

Australian Greens' Additional Comments

1.1 The Australian Greens are deeply committed to a strong, well-funded, public vocational education and training sector. We have long argued that vocational education and training (VET) should be primarily provided through the public TAFE system, while the community and not-for-profit VET sector should also be supported in providing education and training where TAFE cannot achieve the same outcomes. These commitments come from beliefs that education is principally a public good and that everyone is entitled to free, well-funded and high quality, life-long public education and training.

1.2 The 2013-14 inquiry into technical and further education in Australia found that major and continuing cuts in government funding to the TAFE sector around Australia under both Labor and Coalition governments, coupled with the diversion of substantial public funding from TAFE to private for-profit Registered Training Organisations (RTOs) under the contestability model, has resulted in a funding crisis for TAFE institutes across the country, with major losses of staff, resources and infrastructure. The inquiry also found that the substantial amounts of public funding now available to private providers as contestable funding has resulted in an 'explosion' of private providers delivering cheap-to-run qualifications that are not meeting skills needs of employers or students.

1.3 We have long suspected that the underlying cause of these serious problems is the contestability model of funding for VET provision. The contestability model rests on the assumption that education is a commodity that should be bought and sold in order to produce the most 'efficient' outcomes. This inquiry has successfully tested this assumption and found it to be false and therefore the contestability model has been found to be fundamentally flawed.

1.4 The Committee's majority report correctly notes that VET provision should be designed in the name of social justice. This is essential because the most vulnerable have been exploited to enrich individuals under current arrangements. The Committee's majority report also notes that the current VET FEE-HELP funding arrangements are probably not achieving the objectives of the VET sector. We agree with these assessments but argue the recommendations do not address the root causes of the problems detailed in the submissions.

1.5 The exploitation and waste documented by the inquiry was predictable given the nature of market-based policies. The National Tertiary Education Union pointed to the Victorian experiment:

While the deregulated system has led to very impressive growth in student enrolments, it also has had negative consequences, particularly in terms of meeting skills shortages and in workforce training and productivity.¹

1 National Tertiary Education Union, *Submission 29*, p. 2

1.6 The Consumer Action Law Centre argued:

Corporate private VET providers are obliged to act in the interest of the company, which means generating returns for shareholders is a priority. While not mutually exclusive to teaching and learning, scholarship and quality education, this clearly creates a tension between acting in the best interests of students (which often involves capital expenditure on support services) and maximising profits.²

1.7 The University of Sydney Workplace Research Centre pointed to tensions between the incentives of the VET FEE-HELP scheme and sound educational choices:

As a business model, for-profit training provision is currently supported by strong demand-side factors, driven by the continued rollout of VET entitlement funding and extension of VET FEE-HELP, and underpinned by educational policy targeting higher levels of skills and qualifications, and increasing credentialism across the labour market... The profit maximisation principles of these providers (and the primacy of shareholder and owner interests) provide strong incentives to offer training which attracts the highest subsidy, at the lowest cost.³

1.8 Even the Australian Chamber of Commerce and Industry admitted that the needs of students and employers were not always the top priority for some training providers:

There is no doubt that course offerings and training behaviour is driven by government funding provision, and although this does not always deliver a bad outcome, there is sufficient evidence that the needs of students and employers are not always the top priority for some training providers... Basing training course offerings on what funding is available has led to a distinct disconnect between the types of courses being offered by RTOs and the types of skills in demand by employers.⁴

1.9 The problems documented by the inquiry are widespread and systemic. A review from the Australian Skills Quality Authority (ASQA) in 2013 found 45.4% of RTOs investigated had probably been in breach of national standards and/or consumer and fair trading legislation. As at February 2015, ASQA had classified 30.8% of RTOs as having a high or medium risk of breaching standards. Similarly, Australian Education Union Federal TAFE Secretary Pat Forward noted:

There is a system whereby providers are required to register in order to deliver national qualifications. At the same time, we have a system that allows registered training organisations to subcontract delivery to organisations which are not registered. Is it widespread? My understanding

2 Consumer Action Law Centre, *Submission 13*, pp. 6-7.

3 Workplace Research Centre, commissioned by Australian Education Union, *Submission 62*, appendix p. 26.

4 Australian Chamber of Commerce and Industry, *Submission 36*, p. 6.

is that it is. The subcontracting of delivery occurs in, at least, all of the eastern seaboard states.⁵

1.10 This pattern cannot be said to be aberrations or the result of a few bad apples.

1.11 The report recognises the systemic failure of a market-based approach and recommends that these policies should not be extended to higher education. The report correctly notes that the failed approaches seen in VET poses unacceptable risks to the reputation of Australian higher education more broadly. Surely if a market-based approach is irreparably harmful for higher education, it should be abandoned in the VET sector.

1.12 The Committee's recommendations do not address the root causes of these problems. While they might ameliorate the most egregious abuses, market-based approaches will always set up a tension between doing the right thing by students and staff, and maximising profits. The Australian Greens' recommendations seek to remove that tension by aligning the interests of students, teachers and VET providers.

Recommendation 1

1.13 Abolishing the contestability model of funding. Education should not be treated as a commodity and market-based approaches will not achieve the goals of the VET sector. Therefore adequate public funds should be guaranteed to public institutions to remove the competition incentives and the associated race to the bottom in terms of quality and costs.

Recommendation 2

1.14 Capping funding to private RTOs to ensure the primacy of public education. If the contestability model remains, the proportion of funds allocated contestably should be capped at 15%, with TAFE guaranteed secure access to at least 85% of all funds allocated to each course code. No private provider should be funded for any course that TAFE can provide. This will at least shield TAFE from the worst aspects of contestability and ensure some stability for the sector.

Recommendation 3

1.15 Eliminating public funding for-profit private providers. Government support should only be given to institutions which can guarantee that student and staff interests come first. Funding is scarce and should be spent where it will do the most good for the community. Public funds should not be subsidising the profits of private providers.

Recommendation 4

5 *Committee Hansard*, 2 September 2015, pp. 4-5.

1.16 Banning brokers to reduce perverse incentives. While the Committee's majority report recommends the government cap or otherwise regulate the level of fees paid to brokers at a maximum of 15% of the loan, this will not remove the perverse incentive for brokers to act against the interests of the potential student. Regardless of the payment system, the whole practice of brokering exacerbates the tension between profit maximisation and student interests that private providers already have difficulty negotiating.

Senator Rhiannon

