

# VOCATIONAL EDUCATION AND TRAINING FEE AND FUNDING REVIEW

AEU Victorian Branch submission

June 2011



## Contents

Introduction	Page 1
Objectives of the Victorian Training System	Page 3
1) Produces the skills needed by the Victorian economy	
2) Is competitive, efficient and student-centred	
3) Assists the unqualified gain qualifications	
4) Encourages key cohorts to complete their qualifications	
5) Caters for higher need learners, such as equity groups, Victorians with low-socio economic status and students with poor prior records of educational achievement.	
The national VET reform agenda	Page 6
Principles for the review	Page 7
Eligibility for a Government subsidised training place	Page 7
Recommendation 1	
Tuition fees	Page 9
Recommendation 2	
Recommendation 3	
Funding VET delivery	Page 11
Recommendation 4	
Recommendation 5	

---

## Introduction

The Australian Education Union Victorian Branch (AEUVB) represents more than 46,000 education professionals of which nearly 4,000 work in TAFEs. The AEUVB leadership is currently represented on the Victorian Trades Hall Council Vocational Education and Training (VET) Committee and the Community Services and Health Industry Training Board. Until recently the AEUVB was also represented on the Victorian Skills Commission. Its members are often staff representatives on institute Councils and are involved with various other industry organisations concerned with the delivery of VET in Victoria. The AEUVB is therefore well positioned to make a considered contribution to the development of TAFE and VET policy more broadly in this state and to comment with authority on the progress and implications of the previous Government's *Securing Jobs for Your Future-Skills for Victoria* (Skills Reform) policy.

According to the most recent data available more than one in 16 of the working age population in Victoria was enrolled in a government-supported place in a nationally recognised training package at a TAFE Institute in 2010.<sup>1</sup> Although the number of students enrolling in TAFE has grown over the last year, market share has fallen. In terms of government funded contact hours, TAFE was providing two-thirds of this training at the start of 2011 - at the start of 2010 this proportion was four-fifths.<sup>2</sup>

An important part of the context of the overall increase in government-funded VET delivery is an environment where extrinsic motivations to engage are stronger than ever. Under 'earn or learn' criteria surrounding benefits like the Youth Allowance and Family Tax Benefit A, many more young people are required to enrol in VET merely to maintain income. In 2012 the 'earn or learn' criteria will be expanded to 21-year-olds further increasing the demand for VET services at a time when youth unemployment rates remain stubbornly high. Given this situation the AEU applauds the move by the current Government to reintroduce concession fees for some diploma and advanced diploma students at the start of 2011. We will argue below that much more remains to be done to create a VET system that is efficient, fair and provides for the needs of all Victorians.

As we noted in an earlier submission, education and training are important for improving the economic and social outcomes for many disadvantaged Victorians. VET is vital for enabling people, young and old, to develop their personal capabilities and capacities so as to more actively engage or reengage within society and the economy more broadly. We also noted the pivotal role VET plays in providing skills for industry. VET is also crucial in increasing productivity and we cited a report from the Productivity Commission suggesting that holding a Diploma or a vocational certificate could

---

<sup>1</sup> ABS, *Labour Force Australia* (Cat. 6202.0) and Skills Victoria, *The Victorian Training Guarantee: Vocational Training Market delivery and Demand*, [http://www.skills.vic.gov.au/\\_data/assets/word\\_doc/0009/329382/Victorian-Training-Guarantee-Quarterly-Progress-Report-Q1-2011.doc](http://www.skills.vic.gov.au/_data/assets/word_doc/0009/329382/Victorian-Training-Guarantee-Quarterly-Progress-Report-Q1-2011.doc), accessed June 17, 2011

<sup>2</sup> Skills Victoria, *Op Cit*, p.41

---

increase a worker's productivity by between 11 and 14 percent.<sup>3</sup> Any productivity increases associated with VET qualifications, however, are reliant on the quality of the courses delivered. In a labour-market with an increased proportion of workers with higher qualifications, it will be more difficult to attract a wage reflective of a worker's investment in their human capital. It should also be remembered that the acquisition of qualifications is not the same as participating in transformative educational processes. We will also argue that under the current funding mechanism there are incentives to debase the VET experience in a way that could be harmful to students, industry and the Victorian economy as a whole.

