


LANDMARK DOCUMENTS

Funding vocational education in Australia: 1970 to 2020

Author: Gerald Burke, Adjunct Professor, Faculty of Education, Monash University

Section 1: Introduction¹

This paper considers the funding of vocational education and training (VET). It looks at public and private funding and its distribution among public and private providers, employers, and students. It considers some evidence on the effects of funding in relation to the goals of the system. It draws on the [VOCEDplus landmark reports](#), other reports and reviews, statistical collections and research studies.

Ryan (2019) sees the governance of the VET system throughout its history as alternating between two value systems, one narrow and instrumental, the other broader, focused on social justice and individual self-development. The latter was advocated in the most notable landmark, the [Kangan report](#) (1974). Commonwealth Education Minister Kim Beazley (senior), when tabling the report, said:

The report envisages a major shift of emphasis. It abandons the narrow and rigid

¹ John Stanwick and Rose-Anne Polvere managed this project and provided much appreciated input and guidance. Valued advice was received from [Joanna Palser](#) and [Robin Shreeve](#), at earlier stages from [Llandis Barratt-Pugh](#), [Erica Smith](#), [Chandra Shah](#) and [Michael Long](#), from a recent project with [Tom Karmel](#) and [Bruce Mackenzie](#) and, over many years, Peter Noonan.

concept that technical colleges exist simply to meet the manpower needs of industry, and adopts a broader concept that they exist to meet the needs of people as individuals ... The report takes a long step in the direction of lifelong education and of opportunities for re-entry to education. It recommends unrestricted access for adults to vocationally oriented education (Beazley 1980, p.48).

The late 1980s and early 1990s saw a change in emphasis back towards the instrumental role of VET with greater stress on 'skill formation, skill enhancement, skill flexibility and overall training' as advocated in *Australia Reconstructed* (Department of Trade, ACTU & Trade Development Council 1987, p.107). John Dawkins, Commonwealth Minister for Employment, Education and Training at the time, stressed that policies for education and training must be subordinate to support for employment (Goozee 2001, p.79). Dawkins also brought substantial changes in the structure of Commonwealth administration of education. The Department of Education was replaced by a Department of Employment, Education and Training with senior positions filled by persons more oriented to the labour market than to education.

Under Dawkins, a flood of reports presented ideas for reform². While retaining attention to equity, industry training would be expanded; vocational education would be focused on competencies identified by industry; and a competitive training market would be developed.

The changed approach was summarised in the National Goals for Vocational Education and Training in Australia agreed to by the Commonwealth and states (DEET 1992):

- A National Training System including competency-based training and the development of a training market
- Quality including registration of providers, quality assurance and quality of teachers
- Opportunities and Outcomes for Individuals including increased participation with flexible pathways and income support
- The Needs of Industry including its increased role in the development of training and provision of funding
- Equity especially support for provision to and outcomes for equity groups
- Training as an Investment, the increased recognition of its value to individuals and industry.

In 1992, the Australian National Training Authority (ANTA) was established to facilitate the implementation of these goals (Bowman & McKenna 2016). The goals have been largely maintained. The Productivity Commission in its recent annual review of the performance of the VET sector states the objectives for the VET system as being:

[A] system [that] aims to deliver a productive and highly skilled workforce through enabling all working age Australians to develop and use the skills required to effectively participate in the labour market and contribute to Australia's economic future. To achieve this, the Australian, state and territory governments aim to create a national training system that:

2 These include the landmark reports referred to below: [Dawkins and Holding \(1987\)](#), [Dawkins \(1988 & 1989\)](#), [Deveson \(1990\)](#), [Finn \(1991\)](#), Keating's [One Nation \(1992\)](#), [Carmichael \(1992\)](#) and Allen Consulting's [Fitzgerald report \(1994\)](#).

- is accessible to all working age Australians
- meets the needs of students, employers and industries
- is high quality
- meets these objectives in an equitable and efficient manner

Governments aim for a national training system that meets these objectives in an equitable and efficient manner. (Productivity Commission 2021).

The VET system, total funding and provision

The system

The states and territories (referred to forthwith as the states) have responsibility for the operation of VET. The states vary in the organisation of their systems and in their responses to policy initiatives in national agreements.

VET activity given the most attention in policy and in this paper is that which is nationally recognised and government-funded. There is considerable fee-for-service training delivered by training providers and also structured training provided by employers. The data on these is limited but they are considered in section 9.

Total funding

Funding for VET is provided by Commonwealth and state governments, by the private sector and by overseas students.

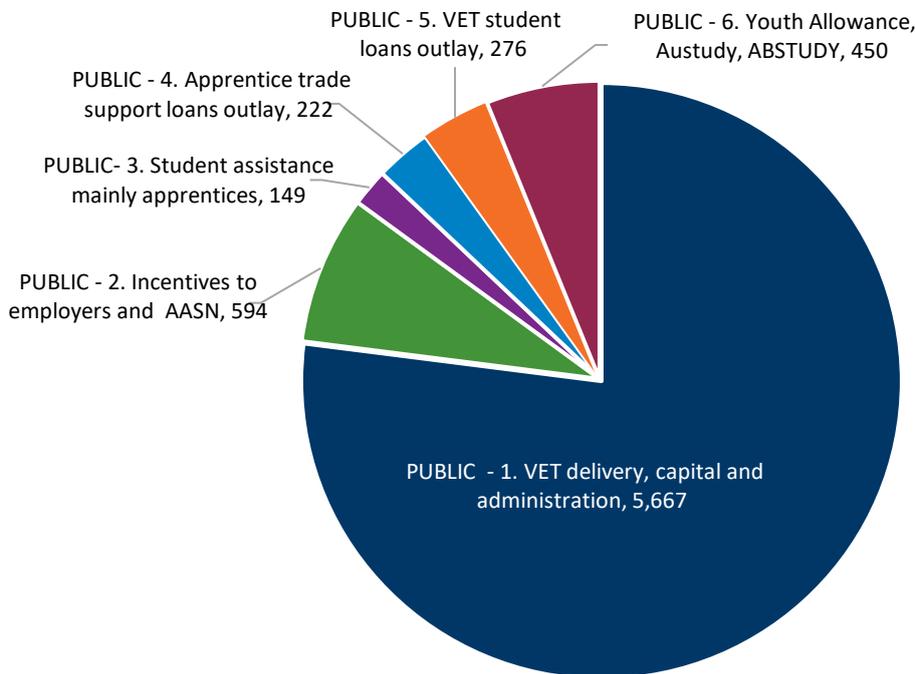
Total public and private outlays are shown in figure 1. Government outlays including on loans and student income support are an estimated \$7.4 billion (figure 1, panel a³). VET delivery, capital and administration takes up close to 80 per cent of the government outlays and the states provide about two thirds of this. The Commonwealth is the main provider of other public outlays especially support for apprentices, for loans and for living allowances.

Private outlays are estimated at \$9.4 billion (figure 1, panel b). The estimates for expenditure by international students are based on good data, the spending on domestic student fees and fee for service are based on fair to poor data. The estimate of employer expenditures, by far the largest component, is based on extrapolation of data that is 20 years old and is speculative only.

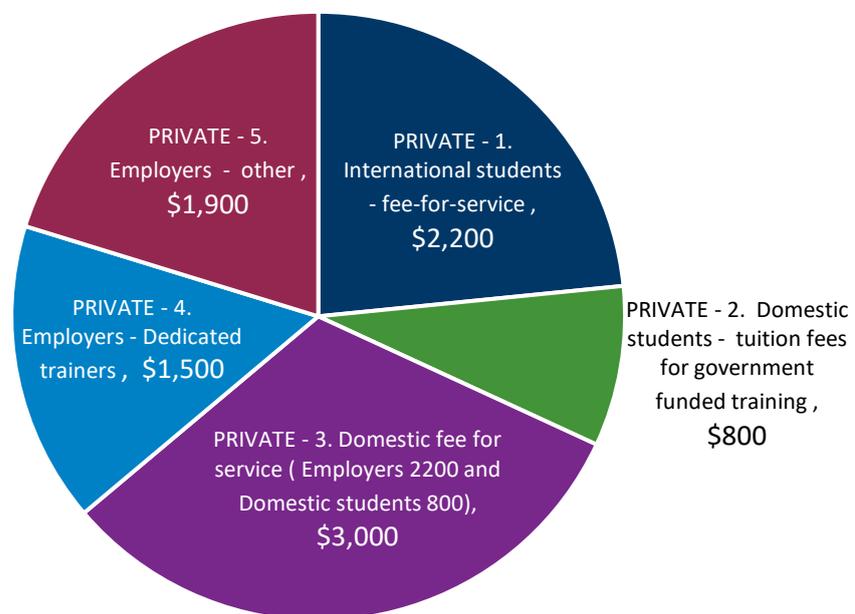
3 This is the sum of government funding of VET for 2019 (NCVER 2020a) plus outlays by the Commonwealth on student benefits such as Youth Allowance, Austudy and ABSTUDY as discussed in section 6.

Figure 1 Public and private funds for vocational education, Australia 2019 (\$m)

a, Government funding of VET, Australia 2019, \$million (total \$7.4b)



