July 2014 quoted in Y. Serena, & Oliver, D, *The Capture of Public Wealth by the For-Profit Sector*, The University of Sydney Business School, <http://www.aeufederal.org.au/Tafe/WRCAEU2015.pdf>, p. 16 (accessed 18 February 2015).

8 Australian Council for Private Education and Training (ACPET), *Submission 28*, p. 17.

1.11 The committee is also concerned by evidence suggesting that 40 per cent of all VET FEE-HELP loans will not be repaid due to lack of job opportunities for VET graduates and low wages.⁹ Such a high level of bad debt in effect functions as an additional subsidy to providers as the cost is borne by the taxpayer.

Marketing techniques used by private providers

1.12 The committee has received a number of submissions that highlight concerning reports of aggressive marketing techniques used by private education companies and education brokers.

1.13 The committee is concerned about the link between access to government funding and a subsequent increase in targeted marketing, particularly that which de-emphasises the real cost of undertaking VET and misconstrues the costs associated with VET FEE-HELP.

The current regulatory arrangements

1.14 Qualifications achieved through the VET system are governed by the Australian Qualifications Framework (AQF) and this system is regulated by the Australian Skills Quality Authority (ASQA).¹⁰ In order for a VET training provider to become a Registered Training Provider (RTO) they must meet the national compliance Standards and Essential Conditions contained in the Australian Quality Training Framework (AQTF). Currently, states and territories have separate bodies to regulate these standards.¹¹

1.15 The committee notes that an appropriate regulatory environment is key to ensuring consistent high quality standards of training and skills development in a competitive market. The committee is concerned that the current regulatory framework is not as effective as it can be. In exploring the regulation of VET in Australia the committee hopes to focus on the quality of private VET provision, the competence of graduates, the recruitment of students and regulatory enforcement.

Conduct of the inquiry

Submissions

1.16 The committee called for submissions by 13 February 2015. To date, it has received 50 submissions, the majority of which were made by VET service providers and trainers, peak stakeholder organisations and students. The committee thanks all those individuals and organisations who made a submission to this inquiry.

9 Andrew Norton, *Submission 11*, p. 2.

10 Australian Government, Australian Skills Quality Authority, *VET Quality Framework*, <http://www.asqa.gov.au/about/australias-vet-sector/vet-quality-framework.html> (accessed 19 February 2015).

11 iVET Information shared, *AQTF Standards*, <http://www.ivet.com.au/a/184.html> (accessed 19 February 2015).

Additional consultation

1.17 The committee intends to hold public hearings in various places throughout Australia.

Senator Sue Lines
Chair