The structure of this submission reflects that of the Issues Paper produced by the Essential Services Commission in May 2011.

---

<sup>3</sup> Forbes et al, The effects of Education and Health on Wages and Productivity, Productivity Commission Staff Working Paper, March 2010, p.25

---

## **Objectives of the Victorian Training System**

The AEUVB supports the objectives of the Victorian Training System identified in the Terms of Reference. However, we feel that in many ways the Victorian Training Guarantee (VTG) has already, and without changes will continue to hamper those objectives.

### **1. Produces the skills needed by the Victorian economy**

The AEUVB is concerned that rather than providing the range and quality of skills required by the economy, the current contestable funding model based on payment for nominal hours delivered is likely to see more enrolments in courses that can be delivered cheaply and quickly. Because there is not enough differentiation in hourly funding rates between courses with different modes of delivery, providers can make easy profits by reducing delivery costs, especially in areas that do not require expensive equipment or plant, or are amenable to self-directed learning, especially with online delivery. Below we will outline an alternative funding model. The concern that the present model would reduce the quality of training was also raised by the Mineral Council of Australia (MCA) who stated in a submission to an earlier review:

The MCA does not support the introduction of a voucher or 'training entitlement' system managed by individuals in light of past experience of such systems which have been seen to encourage unscrupulous providers to 'cherry pick' low cost courses and take advantage of unsuspecting individuals' (p.2).<sup>4</sup>

In creating a demand-based system of VET allocation, governments and industries in partnership with government have relinquished a degree of control over workforce planning. It is not clear that the aggregated decisions of individual students and providers will provide a match with industry requirements in a timely fashion for reasons that are expanded upon below.

### **2. Is competitive, efficient and student-centred**

As alluded to by the MCA above, increased competition does not necessarily lead to more efficiency and a greater, genuine customer focus. Often what is not realised is that the scope of competition is greater than simply that existing between providers vying to attract students. There is also competition among and between providers, government and students. A perverse outcome in the competition for many types of resources is that asymmetries in purchasing power and information access will tend to mean that those that need the most will 'win' the least and vice-versa. At a more specific level, providers will naturally seek to maximise income and minimise cost with some seeking to do so in a shorter time-scale than others. With an already

---

<sup>4</sup> Mineral Council of Australia, *Submission In Response to the Victorian Government's Discussion Paper on Skills Reform*  
[http://www.skills.vic.gov.au/\\_data/assets/pdf\\_file/0004/23764/106SkillsSubmissionMineralsCouncilofAustralia.pdf](http://www.skills.vic.gov.au/_data/assets/pdf_file/0004/23764/106SkillsSubmissionMineralsCouncilofAustralia.pdf)

---

acknowledged lack of capacity for the regulation of standards and compliance by the VRQA (Victorian Registration and Qualification Authority) to ensure that standards are indeed being met in what is essentially a self regulating system, this rush to reduce costs comes with obvious dangers.<sup>5</sup> However, by the time providers who are more efficient in the long run drive out the competition there has been a lot of duplication, provider closures and all the negative implications they have for students and staff and the integrity of the TAFE and VET system in general. A generalised version of Gresham's law decrees that the most likely outcome in the medium term is a debasement of VET quality across the board. Our members are already reporting a lot of 'corner-cutting' in course delivery and even pressure to pass students who are not competent. It is clear that increased competition without a sufficient level of planning and regulation is actually less efficient. This is especially so given that the funding model features such a misalignment between actual costs and funds provided. We suggest a more efficient model below.