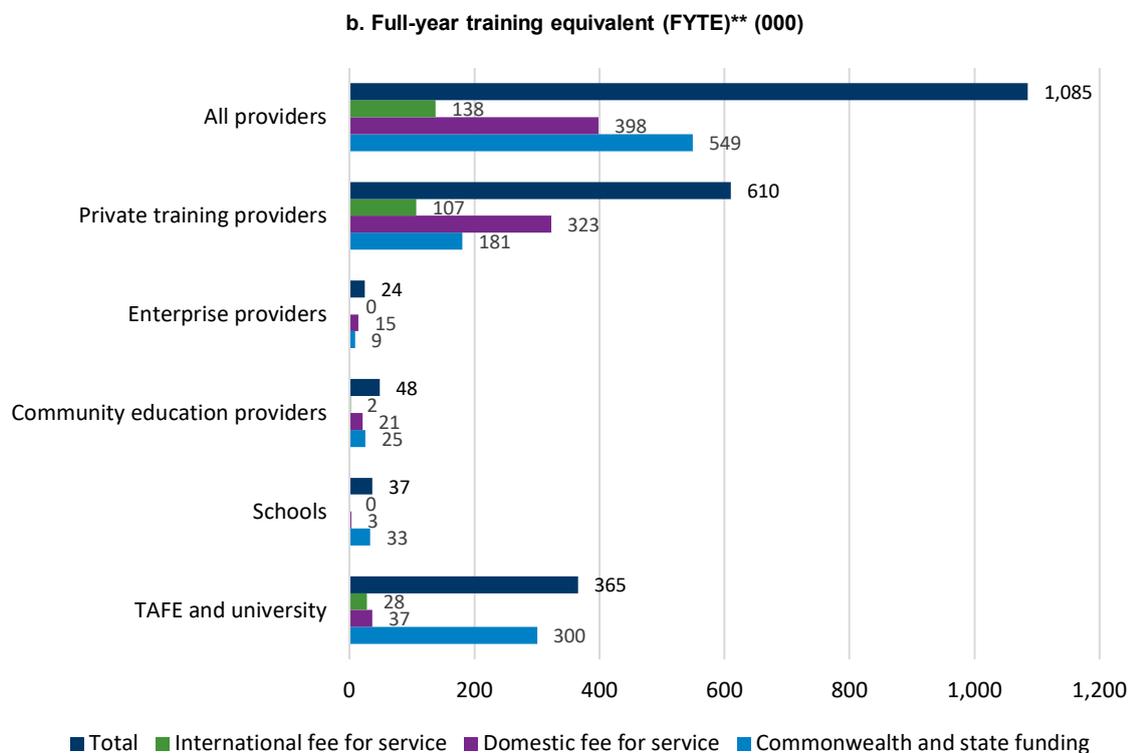
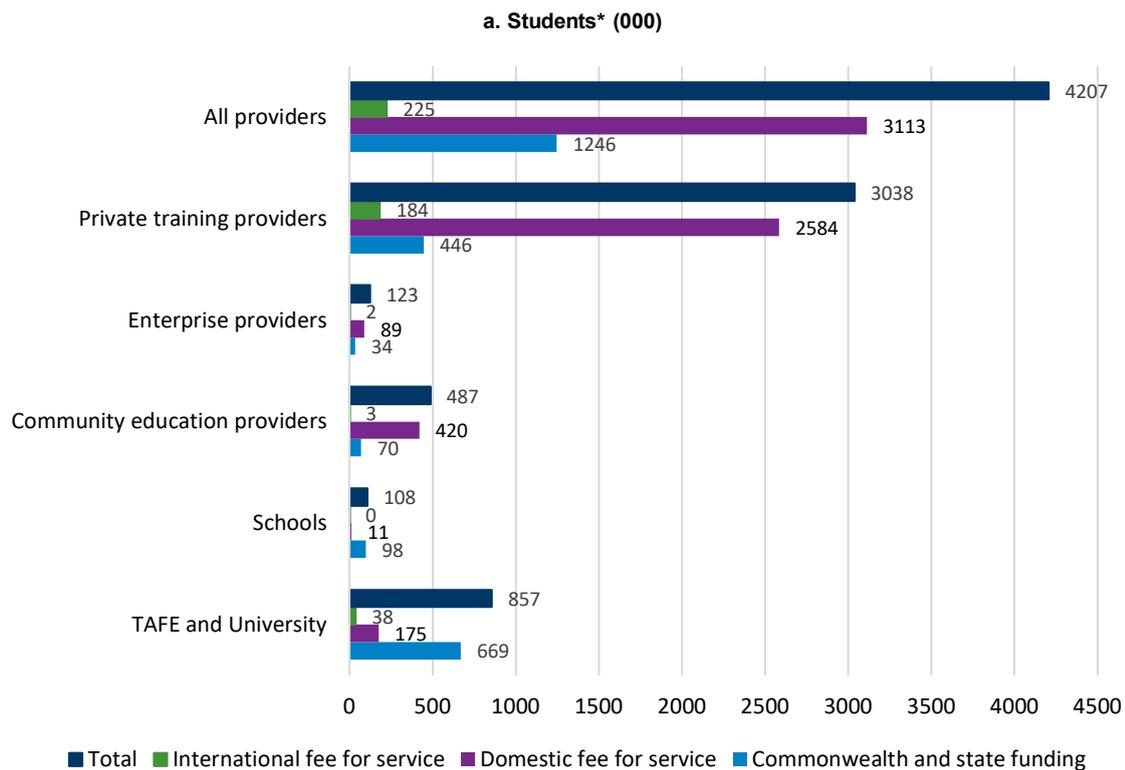
b, Speculative estimates -- Private outlays on VET, Australia 2019, \$ million (total \$9.4 billion)



Source: ABS 2003, ABS 2020, Department of Social Services, 2019, NCVER, 2018, 2020a

Notes: Panel a is based on NCVER data except for Public 6 which is estimated from Department of Social Services data discussed in section 6. Panel b is based on data in ABS 2003, ABS 2020 and NCVER 2018, as discussed in sections 8 and 9.

Figure 2 Students and Full year training equivalents (FYTE) in VET by provider and funding type, Australia, 2019 ('000)



Source NCVER, 2020c.

Notes: *The total number of students in 2019 was 4.2 million. But students may have multiple sources of funding in a year and attend more than one provider type. The sum of students across all funding sources is 4.6 million.

** FYTE measures the training activity undertaken by students in full-time equivalents. Calculations are based on hours of training (720 hours=1 FYTE). The total FYTE is 1.1 million.

'Universities' means vocational education in dual sector institutions, mainly in Victoria.

VET provision

Figure 2, panel a, shows students in nationally recognised training by type of provider and source of funding in 2019. Students totalled over 4.2 million, but most enrolments are part-time, and the majority are fee-for-service, especially students taking single subjects like First Aid. The FYTE totalled less than 1.1 million (figure 2, panel b).

Private providers enrolled 72 per cent of all students, 56 per cent of FYTE. They delivered about 33 per cent of FYTE government-funded training, over 80 per cent of domestic fee-for-service and approaching 80 per cent of international students. TAFEs, dual-purpose universities, schools, and community providers enrolled over a third of students but over 40 per cent of FYTE. They delivered the training for about 65 per cent of FYTE government-funded training, 15 per cent of domestic fee-for-service and 22 per cent of international fee-for service⁴.

Structure of the paper

Sections 2, 3 and 4 review Commonwealth and state government grants for VET activity. Section 2 focuses on the total funds (figure 1, panel a, public - 1) and the student numbers supported by it.

Section 3 considers differences across states in the level of funding for the delivery of courses and its distribution across equity groups. Additional support for equity groups is discussed in sections 6 and 7.

Section 4 considers the provision of government grants to private providers to promote a competitive training market.

Section 5 considers loans provided by governments to finance tuition fees for diploma and higher-level courses (figure 1, panel a, public - 5). VET FEE-HELP introduced in 2009 provided a massive short-lived and wasteful expansion in funding especially that paid to private providers in 2013 to 2016. It was replaced in 2017 by a much more restricted scheme, VET Student Loans (VSL).

Section 6 considers grants for income support. These include means tested grants such as Youth Allowance (Student), Austudy and ABSTUDY (figure 1, panel a, public - 6).

Section 7 focuses on support for apprentices. This includes incentives paid to employers of apprentices and related grants for the Australian Apprenticeship Support Network (AASN) (figure 1, panel a, public - 2). It also includes support for living expenses of apprentice through Trade Support Loans (figure 1, panel a, public - 4) and other cash support to apprentices (figure 1, panel a, public - 3). As noted in section 3 the subsidy for the off-the-job training of apprentices in some states is at high rates relative to that paid for non-apprentice training.

Section 8 considers fees paid by international students (figure 1, panel b, private - 1).

Section 9 considers domestic students fees for government-funded training (figure 1, panel b, private - 2) and domestic fee-for-service.

4 Community education provided for over 450 000 vocational students in 2019 but only about 50 000 in FYTE. Their importance is in the access for less advantaged and older persons in vocational education and also in other forms of education (Bowman 2017).

Section 10 addresses employer funding which includes part of the payments of fee-for-service in VET but is largely spent outside the formal VET system (figure 1, panel b, private 3-5).

Section 11 is a reflection on the funding changes over time and the relation to the national goals.

Context

Data on VET funding and students

The main source of financial and student data for VET from 1981 has been the National Centre for Vocational Education Research (NCVER). Government bodies such as the Commonwealth Tertiary Education Commission 1977 to 1988, the Australian National Training Authority 1992 to 2005 and the Productivity Commission from 1995 have undertaken analyses based largely on the data produced by NCVER.

NCVER's Financial information was published from the 1995 to 2017. It covered government funding of VET and also the private income of public VET institutions. It has been replaced with Government funding of VET which covers a wider range of government outlays but excludes private funding.

The Australian Bureau of Statistics (ABS) has published information on government expenditure by education sector from 1969. From 2016-17, it has aggregated VET and higher education expenditures. ABS also provides estimates of payments by international students by education sector for Fees and for Goods and Services (such as living expenses).

NCVER student data are available for government-funded students from 1981⁵. Data on total VET students and courses have been collected since 2014 and include fee-for-service students.

Scope

The paper deals mainly with aggregates of funding and student numbers. It discusses Australia as a whole, though funding issues in various states are also considered.

The paper considers government providers and private providers. It gives only limited attention to several institutions which are relatively important for the education of less advantaged students. A brief comment on these:

- Community Colleges which recently provided for 10 per cent of vocational students (but less than five per cent of FYTE). Their small scale and flexibility enable them to be particularly effective providers of foundation skills in regional areas (O'Dwyer & Mihelic 2021). [Kangan](#) (1974) had noted Community Colleges as particularly suitable for non-metropolitan areas.
- Group training organisations (GTOs) employ apprentices and trainees whom they place for work/training with other employers. They recently employed nearly 21 000 trainees and apprentices, about seven per cent of the Australian total (NCVER 2021b). After accounting for differing demographic profiles, their completion rates are generally higher than for apprentices and trainees directly employed (O'Dwyer & Korbel 2019).

5 Fee for service students in public institutions were also collected until 2015. Fee for service students at both public and private providers from 2015 are reported in NCVER 2020c.

- VET delivered to secondary students. In 2020, a little over 240 000 students were reported as studying VET in secondary schools, though the number shown to have the school as the registered training organisation is less than a third of this (NCVER, 2021d). Funding is not easily identified: Joyce (2019, p.99) commented that ‘current funding arrangements for VET delivered to secondary students are opaque and differ in each State and Territory’. Findings from an ongoing study suggested on average positive outcomes (Misko, Chew & Korbel 2020). For example, four to five years after finishing school they were more likely to be in full-time and permanent or ongoing employment compared to non-VET students, noting however that a considerable proportion of the non-VET students were still studying, mostly at university.

Government funding of higher education and schools

Karmel (2009, p.16) commented that funding arrangements for VET and higher education ‘currently appear to have been developed on completely different planets’. We would extend this to schools. The Commonwealth government provides nearly all the public funds for higher education. With minor exception it funds only public universities. It sets the subsidies and maximum course fees for clusters of study areas and this funding applies in all universities though there is supplementary assistance such as for regional universities. It provides income contingent loans for domestic higher education students (Norton & Cherastidtham 2018; Ferguson 2021)⁶.

Funding for government schools is provided mainly by the states with a Commonwealth contribution. Government schools do not charge tuition fees. Governments provide over half the recurrent funds for non-government schools, over 70 per cent for Catholic schools. Government funding to non-government schools began on a small scale in the mid-1960s but has continued to grow strongly. But only not-for-profit-schools are funded (ACARA, 2020).

These forms of funding contrast with that of the VET system. For example, for-profit providers are funded in VET and the rates of subsidy and fees vary considerably across states.

Data is more limited for VET than for schools or higher education. There is no regular collection on VET staff in either public or private VET providers. There is currently no published information on private funding though some speculative estimates are included in this paper.

Skills shortages

Skills shortages are considered in relation to subsidies for VET courses (see section 3), to the support given for trade apprentices (section 7) and to the policies on migration visas affecting international student numbers (discussed in section 8).

The definition of skills shortages long used by in Australian government departments responsible for employment and now by the National Skills Commission (NSC), is:

An occupation is considered to be in shortage when employers are unable to fill or have considerable difficulty filling vacancies for an occupation or cannot meet significant specialised skill needs within that occupation, at current levels of

⁶ It also provides loans for full-fee higher education approved courses with approved providers. The scheme called FEE-HELP did not encounter the later problems of VET FEE-HELP largely due to the much smaller number of private higher education providers and a more developed system of quality control.

remuneration and conditions of employment, and in reasonably accessible locations. (NSC 2021a, p.5).

A position may remain unfilled where employers consider an applicant with appropriate qualifications as unsuitable for various reasons such as lack of experience. And potential employees may not apply where they consider the remuneration or conditions inadequate (Productivity Commission 2021a, p.114)⁷.

Skilled and professional occupations with a shortage have been identified by a regular survey of employers' recruitment experiences⁸. The surveys do not provide a quantitative measure of the size of a shortage.

The causes of a shortage may be complex and could affect whether it is the government or the employer who should address it. The complexities do not often receive public attention though discussed in a range of papers (Shah & Burke 2005, Richardson 2007; Burke 2008; Productivity Commission 2021a).

