

# **The failure of vocational education and training policy in Australia**

Submission to the Senate Education and Employment References Committee Inquiry into  
vocational education and training in South Australia

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## **Summary**

- \* Vocational education and training in Australia is in a state of crisis
- \* Apprenticeships, traineeships and participation in TAFE courses have declined
- \* Meanwhile, worthless qualifications have proliferated, driven by incentives and exploited by fraudulent for-profit enterprises
- \* These outcomes have been driven by a combination of budget cuts and market ideology
- \* Although the worst results have been observed in the for-profit sector, the same pressures have been applied to the TAFE sector, and are responsible for adverse outcomes such as those reported in South Australia
- \* Government policy with respect to university education reflects the same misguided thinking
- \* The failure of vocational education will contribute to the further growth of inequality in Australia
- \* Australia needs a comprehensive post-school education policy with the following key elements

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## **Introduction**

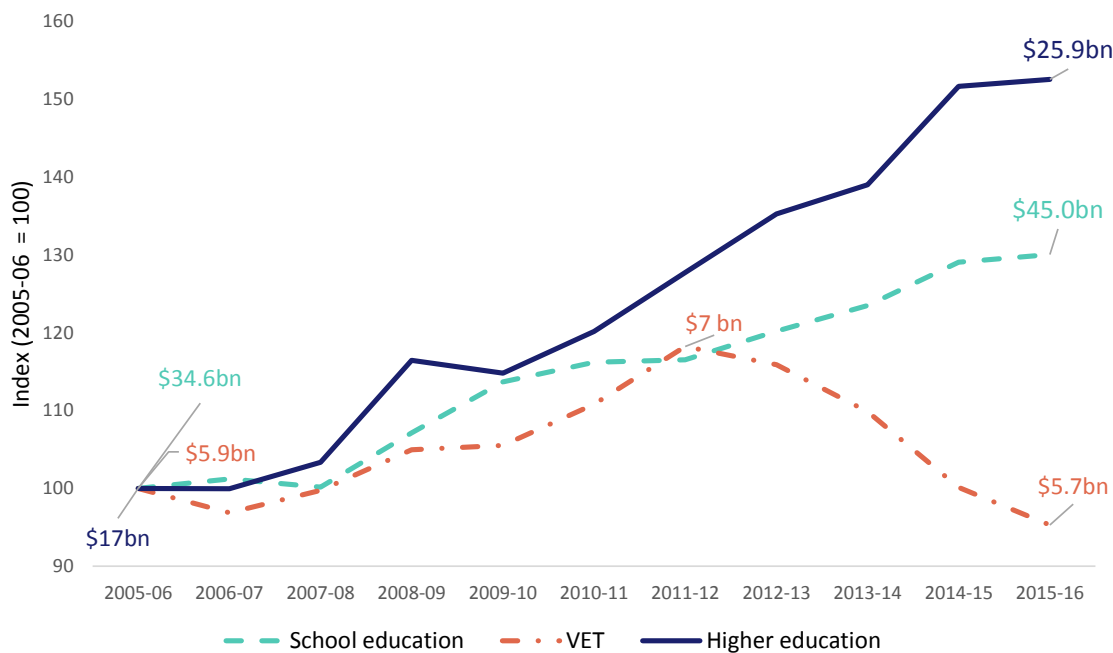
Vocational education in Australia is in a state of crisis. Traditional models of on-the-job training (apprenticeships and traineeships) are in decline. Funding for vocational education through the Technical and Further Education (TAFE) system has been slashed leading to the closure of many TAFEs and large-scale loss of teaching staff. Meanwhile, billions of dollars have been wasted on ideologically driven experiments with market competition and for-profit provision.

The most obvious effects have arisen in the for-profit sector itself, where most of the leading large-scale providers have been exposed as essentially fraudulent operations, exploiting government subsidies and leaving students with worthless qualifications. However, the pressure to respond to market competition has also had damaging effects within the TAFE sector. The problems reported in SA are consistent with this analysis.

## **Declining funding**

As shown by the Mitchell Institute (Pilcher 2017) funding for the VET sector has been cut drastically since 2011-12 and is now barely above the 2005-06 level in real terms. This cut has occurred despite an increase in the size of the population, including the 18-24 age cohort. Moreover, since education is a labor-intensive activity, the real cost has risen over time. The implication is that relative to the number of potential students resources have declined.

Figure 1: Expenditure on education by sector 2005-06 to 2015-16 (base year 2005-06 = 100)



Source: Mitchell Institute analysis of Australian Bureau of Statistics data (custom request)

The impact on the TAFE sector has been particularly severe. Not only has funding for the sector as a whole, but the provision of VET has been opened to competition from for-profit providers. The result has been a disastrous decline (Robinson 2017).

### The failure of free market reform

As shown in Quiggin (2015), for-profit education has almost invariably failed to deliver good educational outcomes, particular when for-profit providers have access to public funding. It is far easier to game funding systems than to provide good quality education. Failure has been consistent across all forms of education, from childcare (ABC Learning and, more recently, G8 education) Notable examples of failure including for-profit schools (US and Sweden) for-profit universities, most notably the University of Phoenix in the US and the VET FEE-HELP fiasco.