### 3. Assists the unqualified gain qualifications

The AEUVB believes that uncapping enrolments for those without basic qualifications is a positive move although there is not much evidence that there was a high level of unmet demand for lower level training. There is also no guarantee that training in certain local areas (i.e. with thin markets) for all types of study will be available even with an uncapped system. However, it needs to also be recognised that by increasing the fees for higher-level qualifications the net benefit of completing a course that may feed into such training has also been reduced. 'Earn or learn' threats to benefit entitlements are probably more effective in increasing the education/training engagement levels of this group, although the motivation and educational benefits gained by students enrolling in such circumstances may be questionable.

### 4. Helps the already qualified access qualifications

One of the most disappointing aspects of the VTG are the eligibility criteria for government-supported places. The requirement to 'up-skill' (students over 20 not seeking a higher level qualification than one they currently hold are faced with the full course costs) is an insult to the concept of life-long learning. We are aware of many potential students who may have obsolete but higher qualifications, or simply need a lower-level 'ticket' to engage in a process in their current occupation, or just desire a career change, who have been discouraged by the high fees they would have been charged.

### 5. Encourages key cohorts to complete their qualifications

This is an area where the contradictions contained in the Victorian Training Guarantee are most apparent. On one level, the reduction in minimum fees for Foundation Level

---

<sup>5</sup> Victorian Auditor General, 2010, *Victorian Registration and Qualifications Authority Audit*, p.vii, [http://download.audit.vic.gov.au/files/20100710\\_VRQA\\_report.pdf](http://download.audit.vic.gov.au/files/20100710_VRQA_report.pdf), accessed June 21, 2011

---

courses was a positive step (although a proportion of those undertaking such courses were already eligible for concessions or funded under Commonwealth programs anyway). However, the deregulated system actually works against programs and incentive schemes designed to attract specific students into specific courses and industries. With the range of cheap courses delivered in a fraction of the time that would normally be required, the job of attracting particular students to particular courses or industries becomes much harder. On the other hand, the overall fee increases for both those eligible for government support and those who are not, does strengthen the government's leverage by increasing the appeal of any discounting it may offer for targeted students or courses. However this only works for those disadvantaged by dint of their existing qualifications or reduced ability to pay for a course they would otherwise have chosen anyway. It is interesting to note, however, that at the Diploma-level and above (i.e. the levels with the greatest fee increases) we have seen significant enrolment growth in only four of the fourteen industry areas.<sup>6</sup>

6. Caters for higher-need learners, such as equity groups, Victorians with a low socio-economic status and students with poor prior records of educational achievement

One of the main flaws of the current funding system is that it does little to ascertain who high-needs students are and little to fund the type of course or course delivery that they require above that of lower-needs students. Whilst the current weightings applied for indigenous students and students under 19 without a Year 12 or equivalent are a start, more needs to be done to ensure that students are receiving what they require. Our proposed funding model will work to realign funding and costs.

Nominal training hours are established as advice on what amount of time a 'normal' student may require to be engaged in a teaching and learning process. The AEUVB is unaware of any course that have had additional time added to the delivery course/programs to enable 'higher need' students to participate effectively. It would appear in fact that even programs designed for 'high need' students have had contact time with teachers reduced as well.

---

<sup>6</sup> Skills Victoria, Op Cit, p.43

---

### **The national VET reform agenda**

Through COAG's National Agreement for Skills and Workforce Development Victoria has committed to the national goals of halving the proportion of working age Australians without at least a Certificate III level qualification and doubling the proportion with a Diploma or higher level qualification. The data provided by Skills Victoria show a 31 percent increase in government-funded enrolments at all levels of the VET sector between the first quarter last year and the first quarter in the current calendar year. Whilst some of this growth can be attributed to the dictates of 'earn or learn policies' the largest increases were for older age groups. What is clear is that the bulk of enrolment growth has been at private RTOs who reported a 112 percent increase between the start of 2010 and 2011. The increase for TAFEs was only 10 percent and may even be less due to anomalies in reporting enrolments where funding had been maintained at levels available under arrangements existing prior to the introduction of the VTG.<sup>7</sup> The increase in enrolments for Diploma courses at TAFE was only two percent which, taking into account population growth and the above-mentioned reporting anomalies, could actually be negative in real terms. Again the vast bulk of increased Diploma enrolments were at private RTOs (114 percent).