Section 2: Public funding of VET activity

This section considers changes in public funding for VET delivery in Australia. Figure 3 shows the annual growth rates in real government expenditure by education sector, mainly in five-year periods from 1970 to 2017. For the period from 1999, it also shows the separate growth rates for the Commonwealth and the aggregate state expenditures.

Changes in funding are roughly matched by student numbers but these are also affected by funding per student. Figure 4 shows the average annual rates of growth in students 1970 to 2019.

This section in particular can be seen as complementary with Noonan (2016). Noonan provided analysis of government funding and enrolments from 1991 to 2014. He also provided a comprehensive overview of Commonwealth intervention and agreements in VET covering the period from 1974 to the national agreements and partnerships of 2008 and 2012.

1970s to early 1980s

The Whitlam government, elected December 1972, immediately set up a committee on schools. Its report in May 1973, widely known as the Karmel report after its chair Professor Peter Karmel, highlighted lack of resources, inequality in educational opportunities and resourcing. Its major funding recommendations were aimed at the provision of more equal education including substantial increases in funds for low resource private schools (Interim Committee for the Australian Schools Commission 1973). The recommendations were largely adopted (McLaren 2014).

For universities, advanced education and teachers' colleges, the new Labor government had well developed policies and moved quickly to implementation. It took over public funding of higher education from the beginning of 1974 where previously the states had provided the larger part. And it abolished tuition fees for all tertiary education including technical education.

7 The National Skills Commission now groups occupations in shortage by their rating on future demand which is based on projected employment and replacement demand (National Skills Commission 2021a).

8 See 'Employers' recruitment insights' on the Labour Market Information Portal, viewed 16 February 2022 <<https://lmp.gov.au/default.aspx?LMIP/GainInsights/EmployersRecruitmentInsights>>.

In its initial policy agenda, the Whitlam Government had neglected technical education (Whitlam 1972). Education Minister Beazley drew Mr Whitlam’s attention to a ‘missing 400 000 students in post-secondary technical education’ (Beazley 1980, p.6). The oversight was addressed and a committee on Technical and Further Education led by Myer Kangan was appointed in May 1973. Its first report was in April 1974 (Kangan 1974). Additional funding started in 1974-75 and the formation of state systems into an Australia-wide TAFE sector began.

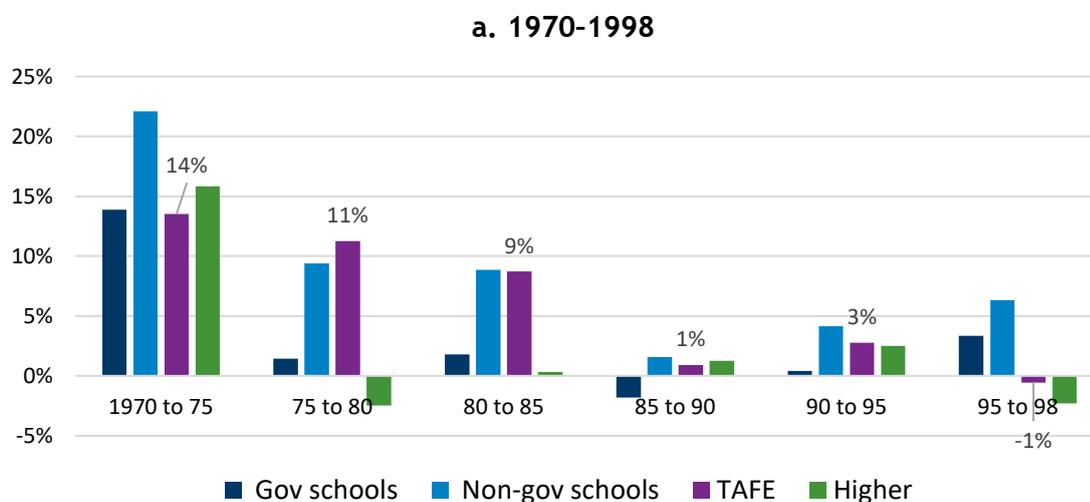
Initially, a significant portion of Commonwealth funding for TAFE was for capital. Funds were provided to replace the tuition fees which had been abolished; for equity objectives such as access across age groups and for the less advantaged; and for teacher development and libraries (Goozee 2001).

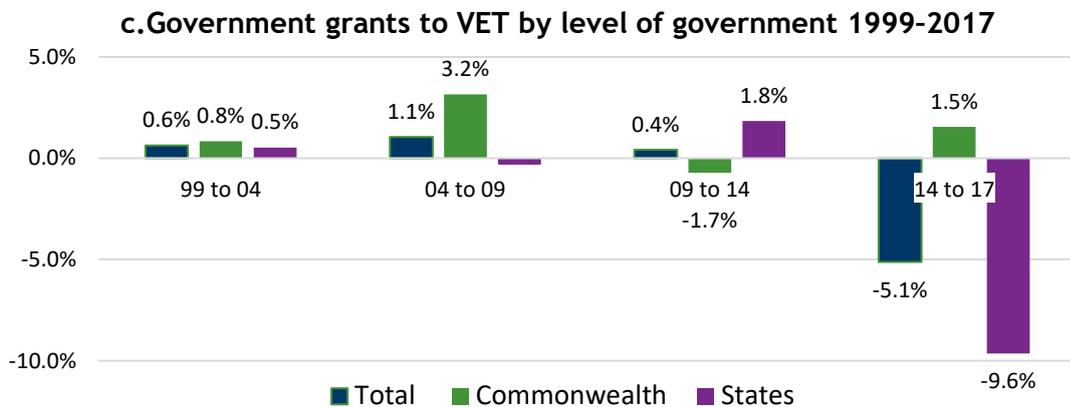
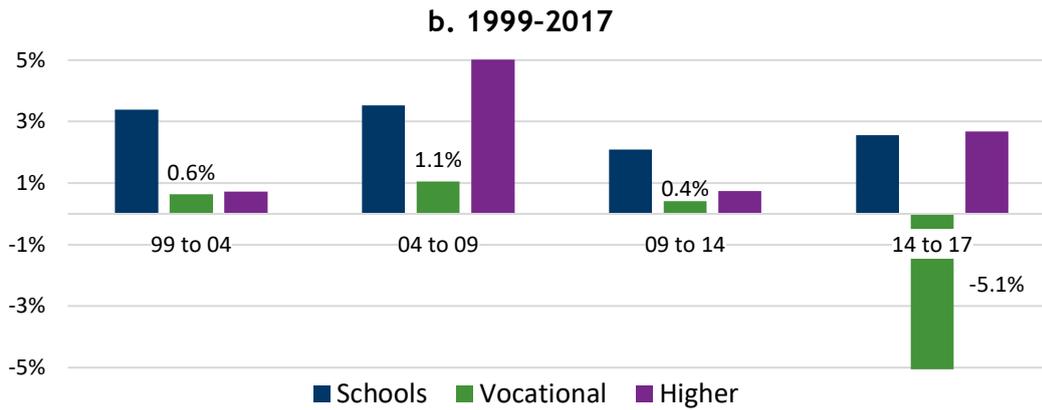
The expansion in Commonwealth funding for VET might have seemed threatened by the dismissal of Whitlam on 11 November 1975 and the installation of Malcolm Fraser as Prime Minister. However, Fraser, in guidelines for Commonwealth spending, specified a real growth per annum of two per cent for schools, advanced education and higher education, and a 10 per cent growth for TAFE. Goozee (2001 p.32) summed up:

Therefore, while the years of the Fraser Government were characterised by cuts, rationalisation and amalgamations in advanced and higher education and a drift in funding away from State schools to private schools, TAFE continued to benefit. This was because it was seen not only to be essential for increasing labour force skills and assisting economic recovery but was also a means of picking up the casualties from the growth in unemployment and the cutbacks in the social welfare areas.

Total government funding for education is summarised in figure 3, panels a and b. In the 1970s, total state and Commonwealth expenditures grew more rapidly in TAFE than in government schools and higher education though less rapidly than in non-government schools. Funding of TAFE grew, on average, between 1970 and 1985 by more than 10 per cent per annum in real terms.

Figure 3 Government grants by education sector, annual percentage increase, Australia 1970 to 2017, 2017 prices



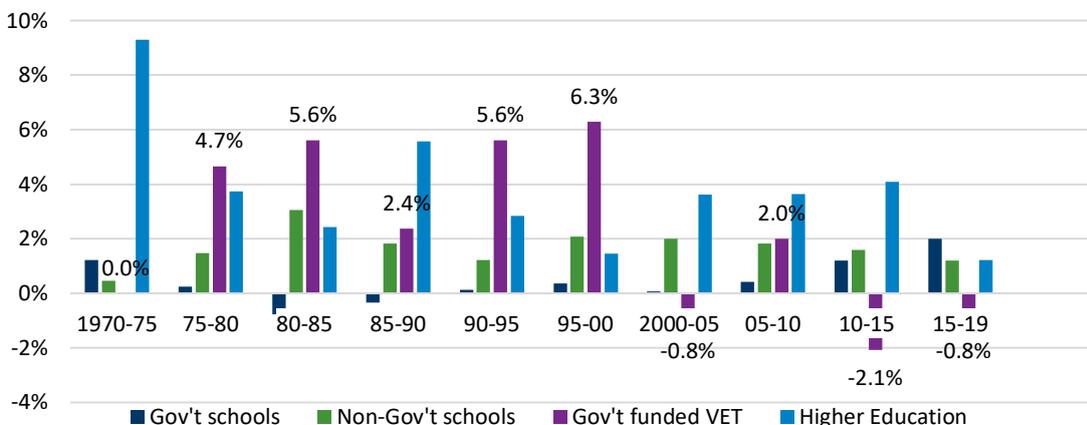


Source: Burke (1983 & 1992), ABS (1999 & 2018)

Notes: Includes Commonwealth and state expenditures. It does not include government outlays on HECS or VET FEE-HELP, employer incentives or private expenditures. It includes benefits to students such as Youth Allowance (Student). It excludes outlays on loans. ABS does not provide separate data on higher education and vocational education after 2017. Prices adjusted by the Consumer Price Index (ABS 2021a).

Student numbers, shown in Figure 4, increased by over five per cent per annum from 1975 to 1985 on government-funded VET, a high rate but less than the increase in funding shown in figure 3 and indicating increased resources per student.

Figure 4 Students by education sector, average annual percentage rates of increase, Australia 1970 to 2019



Source: ABS, 2020, Burke, 1992, DESE, 2020d, NCVER, 2020b.

Notes: Several changes have been made to data collections for VET over the years. Where possible the growth rates for a five-year period have been estimated using data estimated on the same basis for the first and last year.

Late 1980s and early 1990s

Growth in Commonwealth spending on VET slowed under the Hawke Labor government elected in 1983⁹. There was little growth in the total of state and Commonwealth funding in the late 1980s. However, the Commonwealth provided labour market programs aimed at the less advantaged in the workforce. Some of these helped to fund training, though were short-lived (Goozee 2001, p.53).

A boost in Commonwealth funding came in the early 1990s. In *One Nation*, Prime Minister Keating endorsed an education and training guarantee recommended in the *Finn review* (1991). Young people were to be entitled to a full secondary education or its equivalent in vocational education and training. 'Meeting these targets will require a 35 per cent increase in the number of students in vocational education and training between 1991 and 2001' (Keating 1992, p.56).

Keating had also proposed the Commonwealth Government takeover full public funding of TAFE as Whitlam had for universities, in effect in 1974. Keating's offer was rejected by the states, but a first national agreement was reached in July 1992. It led to the establishment of the Australian National Training Authority). Its purpose, as set out in Box 1, was directed at the national goals. The additional funds offered in *One Nation* were provided to the states through ANTA (Keating 1992; Goozee 2001; Dumbrell 2004).