The problems in for-profit provision were well known as early as 2011. Quiggin (2013) drew on evidence from the Victorian sector to point to the likely failure of VET FEE-HELP, concluding

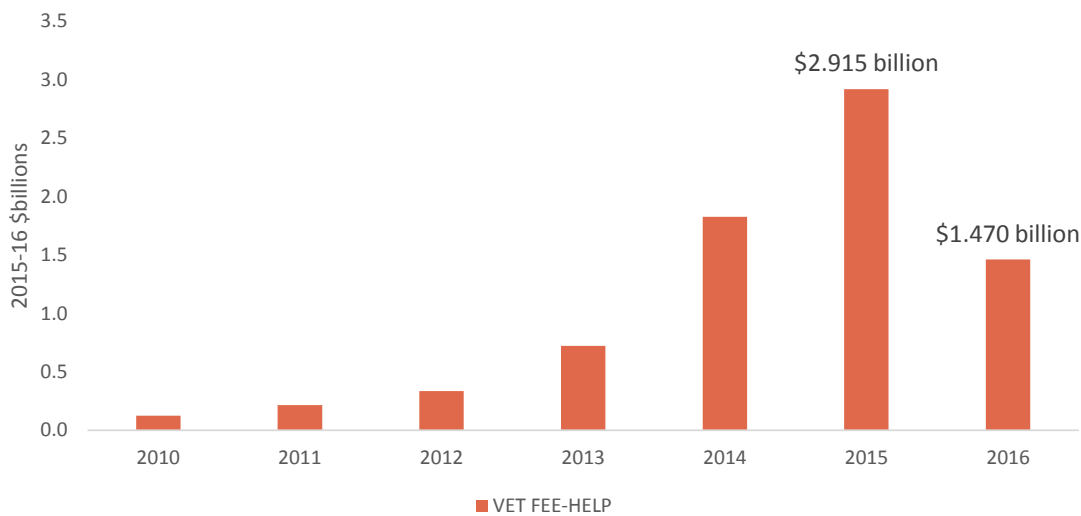
attempts to restructure education as a competitive industry, in which market signals play a central role, have proved almost entirely unsuccessful or counterproductive. Many of these initiatives have been abandoned and others have been characterised by chronic problems of fraud and exploitation of regulatory loopholes.

It is now generally admitted that the policy of opening public funding to for-profit providers has been a disastrous failure. Notably, the Productivity Commission, in a report advocating more competition in human services, singled out this policy as an example of what not to do:

Reforms to the vocational education and training (VET) sector illustrate the potential for damaging effects on service users, government budgets and the reputation of an entire sector if governments introduce policy changes without adequate safeguards.

However, the report gives no indication of how the potential for such damaging effects can be recognised, and mitigated, in the future. The Commission's own track record in the case of VET gives no grounds for confidence in this regard.

Unfortunately, policy makers have not drawn the obvious failure of FEE-HELP and continue to pursue the same disastrous agenda.



Source: 'VET FEE-HELP Statistical Report' (multiple years)

## Implications for the university sector

The university sector has been subject to many of the same pressures as the VET sector but has been more successful in its resistance. The performance of the for-profit sector has been very poor with low completion rates and, conversely, high drop-out rates. This is consistent with global experience of for-profit education.

Attempts to convert existing universities to a for-profit model (such as Melbourne University Private and Universitas 21) have failed with substantial losses.

However, the current government has persisted with attempts to cut funding and to promote a variety of initiatives under the label of 'deregulation'.

These policies threaten to have the same disastrous impact on university education as we have seen in the VET sector.

## A better way forward

Our current organizational and funding structures for education and training are based on an outdated model in which

- \* Working class students were expected to enter the workforce after Year 10, with a minority undertaking a trade apprenticeship and the rest entering unskilled or semi-skilled job with, at most, informal on-the-job training
- \* Most white-collar occupations required only completion of high school
- \* University education was the preserve of a small minority

The problems have been exacerbated by a series of ideologically driven attempts to introduce market competition and for-profit provision into the sector

The starting point for a reform of education policy in Australia should be a recognition that

- \* school education alone is not a sufficient basis for participation in the modern workforce or in an increasingly technologically sophisticated study.
- \* the class division between vocational and educational training for the working class and 'higher education' for the middle and upper class is inappropriate and unworkable
- \* for-profit education and training should have at most a marginal role and should not be subsidised through student funding schemes such as FEE-HELP and VET Student Loans
- \* there should be continued support for non-profit and community providers as well as for TAFE

The central implications of this recognition are

- \* All young Australians should be encouraged to undertake some form of post-school education and training
- \* VET and Higher Education should be combined into a single national system, funded by the Commonwealth.

These are long-term objectives. The crucial short term need is for a reversal of the massive cuts in funding to TAFE, and the end of subsidies to for-profit providers. If for-profit providers are to continue as part of the system they should either stand on their own feet without public subsidy or provide courses under contract through the TAFE system.

## Conclusion

The problems that have recently emerged in the SA TAFE system are merely symptoms of a decade of policy failure by State and Commonwealth governments of both parties, involving cuts to funding and ideologically driven projects of marketisation. These policies must be reversed urgently. Funding for TAFE should be increased and for-profit providers excluded from direct funding.

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