What this data makes clear is that Victoria is making progress towards national targets although what is also revealed is a problem with outcome-based funding. It is unclear as to how much of this increased enrolment will actually contribute to the COAG goals (as opposed to targets) as some of this increase will be accounted for by Recognition of Prior Learning (RPL) process. RPL awards qualifications on the basis of existing competencies but does not contribute to the up-skilling of the Australian population as is one of the goals of the COAG targets. It is reasonable to suggest that the widely advertised, cut-price programs delivered in short time-spans with hands-off delivery methods by private RTOs are proving popular with students who can spend less money and time on obtaining a qualification. We are also aware of cost-cutting exercises in TAFEs to allow them to compete with such providers. Unfortunately, whilst we may reach targets on the number of qualifications obtained we will do so by sacrificing the quality of VET and ultimately the skills of the workforce in general.

---

<sup>7</sup> The Quarterly Progress Report (Skills Victoria, 2011) notes that due to a 'reporting lag' for enrolments funded by fee maintenance at the start of 2010, the number of enrolments for that quarter may be deflated. This reporting lag is most likely to affect the figures for 'ACE providers and TAFE institutes'.(p.40)

---

### **Principles for the review**

The principles listed in the Issues Paper for consideration in relation to changes to the funding system are simplicity, clarity, efficiency, consistency and adaptability. AEUVIC supports these principles and we believe that there is much room to improve upon the current model in accordance with them. However, we believe that in addition to these principles that any changes to the funding mechanism or fee structures should be also be guided by a commitment to equity and quality.

### **Eligibility for a Government subsidised training place**

As mentioned above, the eligibility criteria is anathema to the concept of life-long learning. In an economy where the rate of technological change itself seems to be accelerating, introducing a measure that seeks to discourage people from 'training sideways' in order to keep track of new technological or regulatory developments in their industries seems ill-advised to say the least. We are now also in an environment where the concept of a job for life is less relevant than ever, especially given the increasing proportion of workers who are employed on a casual or fixed-term basis. AEUVIC is aware of many cases where people with outdated qualifications, often decades old, are unable to re-skill because they are deterred by high full-fee costs. Many of the people who would normally be attracted to VET are debt-adverse<sup>8</sup> and income-contingent loans are not even available for courses below a Diploma level. The following two accounts from the TAFE4all website are instructive:

I would like to study a certificate that is related to my current area of work, an exhibitions assistant in a community art gallery. In particular I would like to investigate a Certificate IV in Training and Assessment, as I have also recently tutored a community group in computer skills. But because of the Bachelors degree I completed in 2001 and my age, I am required to pay full fees up front.<sup>9</sup>

I was very disappointed last week when a potential student came to enrol in our Certificate IV course. She was a newly single mum getting her life back in order and wanted to start a new career in nutrition. Eager and enthusiastic, she would be perfect for our little class, I thought. A few questions in, we found out she had completed an advanced certificate in cookery, 17 years ago. Surely this would not count for eligibility, we said. If she had come to us and asked for an RPL (recognition of prior learning) for anything from this course 17 years ago we would have said it was way too old. No currency. A quick phone call to our student services department quickly found out that we were very wrong and it did count for eligibility. Her healthcare card also could not help her. The course she would have paid \$1000 for would now cost her \$7000.<sup>10</sup>

---

<sup>8</sup> Council of Australian Postgraduate Associations, *The social and economic impact of student debt*, March 2003, p.19

<sup>9</sup> TAFE4all, [http://www.tafe4all.org.au/463625\\_10002.html](http://www.tafe4all.org.au/463625_10002.html), accessed June 17, 2011

<sup>10</sup> TAFE4all, [http://www.tafe4all.org.au/399971\\_10002.html](http://www.tafe4all.org.au/399971_10002.html), accessed June 17, 2011

---

Providers are funded for a limited number of exemptions to the eligibility criteria but the discretionary nature of allocations means that there is little consistency or transparency across the system.