Box 1 ANTA:

- national vocational education and training system with agreed objectives and priorities assured funding arrangements consistent national strategies and a network of providers delivering high quality nationally recognised programs at the State and local level
- close interaction between industry and vocational education and training providers to ensure that the training system operates within a strategic plan that reflects industry's needs and priorities
- an effective training market with public and private provision of both high level advanced technical training and further education opportunities for the workforce and for the community generally
- an efficient and productive network of publicly funded providers that can compete effectively in the training market
- increased opportunities and improved outcomes for individuals and target groups including school leavers to enhance their employment outcomes and
- improved cross-sectoral links between schools, higher education and vocational education and training

Australian National Training Authority Act 1992 Schedule

⁹ The period 1975-1982 could be summarised as being one of growth for TAFE as the Kangan committee recommendations were implemented and the TAFE Council continued to support the need for ongoing capital and recurrent funding for TAFE. In many ways, it could be seen to be the 'golden age' for TAFE as it continued to grow, was held in high esteem by governments and finally acquired an identifiable role in the education spectrum' (Goozee 2001, p.38).

In the late 1980s, there was a two per cent per annum increase in students and in the early 1990s a six per cent per annum increase in line with the expansion endorsed by Finn and Keating. The expansion in student numbers was considerably higher than the growth in expenditure.

Late 1990s and 2000s

The ANTA agreement was renewed in 1997 by the Howard government. But there was no growth in funds. The Commonwealth agreed to maintain VET funding in real terms over the next three years. States agreed in principle in 1997 to achieve growth in their VET systems through 'efficiencies'. Together with substantial cuts to labour market programs it meant that Commonwealth funding for VET was reduced and the states had made no commitment to lift spending (O'Neill 1997; Goozee 2001, p.95)

Commonwealth funding at similar rates was extended until the abolition of ANTA in 2005. ANTA's functions were largely absorbed in the Department of Education, Science and Training (Kempner 2005). There was a small lift in funding from short-term schemes such as Skills Vouchers by the Howard Government in 2007 and Productivity Places by the Rudd Government to 2010 (considered in section 4). Overall, there was negligible growth in total government funds from 2000 to 2014 and then a notable reduction.

From 2008, the Commonwealth Government's main funding program has been set out in National Agreements for Skills and Workforce Development (NASWD)¹⁰ and National Partnerships Agreements. These were under the auspices of the Council of Australian Governments (COAG) which was replaced by the National Federation Reform Council (NFRC) in 2020.

A range of objectives were outlined in the 2008 agreement and reiterated in 2012 (COAG 2008b, 2012). Targets derived from these agreements, that have not yet been achieved¹¹, were:

- Halve the proportion of Australians ages 20-64 without qualifications at Certificate III level and above between 2009 and 2020.
- Double the number of higher qualification completions (diploma and advanced diploma) between 2009 and 2020.

The Rudd government in 2008 established Skills Australia, later renamed the Australian Workforce and Productivity Agency (AWPA). In its roadmap for VET, Skills Australia estimated that an annual real growth in expenditure of three per cent per year was needed for the COAG targets for qualifications to be met (Skills Australia 2010, 2011). This advice went largely unheeded.

With the Abbot Government elected late 2013, AWPA and several other bodies including the National VET Equity Advisory Council (NVEAC) were abolished. This was reminiscent of the Dawkins changes of 1987, but this time the bodies closed tended to be those with prominent union membership.

Figure 3 panel c showed the annual rates of change in Commonwealth and state government

¹⁰ Reviewed by the Productivity Commission (2021a).

¹¹ Productivity Commission (2021b).

grants from 1999 to 2017¹². The Commonwealth Government provided what growth there was in the years to 2010. Commonwealth grants fell somewhat from 2009 to 2014 though this does not include the temporary but massive outlays on VET FEE-HELP loans (discussed in section 5). There was a temporary lift in states' spending early last decade. This was mainly the blow out in grants to private providers in Victoria when entitlements were introduced, discussed in section 4.

Overall, government-funded student numbers increased by six per cent per annum from 1995 to 2000 but with virtually no growth in real funding (Long 2010; Productivity Commission 2021c). Student numbers have fallen on average by more than one per cent per annum after 2000 (Figure 4¹³). There has been an increase in Commonwealth share of funds in recent years.

Key points about public funding of VET since the 1970s include:

- The pivotal landmark report was the 1974 [Kangan report](#). It initiated the formation of the separate states' vocational colleges into a TAFE sector. Kangan argued for unrestricted access for adults and broader education as well as relevance to employment.
- The [Dawkins](#) led reforms of the early 1990s increased the stress on employment and initiated market competition and employer determined competency-based training.
- Keating's 1992 policy statement [One Nation](#) proposed the Commonwealth Government assume full public funding of TAFE which was rejected but led to the first 'national agreement' on vocational funding.
- All major reports have emphasised the needs of the less advantaged. When fees were reintroduced waivers and concessions were provided (section 3) and the income assistance provided since 1974 has continued (section 6).
- Government funding for VET provision expanded rapidly to the mid-1980s, with a small expansion in the early 1990s but little growth and occasional decline since.

Section 3: State differences in subsidies and fees

Student fees were abolished for publicly funded tertiary education including VET in 1974 but the reintroduction of some fees was announced by the Commonwealth Government in 1987 (Dawkins & Holding 1987, p.36). The fees were not for initial training, and it was hoped that employers would increase expenditure on upskilling workers. Since then, there has been more general re-introduction of fees.

In 2020, there was considerable variation across states in subsidies and fees (the sum of which is known as the price). Analysis by the National Skills Commission based on 17 000 observations for 2000 qualifications for government-funded courses showed 'substantial price variation (in some cases exceeding \$10 000) within the same field of education or qualification level' (National Skills Commission 2021b, p.2)

12 These data are based on ABS Government Finance Statistics Education publication which commenced in 1998-99. It excludes government outlay on loans. Since 2016-17 spending on VET has been aggregated with higher education.

13 Productivity Commission estimates show a fall of 40 per cent in real funding per hour from 1997 to 2014 though the reporting of hours of training may have been inflated especially in the early years of the entitlement schemes considered in section 4.

Joyce (2019, p.68) gave examples of this variation: the Diploma of Nursing subsidy in 2019 was \$19 963 in Western Australia but \$8218 in Queensland. In higher education where the diploma is also delivered, the subsidy \$14 596 was the same for every university in Australia.

Victoria, as discussed in section 4, was the first state to expand funding to private providers on a large scale starting in 2009. The government sets the subsidy for government-funded training but the fee is set by the provider. Queensland later also provided extensive funding to private providers, with also deregulated fees.

The subsidy in Victoria has been adjusted in relation to the demand for labour, an approach Brennan (2019, p.9) referred to as setting the subsidy ‘on the basis of public benefit¹⁴’. An example of this is the subsidy rate for trade apprentices in 2020 for their off-the-job training. For most construction trades, the rate was \$14 per hour for apprentices but a lower rate \$11 per hour for the same course taken by a non-apprentice (Department of Education and Training Victoria 2020).

In New South Wales and Western Australia (states slow to provide extensive funding to private providers), the government sets the whole price – the subsidy and the fee. In New South Wales, the price is based on research by the Independent Pricing and Regulatory Tribunal on the efficient cost of qualifications (IPART 2013). Fee concessions to the student and loadings for the provider are given for equity groups. There are zero fees for over 40 per cent of qualifications including for apprenticeships, traineeships and foundation courses. About a quarter of diplomas have zero fees but about a third have fees of 40 per cent or more of the price (NSW Government 2020), but most of these diplomas should be eligible for VET Student Loans.

Fee-free TAFE courses were introduced from 2019 in most states though the approach varied. In Victoria, it was initially for non-apprenticeship courses and courses that provided pathways to apprenticeships. In New South Wales, it mainly applied to apprenticeships and traineeships.

Another indicator of the variation across states and over time is the average government expenditure per hour across all government-funded training. The Productivity Commission has reported this annually for over 20 years. For example:

- In 1999, Victoria’s spending per hour was 25 per cent below the national average and New South Wales’s 15 per cent higher (Steering Committee for the Review of Government Service Provision & Productivity Commission 2004).
- In 2009, in both Victoria and in New South Wales, expenditure was 10 per cent below the national average (Steering Committee for the Review of Government Service Provision & Productivity Commission 2011).
- In 2019, Victoria was 20 per cent below the national average and New South Wales 15 per cent above it (Productivity Commission, 2021c).

14 This is in distinction from the approach in higher education where until 2021 subsidies were set higher and fees lower for courses such as humanities in which labour market rewards were relatively low.

Use of labour market information

Major reports over the decades have emphasised the need for better labour market information though the resulting developments have fallen short of their hopes. [Kangan](#) saw it as essential to provide better labour market information (Australian Committee on Technical and Further Education 1974, vol.1, p.70). So too did [Williams](#) (Committee of Inquiry into Education and Training 1979, vol.1, p.670), [Kirby](#) (Committee of Inquiry into Labour Market Programs 1985, pp.101-108) and [Bradley](#) et al. (2008, Recommendation 46).

Labour market information on skill shortages and future demand is important for students and employers. The use of the information by governments in setting course subsidies is varied across the education system. The National Skills Commission acknowledges this in relation to the information it will provide on labour market and skills needs which 'will clearly outline the priorities for Australian governments, regardless of whether it is explicitly tied to subsidies' (Department of Employment, Skills, Small and Family Business 2019, p.9) (emphasis added).

As noted above, Victoria has set its subsidies in recent years taking account of the job market whereas in New South Wales, prices have been set in relation to costs. In higher education in the period of demand driven funding to 2017, the price was set in (rough) relation to costs. The student fee was lower for courses such as humanities that had lower financial employment outcomes. The number of places (with exceptions such as medicine) was not restricted.

Norton (2019) said that 'Under demand-driven funding, students and universities responded with increased enrolments in skills shortage fields' (p.222). By the end of the demand driven system in higher education in 2017, only five professional or managerial occupations were in shortage compared with 40 when [Bradley](#) reported in 2008¹⁵.

Subsidies, fees for equity groups

The goals for VET have always included concern for equity. VET provides for a much larger number of less advantaged students than higher education. Figure 5 shows that in government-funded VET alone, there were four times as many Indigenous students and students from remote areas, considerably more from the lowest socio-economic quartile and considerably more aged over 40. The differences are larger again when the comparison of higher education students is with total VET students (NCVER 2020d; Department of Education, Skills and Employment 2020e).

All states have loading to subsidies for students from equity groups. Concessions or waivers on fees are also provided in all states. The total cost of extra subsidies and fee waivers is only occasionally reported (Watson 2003).

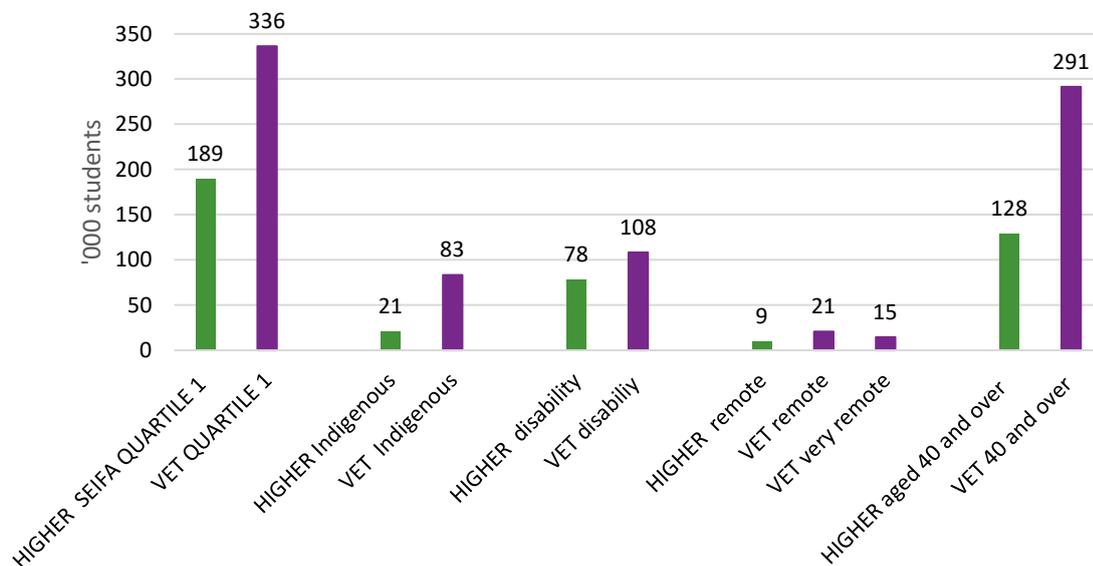
There are also particular funds for foundation skills¹⁶ such as the Commonwealth's Skills for Education and Employment (SEE) program for job seekers which now exceeds \$100 million annually. It provides up to '650 hours of training to a wide range of groups and is delivered across Australia, from metropolitan and regional areas, right through to remote

¹⁵ The system of funding higher education changed substantially starting 2021. Both subsidies and fees are in relation to broad labour market needs (Department of Education, Skills and Employment 2020d).

¹⁶ Foundation skills encompass English language, literacy, numeracy, digital literacy skills as well as other employability skills such as communication and problem solving.

communities'¹⁷.

Figure 5 Government-funded VET students and domestic higher education students in equity groups, Australia, 2019, ('000)



Source: NCVET 2020b and DESE 2020d

Notes. VET students in SEIFA groups are reported in quintiles. Approximate estimates have been made for the number in quintiles. Higher education does not report remote and very remote separately.

The Adult Migrant English Program (AMEP) is a free service to improve the English of eligible migrants and humanitarian entrants. Recent funding has been in excess of \$200 million a year.

Some programs discussed in later sections such as Youth Allowance, Austudy and ABSTUDY for full-time students, and some employer incentives are also directed towards equity groups.

Key points on subsidies and fees

- Fees were abolished in 1974 but progressively reintroduced from the start of the 1990s. Where fees were reintroduced, waivers and concessions were provided for the less advantaged.
- There are considerable differences among the states in fees and subsidies for government funded VET. In New South Wales and Western Australia, where fees are charged they are set by the state. In Victoria and Queensland, the fees are not regulated. There are considerable number of fee-free TAFE courses. The new National Skills Commission is addressing these issues.
- All major reports have emphasised better labour market information to inform students, employers and government policy making with the implication that the previous provision of information was inadequate.

Section 4: Public funds paid to private providers

This section discusses the provision of public funds to private providers to develop the training market in VET.

¹⁷ See the *Skills for Education and Employment* program page, viewed 16 February 2022, <<https://www.dese.gov.au/skills-education-and-employment>>.

The training market and its purpose

When the [Kangan](#) committee reported in 1974, it was concerned only with public providers. However, consideration of deregulation and competitive markets grew under the Hawke and Keating governments from 1983 to 2006.

The idea of a training market involving for-profit providers emerged in [reports](#) under Commonwealth Minister John Dawkins in the late 1980s. The benefits were discussed in the [Deveson report](#). The report recognised the role of TAFE in support of the less advantaged (Training Costs Review Committee 1990, p.9-10). However, Deveson argued that the support could be provided within a market system by targeted subsidies and by income support.

In 1992, when offering a Commonwealth take-over of vocational funding from the states, Prime Minister Keating's *One Nation* stated that 'the arrangements will allow for flexible use of funds through both public and private providers as a more diverse and competitive training market emerges' (Keating 1992, p.55).

As discussed, Keating's offer was not accepted by the states. However, a national agreement on VET was achieved 1992 with National Goals (DEET 1992) and ANTA was established. Its roles, as listed above in Box 1, included the development of an effective training market with public and private provision (Australian Government 1992). The ANTA board was industry led and leaders of the TAFE system were not included.

Growth funds, competitive tendering and user choice

ANTA commissioned a study on proposed reforms by Allen Consulting. The study was led by Vince FitzGerald who had been the first head of the Department of Employment, Education and Training set up by Dawkins in 1987.

A key recommendation of his [report](#) was:

A major element of 'User Buys' - and thus user choice - should be introduced to shift the focus to the demand side. We recommend that government funding for structured entry level training in apprenticeships and traineeships progressively pass to the employers and trainees who would jointly decide on the purchase of recognised off the job training. The role of intermediaries that assist small and middle business - such as group training companies - should be encouraged. (Allen Consulting Group 1994, p.iv)

These views were adopted. A first development was the use of some of the new 'Keating growth funds' to be for priority areas and available by competitive tendering by private and public providers. Much more substantial was 'user choice', where government funding was allocated to either a public or private provider of the 'off the job' training of apprentices and trainees.

User choice was piloted from 1995 and introduced from 1998, although the extent varied across the states (e.g., Shreeve & Palser 2018). User choice was implemented at the same time as Commonwealth employer incentives (discussed in section 7) were extended to traineeships.

A detailed study of user choice in its early years gave it a mixed report (Anderson 2006). It had positive effects on choice and diversity, responsiveness (to medium/large enterprises and fee-paying clients), flexibility and innovation. There were negative outcomes in high

transaction costs and complexity, responsiveness (to small enterprises, local/surrounding communities and to government-subsidised students), quality and access and equity.

Howard vouchers and Rudd Productivity Places

Also lifting funding to private providers and the training market was the Howard government's Work Skills Vouchers in 2007. It provided funding directly to training providers rather than via the States. The Rudd Labor Government's Productivity Places Program from 2009 to 2012 initially allocated places in much the same way but later through the States. Some of the funds were provided to enterprises to manage. Later variants of allocating funding to enterprises such as the National Workforce Development Fund (NWDF) were short-lived. The main recipients of funds from these schemes were private providers. Doubts were expressed about the balance of courses undertaken and the quality of training but deficiencies in data hindered evaluation (Allen Consulting 2010).

Entitlement schemes

The objectives of a National Agreement for Skills and Workforce Development in 2008 included:

- ensure the effective operation of the training market, including in relation to market information, within the state/territory
- driving further competition in current training arrangements and strengthening capacity of providers and businesses to build the foundation and deeper and broader skills required by the 21st century labour market (COAG 2009, pp.17-18).

Victoria in particular was supportive of this proposal and had already been developing the Victorian Training Guarantee, which was 'an entitlement to a government subsidised place in recognised training that can be accessed at any time and will continue to be available for training at successively higher levels' (Victorian Department of Innovation, Industry and Regional Development 2008, p.15).

The Victorian scheme was intended to meet the needs of both individual learners and industry. As with nearly all the [landmark reports](#) there was to be 'clear and easy-to-find information about the skills system and what it offers, detail of current employment shortages and where industry is heading' (Victorian Department of Innovation, Industry and Regional Development 2008, p.11).

The Commonwealth treated Victoria as a 'reform state' and when the Productivity Places funding was being transferred to states, Victoria received its funding outside the agreement (COAG 2008a).

This provision of choice of course and provider in Victoria initially had some similarities with the demand driven system of higher education. The big differences were that in higher education students could not choose a private provider and that higher education fees were set by the government.

In the short term in Victoria, there was open-ended access to a subsidised place. There was a 60 per cent increase in government-funded VET enrolments and in government funding from 2009 to 2012 (NCVER 2021f). Total expenses of VET increased 50 per cent and the charges borne by Victoria's state recurrent revenue increased 100 per cent (NCVER 2014). All of the

growth was with private providers¹⁸ where student numbers increased by 300 per cent. The system was quickly seen as provider driven rather than demand driven. Some private providers charged small or no fees and students with little 'skin in the game' were open to exploitation (Burke & Veenker 2011). Reports of poor quality were extensive and addressed in the Victorian Government's funding review (Mackenzie & Coulson 2015). In a later reflection, Mackenzie wrote: 'College collapses, student exploitation, sham qualifications, ineffective regulatory intervention – these insidious realities have compromised Australia's VET sector for a decade' (Mackenzie 2016).

By late 2011, the Victorian Government had tightened contracts with providers. It introduced a five-tier rate of subsidy which severely or entirely cut funding for courses seen as low priority for employers (Brennan 2019).

In April 2012, without specific reference to the negative experience in Victoria, all states signed a second National Agreement for Skills and Workforce Development (COAG 2012a) and also a National Partnership Agreement on Skills Reform (COAG 2012b). This committed them to '... introducing and strengthening a national entitlement to a government subsidised training place to a minimum of the first Certificate III qualification ... which ... is accessible through any registered training organisation (RTO), public or private, which meets state-based criteria for access to the national training entitlement' (COAG 2012b, p.7).

The states differed considerably in implementation. Bowman and McKenna (2016) reviewed developments in all states, Atkinson and Stanwick (2016) considered Victoria and South Australia. Shreeve and Palser (2018) document the resistance in New South Wales to the various forms of funding to private providers:

What has been clear over the period [1990s to 2017] is the difficulty that successive state governments have had in letting go of the public provider as a flagship of their social justice commitment, but more pragmatically as their mechanism for timely regional funding injections and political influence (Shreeve & Palser 2018, p.1).

Across Australia, the proportion of government-funded students in private providers grew from less than 20 per cent in 2008 to 45 per cent in 2015 but fell to 36% in 2019. Victoria hit a high of 57 per cent in 2014 but this fell to 30 per cent in 2019. In Queensland, the proportion of government-funded students in private providers exceeded 60 per cent in 2015 and has stayed above that level in following years (NCVER 2020b).

More recently, several states have introduced fee-free courses available at public providers only. The Productivity Commission commented that 'while these policies increase training at public RTOs, some of this growth may simply reflect a switch from private RTOs, crowding these providers out of some markets and ultimately reducing contestability and student choice' (Productivity Commission 2021a, p.37).

Some major players have changed their stand on outsourcing and contestability. Terry Moran was a strong advocate of the market as the foundation CEO of ANTA, the head of Premiers'

¹⁸ Private providers is used in this paper for convenience when referring to data from the government-funded historical time series, however, just to note, in that publication the provider type is labelled as 'other providers', which is predominantly private providers but also includes a small component of other types of providers not captured elsewhere.

Department in Victoria (2000 to 2008) and of Prime Ministers' Department in Canberra (2008 to 2011). His recent view was that 'the policy pendulum is swinging away from a consensus on the primacy of light touch regulation of markets, the unexamined benefits of outsourced service delivery, a general preference for smaller government...' (Moran 2017).

Key points about public funds paid to private providers include:

- Government funds were provided only to public providers until the 1990s.
- Several reports under Minister John Dawkins, notably the [Deveson report](#) (Training Costs Review Committee 1990), endorsed the benefits of the market in VET.
- User choice, implemented from 1998, gave employers and apprentices the choice of training provider which allowed public funds for off-the job training to flow to private providers.
- The more general availability of public funds for private providers came with the introduction of a student entitlement to certificate level III which was considered by COAG in 2008 and agreed to by all states in 2012.
- Victoria led the way with its entitlement scheme from 2010 with considerable blowout to the state budget and fraudulent misuse of funds.
- The later implementation across states varied considerably. Some states have recently lifted their support to public providers, notably in the provision of 'Free-TAFE' courses.