**Recommendation 1**

**AEUVIC believes that the eligibility criteria should be abolished. Victoria has had the lowest funding level per hour of VET delivery of any state for many years<sup>11</sup> and there is scarce evidence of particularly high levels of unmet demand for higher level courses.<sup>12</sup> Restoring funding to the national average level along with savings generated by a more efficient funding mechanism should obviate the need for the eligibility criteria as it now stands.**

---

<sup>11</sup> Productivity Commission, *Report on Government Services*, 2009  
[http://www.pc.gov.au/\\_data/assets/excel\\_doc/0011/105302/021-chapter5-attachment.xls](http://www.pc.gov.au/_data/assets/excel_doc/0011/105302/021-chapter5-attachment.xls)  
Table 5A.19, accessed June 17, 2011

<sup>12</sup> Victorian TAFE Association, Response. Securing Our future economic prosperity.-  
discussion paper on skills reform,  
[http://www.vta.vic.edu.au/docs/VTA\\_Skills\\_Reform\\_Discussion\\_Paper\\_Response\\_100608.pdf](http://www.vta.vic.edu.au/docs/VTA_Skills_Reform_Discussion_Paper_Response_100608.pdf),  
accessed June 17, 2011, p.5

### **Tuition Fees**

It was surprising that the type of course rationing described above was accompanied by such sharp fee-increases in an environment where VET provision in Victoria was already receiving such a low level of government funding. For those lucky enough to be eligible for a government-supported place, maximum fees will have increased by 185 percent for Diplomas and 43 percent for Skills Building courses between 2009 and 2012. Hourly rates for government-funded students not obtaining the maximum thresholds have increased by an even greater proportion. It is a positive that fees for lower level courses have been reduced or maintained although, as mentioned above, many in such courses are eligible for concessions and Commonwealth funding in any case.

Whilst the rationale of differentiating fees for different levels of courses on the basis of expected relative student benefits is appreciated, AEUVIC believes that the fairest way of distributing educational costs is through a progressive tax system. The link between higher qualifications and the capacity of the student to pay due to higher incomes has been clearly shown to not exist universally as was identified in the recent outcomes of the Equal Remuneration Order case for disability and community service workers.

Compared to other states, fees for government-supported places in Victoria are very high. For example, a Victorian student pays 57 percent more for a Diploma than her NSW counterpart, whilst a Victorian Certificate IV student pays an extra 30 percent.<sup>13</sup> At all levels are NSW fees cheaper than the Victorian equivalent. Students with a disability and indigenous students incur no fees in NSW. We are aware of a number of students who have moved interstate to avoid the higher costs imposed for quality VET in Victoria. As one TAFE student disadvantaged by the eligibility criteria and a lack of concession fees reported:

---

<sup>13</sup> TAFE NSW, Fees 2011, <https://www.tafensw.edu.au/courses/fees/tafensw.htm>, accessed June 17, 2011

I am fortunate to live near a state border so I now go into my neighbouring state to study at TAFE rather than pay the exorbitant Victorian fees. I still get quality education and the fee structure is far kinder. I am lucky, as are those others who, by virtue of their geographical location, have ditched the Victorian TAFE education system to attend their chosen course in the more reasonably priced neighbouring state.<sup>14</sup>

**Recommendation 2**

**We believe that the total level of student fees be reduced by a factor commensurate with an increase of State funding to the national average.**

**Recommendation 3**

**Concession fees should be reintroduced for all students in categories eligible for concession fees prior to the introduction of the Victorian Training Guarantee. No concessions fee should be higher than that currently available for eligible Diploma students aged 24 or less.**

---

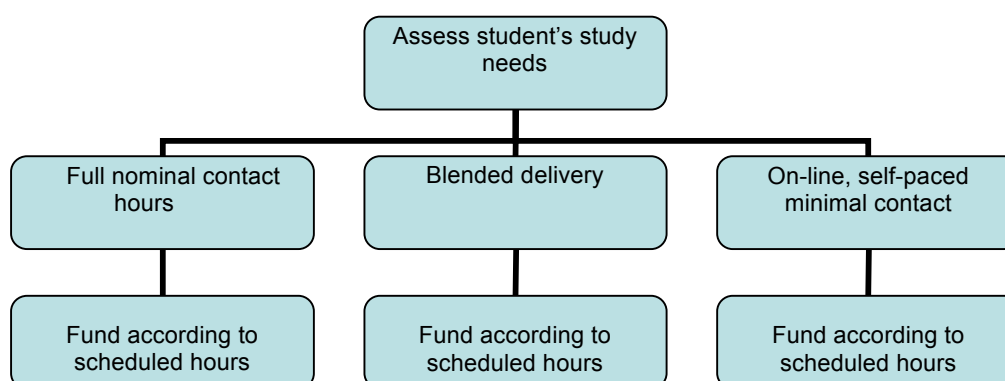
<sup>14</sup> TAFE4all, [http://tafe4all.org.au/299299\\_10002.html](http://tafe4all.org.au/299299_10002.html), accessed June 20, 2011

### Funding VET delivery

The biggest risks posed to VET quality in Victoria currently stem from a funding system that offers perverse incentives for providers in relation to delivery. Courses with different delivery methods are being provided to students with varying needs but with the same level of funding. The practice of ‘shaving’ (i.e. scheduling less contact time than might be identified in the nominal hours stipulated in the ‘purchasing guide’) has become increasingly common across the VET system. More than 63 percent of respondents to a survey conducted by the AEUVB in June this year reported that they were delivering less than the nominal hours for their course.<sup>15</sup> Shaving takes full advantage of situation where funding is fixed and costs are variable and vulnerable to manipulation. For example, educational resources might be provided to a student in the form of print-based or online materials that may be read/studied without teacher contact or away from time allocated to on-the-job activities. In a competency where a student/government pays for 100 nominal hours, a student may spend 40 hours on self-paced study with the materials provided (or paid for by the student), 30 hours in on-the-job settings and only 30 hours with a qualified teacher. Our members have reported that, in order to compete on costs, class-sizes have also been increased meaning that the quality of the contact hours that remain are also diminished. More than 77 percent of the TAFE teachers surveyed by the AEUVB in June felt that their students were not receiving the same quality of education as they did a few years ago.

We are not suggesting that self-paced learning is not appropriate for some students in some areas or that there is no differentiation in funds available based on a few measures of student needs and the type of course itself. We do feel, however, that the misalignment of costs and funds that occurs currently represents poor value for all Victorians and we propose a new model that takes into account the style of delivery and the needs of students. As mentioned above, the weighted-training hour model does try to take some stock of student needs but there is no link between those needs and the most appropriate delivery mode and there is no link between delivery mode and the level of funding. We suggest a process similar to Figure 1 below.

Figure 1: Funding model based on student needs and delivery method.



<sup>15</sup> Over 470 TAFE teachers provided responses to this survey. Survey details and de-identified data are available from the AEUVB