Section 5: Loans for tuition fees in VET

Dawkins (1987), as part of his reforms to higher education, raised the possibility of reintroducing tuition fees and commissioned the Wran Committee (Committee on Higher Education Funding 1988) to investigate this. They recommended the Higher Education Contribution Scheme (HECS) system of fees covered by income contingent loans. HECS was introduced in 1989 and made available to domestic students in a Commonwealth supported place (very largely undergraduates). Their debt was indexed by the Consumer Price Index (CPI) and repayment was contingent on the person's income exceeding (a low estimate of) average weekly earnings¹⁹. Once it was accepted that fees were to be charged, the provision of loans (HECS) could be seen as an equity measure so that students from any background could undertake any undergraduate course without upfront fees.

No equivalent scheme was provided for VET. The case for a loan scheme at least for diplomas was raised in a paper on the interface of higher education and VET by the then Commonwealth Liberal Minister Brendan Nelson (Department of Education, Science and Training 2002b).

Bruce Chapman, the main designer of HECS as consultant to the Wran committee in 1988, undertook work on loans for VET from 2005 (Chapman, Rodrigues & Ryan 2008). A major concern was whether diploma graduates would earn incomes above the repayment threshold so that there would not be a large cost of non-repayment to the Commonwealth budget. Chapman offered insight on the relation of research to policy:

¹⁹ Income contingency is not included in loan schemes in the US with drastic consequences for those whose income is insufficient to repay.

These research exercises were of use in helping to persuade sceptics of the feasibility of a HECS-type system for TAFE.... But it is highly likely that the need for such policy reform was already a conviction in the minds of many. This certainly appeared to be the case with respect to senior members of the Victorian bureaucracy in 2005-06 (Chapman 2010, p.121).

The Commonwealth introduced the income contingent loan scheme, VET-FEE-HELP, in 2009 for full-fee diploma and higher-level VET students but initially only for courses linked to entry to university. The scheme was opened up to all diploma and higher courses following the National Partnership Agreement on Skills Reform (COAG 2012b). The states agreed to the extension of the scheme 'to improve the accessibility of higher-level qualifications and work with the Commonwealth to enhance a quality framework including state and Commonwealth quality requirements for RTOs to access ICLs' (COAG 2012b, p.7).

The states agreed to fund up to half the costs of impairment of loans relating to state-supported courses.

VET FEE-HELP soon spiralled out of control: from \$26 million in 2009 for 5000 students to \$2.9 billion in 2015 and 270 000 students (Australian Government 2016). The scheme was exploited: Indigenous persons and persons with a disability were targeted; fees charged were sometime five times the level of a New South Wales publicly funded course; much of the training was online and completion rates were very low; and many students reported they believed their course was free and did not know they had signed for a loan (Australian Government 2016). In 2015, the peak year, over half the students were with just 10 RTOs, all now defunct (Productivity Commission 2021a, p.149).

VET Student Loans (VSL) replaced VET-FEE-HELP in 2017. Billions of VET FEE-HELP debt have been cancelled due 'to inappropriate conduct of the VET provider' (Department of Education, Skills and Employment 2020f). In 2020, the Commonwealth Ombudsman recommended waiver of over \$500 million and redress measures will continue into 2022 (Commonwealth Ombudsman 2021).

VET Student Loans is a much more restricted scheme than VET FEE-HELP. Only designated courses seen as relevant to industry demand and funded in two states are eligible and the provider has to meet quite stringent conditions to be approved (Burke 2018). Three loan cap bands are specified to deter charging of excessive fees. The highest cap was a little over \$16 000 per year in 2021.

Outlay on VET Student Loans was less than \$0.3 billion in 2019, compared with the peak of nearly \$3 billion outlaid on VET FEE-HELP in 2015 (Australian Government 2016, 2020)²⁰.

There were less than 60 000 students assisted each year from 2017 to 2019. This equals about 20 per cent of the peak number on VET FEE-HELP in 2015. The majority of students are now with government providers. Only about 15 per cent of diploma and higher-level VET students recently received loans, or less than two per cent of all VET students.

The number of domestic fee-for-service diploma and higher-level students in VET fell by more than 60 per cent between 2016 and 2019. Government-funded students were little affected

20 For comparison Australian higher education providers received over \$5.6 billion from HECS-HELP and FEE-HELP in 2019 (Department of Education, Skills and Employment 2020c).

by comparison. The funding reduction to the sector was partly offset by a large growth in international students, discussed in section 8.

A review of the VET Student Loans program by KPMG Consulting (2019) was largely positive. Students are incurring less fees and overall debt compared to VET FEE-HELP: 'Student satisfaction and training quality has increased, although the impact of the program on access rates for disadvantaged students has not been strong' (KPMG 2019, p.7).

Key points about student loans:

- The Commonwealth introduced VET-FEE-HELP in 2009 for full-fee diploma and above students leading to university entry. The scheme was opened to all diploma or higher courses as agreed in the 2012 COAG National Partnership Agreement on Skills Reform.
- Public borrowing for VET-FEE-HELP grew astronomically especially between 2012 and 2015 and the scheme was beset by low quality provision and fraud.
- It was replaced by a much more restrictive scheme, VET Student Loans, in 2017, and total students assisted fell about 80 per cent from 2015 and outlays even more.

Section 6: Income support

Grants for Income support: Youth Allowance, Austudy, ABSTUDY

Goozee (2001) noted that in 1973, along with the abolition of fees, non-competitive means tested living allowances for full-time students were introduced by the Commonwealth²¹. They were available for full-time TAFE as well as university students. Kangan (1974, , vol.1, p.39) suggested an option should be explored for some part time students but this has never been taken up.

Goozee saw these allowances to have contributed to the rapid growth in full-time enrolments in TAFE in the mid-1970s. Other analysis suggests they contributed to an increase in low-income students (Commonwealth Department of Education 1986). Goozee observed that while TAFE students had benefitted the income support scheme had been developed without any consideration of the needs and characteristics of the TAFE sector (Goozee 2001, p.61).

The national goals for VET agreed in 1992 included the adequate provision of income support (DEET 1992). This objective has received little attention since then. Reforms that have been made in income support have focussed on higher education. For example, from 2010, an additional payment to the students receiving income support was provided in a Commonwealth Government Student Start-up Scholarship, now a Loan. But it was, and is, only for higher education students²².

Income support is also provided for trade apprentices in living away from home allowances, some recently introduced grants and by Trade Support Loans. These are considered in section 7.

Rate of payment

Youth allowance and other student benefits have been adjusted for price changes by the CPI from 1989. However, their value has declined relative to the Age Pension that is indexed in

21 Tertiary Education Assistance Scheme (TEAS)

22 See Services Australia's 'Student start-up loan' page, viewed 16 February 2022, <<https://www.servicesaustralia.gov.au/individuals/services/centrelink/student-start-loan>>.

effect by Male Total Average Weekly Earnings which has tended to rise more than CPI²³.

The Youth Allowance also applies to unemployed Job Seekers up to age 21 years. But from age 22 years, the unemployed receive the higher Job Seeker rate. At age 25 years full-time students have access to Austudy but the payments are the same as for Youth Allowance for students 18 years and over. In 2021, the Youth Allowance was 83 per cent of the Job Seeker rate payable to unemployed people.

Number assisted and total outlays

The latest report with the separate numbers assisted in VET and higher education is for 2015-16 (Department of Social Services 2016). The total number of full-time students assisted by Youth Allowance and Austudy was 200 000 students in higher education (around 30 per cent of full-time eligible students), and 50 000 students in VET, equal to about 20 per cent of full-time VET students.

The total outlay for tertiary students was \$2.25 billion for 2018-19 for about 220 000 tertiary students. On a pro rata basis, the outlay on VET students for Youth Allowance, Austudy and ABSTUDY could have been approximately \$450 million and received by 44 000 students.

About 10 000 students received ABSTUDY for an outlay of \$111 million, perhaps half in VET, even though the numbers of Indigenous students in total VET are seven times the number in higher education.

Lack of data and research

The *Bradley Review of Higher Education* (2008) provided a considerable critique of these forms of student assistance, as they affected university students. It made recommendations for improvements, particularly the lowering of age of independence from parents to 22 years of age, which has been implemented (Daniels 2017).

NCVER (2020a) does not include the outlay on these grants in its Government funding of VET²⁴, nor were they considered by Joyce (2019) or by the Productivity Commission (2021a) in its review of the National Agreement for Skills and Workforce Development. The neglect in recent years could be partly due to the funds being administered by the Department of Social Services and they now report the funding and student numbers only for tertiary students as a whole.

Very little research has been devoted to the adequacy of these various forms of student assistance in the VET sector. Karmel (2013) reviewed a study of the effects on tertiary students as a whole but not separately for VET students. He found that tertiary students receiving benefits tended to be from lower socio-economic backgrounds, as expected with the personal or family income tests applicable. They had a four per cent to 10 per cent better completion rate.

The adequacy of these grants receives some attention in the higher education sector (Universities Australia 2018). The VET sector is almost silent though the TAFE Directors Association has joined ACOSS and Group of Eight in advocacy on student assistance (Go8-ACOSS 2019).

23 The youth allowance for independent students aged 18 and over in 1998 was equal to 75% of the single age pension. In 2020 it was equal to about 55%. The same form of indexation also means that the family income test for those still considered dependents becomes relatively more severe over time (Bradley et al. 2008).

24 They were proposed for inclusion in a review of VET finance data (Burke 2016).

Some additional forms of income support including Trade Support Loans and Living away from Home Allowances (LAFHA) are considered in the next section on apprenticeship support.

Key findings in relation to student income support

- Grants for income support for full-time student (now called Youth allowance, Austudy, ABSTUDY) have been provided since 1974.
- Their value compared to other government welfare payments has been declining as has the number of VET students assisted.
- Little is known about the effect of these grants on VET students and little consideration is given to them in financial publications or research.

Section 7: Apprenticeship support

The Commonwealth and state governments provide a range of support for apprentices additional to that provided for other VET students (shown in Figure 1a, PUBLIC 2, PUBLIC 3, PUBLIC 4). Skills shortages are often stated to be an important reason for these additional funds. Several of the main trades have been on the skill shortage list over a long period (Department of Jobs and Small Business 2019).

The Australian government provides:

- The Australian Apprenticeships Incentives Program grants to employers to take on and retain apprentices and trainees.
- The Australian Apprenticeship Support Network (AASN).
- Trade support loans to trade apprentices as income support.
- Living Away From Home allowance (LAFHA grants), worth up to \$4000 in the first year and smaller amounts in the next two years.
- Commencement and completion grants to apprentices as well as employers under the Additional Identified Skills Shortage grants started in 2019.

State support includes:

- Higher rates of subsidy in some states for the off-the job training of trade apprentice courses compared to similar courses not part of an apprenticeship (this funding is included within the total for VET delivery, figure 1 a1).
- Other state support e.g., in New South Wales travel concessions, travel and accommodation assistance and a rebate of part of car registration.

There are also some industry arrangements such as the Construction Training Fund (CTF) levy which supports the training of people working in the construction industry in participating States. The McDowell et al. report (2011) noted that it is the customer not the employer who bears the cost of the levy. The levy is used primarily to support the training of apprentices and trainees.

Australian Apprenticeships Incentives Program

Incentive payments by the Commonwealth Government to employers of trade apprentices date from the National Apprenticeship Assistance Scheme (NAAS) set up in January 1973 (Department of Labour and Immigration 1976). The standard rate of assistance to employers

for trade apprentices has totalled \$4000 in nominal terms for a long period, with changes in the proportion paid on commencement and completion. There is special attention assistance to a number of equity groups including Indigenous persons, mature aged workers and persons with a disability. There are special provisions e.g., Rural and Regional Skills Shortage Incentive and Declared Drought Area (Department of Education, Skills and Employment 2021a).

As summarised, in Box 2 concern has been expressed in [landmark](#) and other reports on the effectiveness and the fairness of employer incentives. The main beneficiaries are male graduates in the trades and their employers. Except in some areas such as food trades and personal services (particularly hairdressing), males formed the vast majority of trade commencements during 2020 and in three major trade areas over 90 per cent (Automotive and engineering trades (94 per cent male), Construction trades (97 per cent), and Electrotechnology and telecommunication trades (95 per cent)) (NCVER 2021b). Male trade graduates have been among the best paid VET graduates. 'For the trades, around 90 per cent of the sample has a positive benefit from completion, ranging up to \$30 000 in annual earnings' (Karmel and Rice 2011, p.17).²⁵

Also, as discussed in section 3, subsidies for off-the-job training of apprentices in some states are much higher than for non-trade courses.

Traineeships were developed following the recommendations of the [Kirby report](#) (Committee of Inquiry into Labour Market Programs 1985). They were to provide young people in non-trade occupations with apprentice-type training. The aim was to capture 'the benefits of the 'dual system' operating in German-speaking countries' (Committee of Inquiry into Labour Market Programs 1985, p.112). Incentives were provided for traineeships initially at a lower rate but brought into line with those for trade apprentices in the late 1990s.

Major changes were made to expand eligibility for incentives in 1998 when they were extended to apprentices and trainees who were 'existing-workers' (persons already employed for three months or more). With the wider availability of incentives there was an explosion in the number of trainees and in the number of private providers delivering the 'off-the-job' training (Korbel & Misko 2016). There were 70 000 trainees²⁶ in 1998 and over 250 000 in 2003 (figure 6)²⁷. This expansion in trainees occurred even though, in general, State governments did not pay for off-the-job training for existing workers (Department of Education, Science and Training 2002a, p.19). The expansion was instead likely as:

RTOs, apprenticeships centres and brokers aggressively marketed existing worker traineeships through the availability of employer incentives. A business model emerged whereby employers would share the incentives with RTOs, who then delivered training, too often of questionable duration and quality (Noonan & Pilcher 2017, p.6).

Several reviews of the traineeship system were carried out by Kaye Schofield. A strong finding was the inadequacy of quality assurance. She also found the traineeship system was 'in many

25 Noting however that the premium for completing many university qualifications is higher than that in trades and is not offset by self-employment among tradespersons (Karmel & Braysher 2015)

26 Non-trades in training numbers are used as a proxy for trainees here, although the proxy is not exact.

27 The ABS Employer Training Expenditure and Practices Survey discussed in section 8 shows subsidies and related items at \$370 million in 2001-02 compared with \$120 million in the 1996-97 survey (ABS 2003, p.18).

cases a de facto source of wage subsidies to firms, with very little or no structured training provided' (Schofield 1999, p.iv).

Box 2 Concerns about incentives in major reports

1985: The [Kirby report](#) on Labour Market programs, which recommended the introduction of traineeships, expressed doubts on the system of incentives for trade apprentices. The committee wished to 'free resources to assist a larger and more varied group of people' (Committee of Inquiry into Labour Market Programs 1985, p.112).

1990: The [Deveson report](#), which articulated the case for public funding of private providers, was not supportive of employer incentives. It said: 'The committee believes that, unless firm evidence can be given by industry (employers and unions) ... there is a strong case to ... re-direct the funds to other areas in support of high quality industry training' (Training Costs Review Committee 1990, p.60).

1992: The Australian Vocational Certificate Training System (Employment and Skills Formation Council [[Carmichael report](#)] 1992), which focused on competency-based training, had reservations about incentives though the committee saw their withdrawal during the then deep recession as likely to send the wrong messages on training.

2011: An expert panel on apprenticeships (McDowell et al. 2011). Drawing on NCVET reports prepared for them, they had found:

- Australia was the only country that used these incentives on a large scale (Knight 2011)²⁸.
- Government incentives are relatively unimportant for apprenticeships of three to four years duration but are significant for the shorter-duration traineeships (Karmel & Rice 2010).
- For non-trade traineeships the evidence for increased skill levels was not, on average, convincing (Karmel, Blomberg & Vnuk et al. 2010).

The panel recommended that the Commonwealth's incentives be replaced with employer contributions matched by government. This was not taken up. The panel also advised against support in areas which they saw as of little benefit to the trainee or to the economy. This can be seen as a major factor in the removal of incentives for most existing worker traineeships after 2012.

2021: The review of the National Agreement for Skills and Workforce Development gave employer incentives considerable attention and suggested that 'Over time, funding for employer incentives could be reoriented to other, more effective policies'. Alternatively, they could be improved in several ways (Productivity Commission 2021, p.327).

²⁸ Knight estimated total public funding of apprentices and trainees. It showed that incentives, personal benefit payments and what is now called the Apprentice Support Network added well over 50 per cent to the off-the-job funding (Knight 2011, p.58).

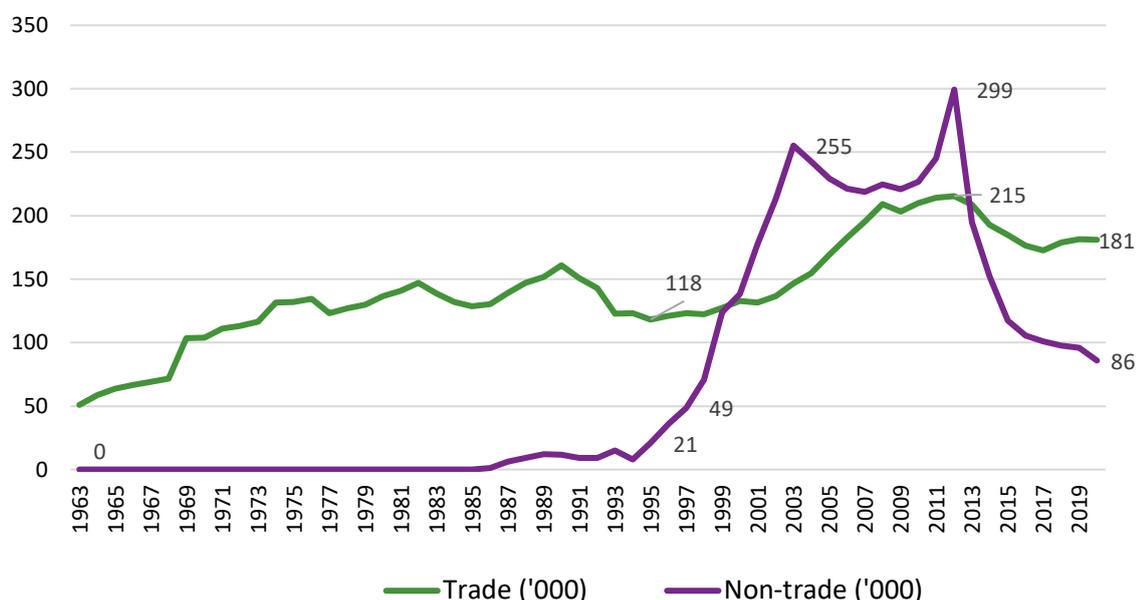
In 2012 and 2013, following the McDowell report (2011), the Gillard government removed benefits from most existing worker traineeships. They were retained for new workers; for both new and existing workers in trade occupations on the National Skills Needs List; and for Priority Courses in nursing and care areas.

Along with cuts in some states in the off-the-job training subsidy, the changes in 2012 and 2013 led to the 70 per cent decline in traineeships (between 2012 and 2020) shown in Figure 6. The impact was larger on females who had been the majority in the targeted traineeships, especially sales and clerical. Commonwealth Government outlays on employer incentives fell from around \$1 billion in 2010-13 to around \$400 million a year in 2018-19.

There has been a renewed expansion of incentives. In 2019, the Commonwealth budget included an ‘Additional Identified Skills Shortage Payment’. The employer could receive a total of \$4000 for employing an extra apprentice in selected occupations on the National Skills Needs List and the apprentice could receive a total of \$2000 (Department of Education, Skills and Employment 2020b).

The economic response to the COVID-19 pandemic by the Commonwealth Government has included a 50 per cent wage subsidy for some apprentices and fee-free provision of a wider range of VET courses. Additional substantial funds have been indicated in the 2020-21 and 2021-22 budgets and seem likely to be maintained until recovery from the pandemic.

Figure 6 Number of Trade and non-Trade apprentices in training, Australia 1963 to 2019, ('000)



Source: NCVET 2020e

Note: There are breaks in the series, notably in 1987 and 1995.

Trade Support Loans — for income support

Trade Support Loans replaced a previous grant, Tools for Your Trade, in 2014. These loans are for the living expenses of trade apprentices rather than for fees. The loans can total over \$20 000 over four years with the largest loan in the first year. On completion, the debt is discounted by 20 per cent. These loans were provided for 54 000 apprentices in 2019-20 (Department of Education, Skills and Employment 2020a) or about a third of all trade

apprentices in training. The Commonwealth Government's outlay is around \$220 million (NCVER 2020a) or equal more than three-quarters the outlay on the VET Student Loans considered in section 5.²⁹

So far, little is known of the effects of Trade Support Loans on apprenticeship completion. NCVER research on apprenticeships reported the major reasons for non-completion as 'interpersonal difficulties with employers or colleagues, being made redundant, not liking the work and changing career' (Bednarz 2014). If these factors are not well addressed, it is possible that Trade Support Loans will not have much effect.

Apprentices and trainees may also be eligible for Youth Allowance, Austudy and ABSTUDY considered in section 6 but very few receive this form of assistance probably because their earnings exceed the threshold for the personal income test.

LAFHA — away from home grant

Another important expenditure is the Commonwealth grant of a Living Away From Home Allowance (LAFHA), worth up to \$4000 in the first year and smaller amounts in the next two years. A study of incentives found that those paid to employers made little difference to apprentice retention and completion but the LAFHA did show a positive effect on completions (Deloitte Access Economics 2012).

AASN

The Australian Apprenticeship Support Network (AASN) delivers support services to employers, apprentices and trainees from around 400 locations, including in rural and remote areas. It costs \$190 million annually (included in Figure 1, panel a, public – 2). An evaluation found support for the model but the possibility of improvements to services and indicators of performance (Ithaca Group 2018).

Key findings in relation to apprenticeship support:

- Incentive schemes for employers of trade apprentices began in 1973 and were extended to trainees in the 1990s.
- In 1998, the benefits were made available to existing worker trainees and apprentices and numbers of trainees surged.
- In 2012 and 2013, the provision to most 'existing worker' trainees was withdrawn and the number of trainees fell 70 per cent after 2012.
- Reservations about the effectiveness and fairness of incentives for employers has been raised in most major reports, extensive NCVER research and recently by the Productivity Commission (2021a).

²⁹ The estimated annual cost to budget based largely on estimated non-repayment was about \$65 million (Department of Education and Training 2019).

Section 8: International students and fees

International student fees

After Whitlam's Labor government abolished fees in 1974, international students did not pay tuition fees until the early 1980s when a charge was introduced. The charging of full fees for international students was strongly contested in the 1980s. The Hawke government received reports from two committees. Goldring (Committee of Review of Private Overseas Student Policy 1984) saw education of international students primarily in 'aid' terms and as a support for Australia's international relations. Jackson (Committee to Review the Australian Overseas Aid Program 1984) placed emphasis on 'trade' and favoured unrestricted access for full-fee-paying overseas students (Smart 1986). Jackson's views were supported by the government, while some scholarship aid was maintained.