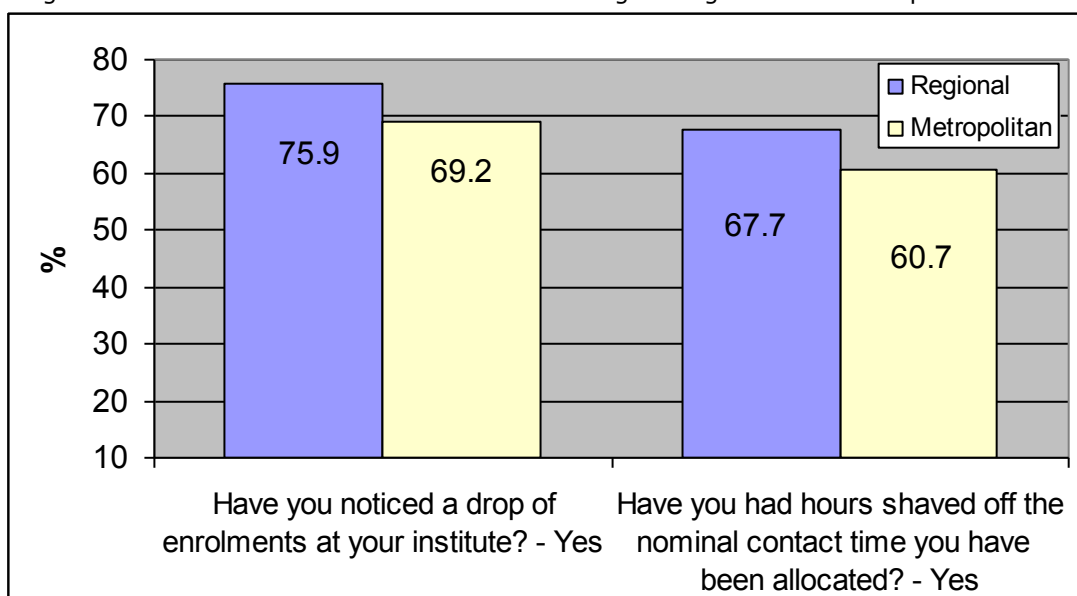
This type of model provides a means of delivering funding that is a much more responsive to actual costs. For example, if a provider offered a Diploma in Remedial Massage in just six months<sup>16</sup> via online or mixed delivery (perhaps with a large recognition of prior learning component), under the proposed model they would only receive funding a lower level that is much more reflective of their actual costs and only for students deemed suitable for this delivery method.

**Recommendation 4**

**Funding and fees for VET delivery should better reflect actual costs and be more responsive to student’s needs.**

The adoption of such a funding model within the current voucher framework, however, would not solve some of the problems associated with funding uncertainty. It is very difficult for institutes to effectively plan and invest when they receive funds only monthly in arrears on the basis of fluctuating enrolments. This is especially the case in rural and regional areas where markets are thin, in niche industries with limited demand, and/or for providers of capital-intensive training. Data from a recent AEUVB survey of TAFE teachers presented in Figure 2 below show that regional providers are more likely to have experienced a drop in enrolments and to employ course shaving than their metropolitan colleagues. The high levels of uncertainty associated with these situations have negative implications for students, industry and staff. Our members are already reporting the pressure to pass students who might not be ready to move on to the next level of their training so as to ensure that funding is able to be claimed.

Figure 2: Reduced enrolments and course shaving for regional and metropolitan TAFES



<sup>16</sup> Global Fitness, Diploma in Remedial Massage, <http://www.global-fitness.com.au/courses/all-courses/24-diploma-in-massage>, accessed June 17, 201

---

Ideally, the funding model shown above would be applied only after institutes have received longer term funding based on indicative enrolments with the ability to top-up where enrolments are greater than anticipated. The model would be applied to annual enrolments and any funding received in excess of what the enrolment profile dictated would be offset against future funding. As is the case with schools, where there are dramatic reductions in enrolments, allowances should be made to smooth the impact of funding reductions.

**Recommendation 5**

**Funding should be provided on a basis that provides more certainty for students, industry and staff, especially in thin markets. Particular attention needs to be paid to enrolment and completion data from non-metropolitan areas in order to ensure that students there are not being disadvantaged.**

**Mary Bluett**  
AEU Victorian branch president

**Greg Barclay**  
AEU Victorian branch  
deputy vice president TAP