The new approach applied primarily to higher education but was extended to other sectors. Growth in international students in VET was initially fairly slow. Most international students have been with private providers and still are as shown in Figure 2.

Figure 7 presents enrolment data from 2002 along with the estimated revenue received for fees and of the fee received per enrolment. A comparison is made with higher education, the largest sector.

There were 45 000 international vocational students in 2002 but over 200 000 by 2010 (Department of Education, Skills and Employment 2021b).

The rapid growth to 2010 was fuelled by new rules from 2001 allowing easy access to permanent migration for those who held a qualification on the migrant occupations in demand list (MODL). As reviewed by Baird (2010, p.7), this 'resulted in some providers and their agents ... 'selling' a migration outcome to respond to the demand from some students to 'buy' a migration outcome'.

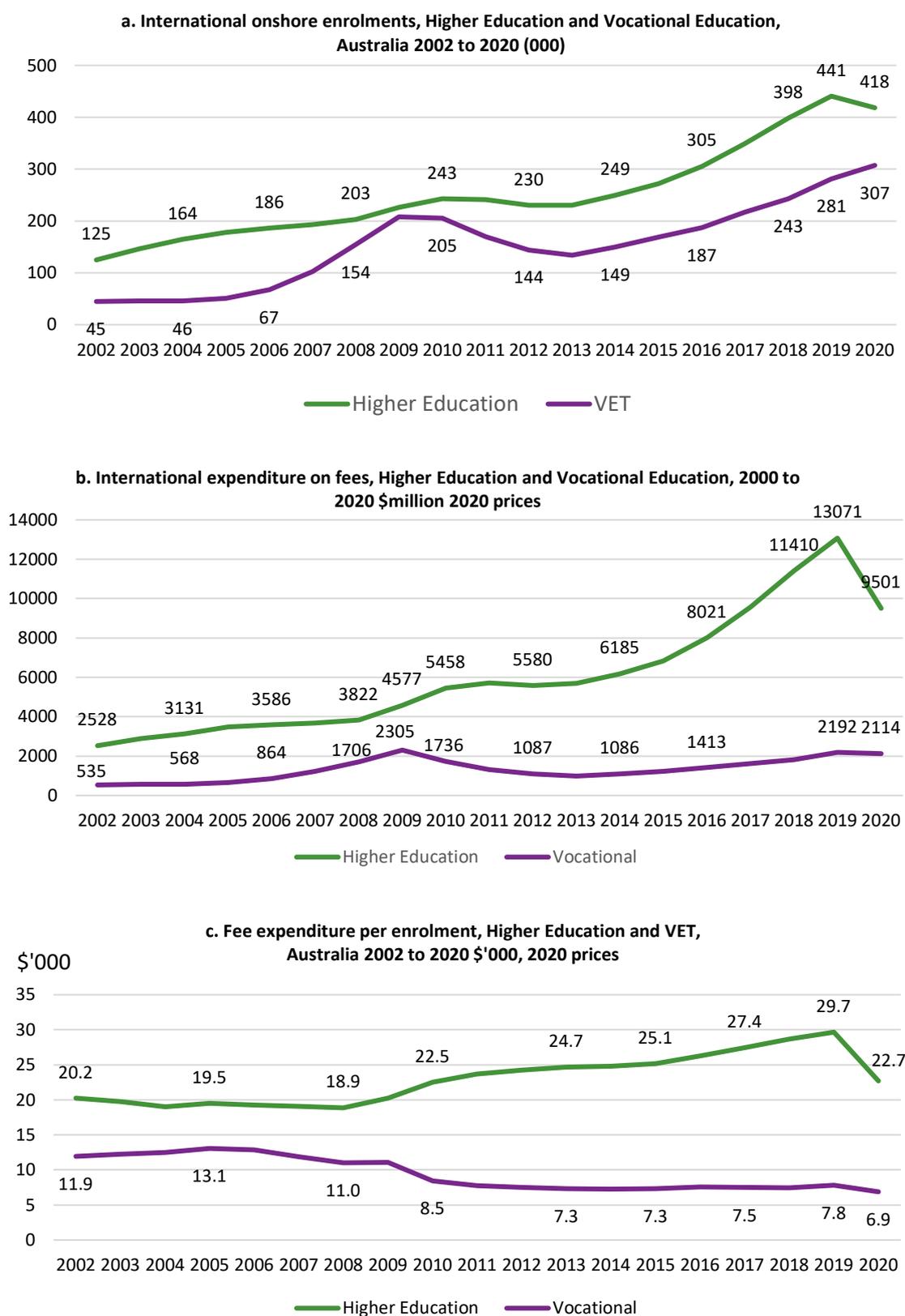
Occupations lists were amended in 2010. The ready access to permanent residence was removed. By 2013, international enrolments in VET had fallen by over 30 per cent whereas in higher education the fall was only five per cent. Since then, with easing visa conditions for later residency, international enrolments in VET revived and then surged from 130 000 in 2013 to 280 000 in 2019.

In 2020, despite the COVID-19 pandemic, the numbers of international enrolments rose by 25 000 while they fell in higher education by nearly the same amount. Part of the explanation may be the transfer of some students already in Australia from higher education to lower fee courses in VET (Mulder 2021; Department of Education, Skills and Employment 2021b).

Fees paid for VET were estimated at \$2.2 billion in 2019, down to \$2.1 billion in the pandemic affected 2020 (ABS 2021b) with revenue per enrolment down over 10 per cent. Fee revenues for higher education fell more than 25 per cent over the same period, perhaps affected by the proportion of students studying online from their own countries with the closure of international travel.

The average fee revenue per higher education enrolment was always much higher than in VET but the gap widened in the last decade and by 2019 the ratio was nearly 4 to 1.

Figure 7 International onshore enrolments and expenditure on fees, Australia, 1990 to 2020



Source: DESE 2021b, ABS 2021b
 Note: Expenditure data adjusted by CPI. NCVER 2021c report international program enrolments as 280000 in 2020 compared with 307 000 enrolments reported by DESE (2021b). DESE comments that across all sector students totalled 686 000 and enrolments 882 000 as students can enrol in more than one course in a year.

The expansion in vocational students from 2014 has also had quality problems if on a lesser scale to pre-2010. Rizvi (2019) noted that the Australian Skills Quality Authority (ASQA) had cancelled the registration of around 450 private VET colleges from the start of 2018 after years when such cancellations were relatively rare: ‘the bulk of cancellations in the last two years relate to colleges that were established from 2014 onward’³⁰.

Separate from this provision to students enrolled in Australia, is the provision of training services offshore. In 2017, it yielded \$77 million to public providers (NCVER 2018) but data for the whole system are not available.

Broader contribution from international students

International students are temporary migrants. Estimates of their spending while a student is counted as part of Australia’s exports and this considerably exceeds the fees they pay: \$5.9 billion from VET students for 2019-20 compared with \$2.2 billion in fees (ABS 2020). Some of this expenditure may have been received by training organisations that also provide student residences.

The students have been permitted to work up to 20 hours a week while the course is in session and unlimited otherwise. They make a substantial addition to the casual workforce.

On completion of their course, if it is related to a listed skilled occupation, especially the Priority Migration Skilled Occupation List, they may be able to work in Australia for 18 months on a Temporary Graduate Visa. Some become permanent residents. For all international students, of the 1.6 million examined between 2000 to 2014, 16 per cent transitioned to permanent residence, most within five and a half years (Treasury & Department of Home Affairs 2018).

Key points about international students

- The abolition of tuition fees effective from 1974 applied to international as well as domestic students.
- A charge at a percentage of costs was introduced in the 1980s.
- A policy that fees at least cover full-cost was adopted after the Jackson report (1984) and the actual fee was unrestricted.
- International student numbers in VET surged from 2005 to 2010 in courses for occupations enabling permanent migration. Reports of fraudulent behaviour in vocational education led to changes in visas and migration opportunities and a sharp decline in numbers. Some similar quality issues have been identified in recent years.
- Rapid growth resumed after 2013 and continued in 2020 despite the COVID-19 pandemic.
- Fee revenues from vocational overseas student were \$2.1 billion in 2020, only a little below the 2019 level, whereas in higher education revenues fell by more than 25 per cent.

30 ‘The college will often have minimal space or equipment for actually holding classes or delivering any sort of education.... It will recruit overseas students, usually students who are already in Australia perhaps undertaking a higher education course, on the basis of much lower tuition fees and a promise not to report the student if they do not turn up to classes but to record they attended anyway’ (Rizvi 2019).

- Fee revenues per enrolment in vocational education have always been much lower than in higher education and decreased in the last decade as higher education rates rose.
- International students make substantial expenditures on living expenses while in Australia, the estimated total spent much higher than fees paid.
- International students provide a notable addition to the labour force while studying and significant numbers become permanent residents.

Section 9: Domestic fees and fee-for-service revenues

Domestic student fees for government funded training (figure 1, panel b, private — 2)

The fee revenue raised by public providers was reported up to 2017 (NCVER 2018). They grew close to 7 per cent or \$500 million of expenses of the public system in 2017.

There were no data on fees for publicly funded courses with private providers. Based on private providers' share of publicly funded subjects delivered, they would have received over \$300 million. As such, the total of domestic fees paid for government-funded training might be around \$800 million (figure 1, panel b, private — 2). We do not know how much is paid by employers on behalf of the students.

Domestic fee-for-service (figure 1, panel b, private — 3)

The Productivity Commission (2021, p.157) has noted that fee-for-service activity is largely ignored in evaluation of VET policy. This includes their own annual Report on Government Services³¹.

In 2017, fee-for-service revenues (other) received by public providers was just over \$400 million which was about five per cent of total revenues (NCVER 2018).³² There are no data since for either public providers or private providers.

In 2018, there were over 300 million hours for domestic fee-for-service, less in 2019. This represents somewhat over a third of total hours provided in the VET sector (NCVER 2021e).

For illustration here, we have assumed an average fee of just over \$10 per hour³³ which leads to total fee revenues of \$3 billion. Over 80 per cent is delivered by private and enterprise providers and the rest by public and community providers. We have no information on who pays fee-for-service but assume it is carried by employers and students and we arbitrarily divide it between them (figure 1, panel b, private — 3). We attribute \$800 million to students (double the amount paid to public providers in 2017) and \$2200 million to employers.

31 See the Productivity Commission's website, viewed 16 February 2022, <<https://www.pc.gov.au/research/ongoing/report-on-government-services>>.

32 \$400 million was about 5% of operating revenues of the public system in 2017. Deveson (Training Costs Review Committee 1992) had suggested it would be realistic for 'fee for service' revenues in TAFE nationally to grow from the current average of 4.2% to between 15 to 20% of total recurrent funding within five years' (Shreeve 2018).

33 For an approximation of the average fee per hour we estimated the simple average of the full-fee rate for 203 courses listed at Victoria Polytechnic. It was just over \$12 per hour in 2019.

Key findings in relation to domestic fees and fee-for service:

- There are currently no published estimates of fees paid to public or private providers.
- Estimates of domestic student fees paid to government providers were last estimated in 2017 covered about seven per cent of total expenses.
- Fee for service revenues of public provider covered about five per cent of expenses in 2017.
- Speculative estimates of fees paid to private providers have been made based on the large number of hours of training delivered.

Section 10: Employer training and expenditures

The range of ways employers engage with the VET system was reviewed by Stanwick (2009). Employers have always had a major involvement with training. Their influence on the VET system was much increased by the introduction of competency-based training in the 1990s. Employers have the major input in the development of training packages³⁴.

Employer expenditure on training was a focus of government policy in the late 1980s and early 1990s. The [Dawkins report](#) stressed the importance of training in industry and the need for industry to pay more:

... there is a remarkable degree of agreement about the vital importance of first-class industrial training to ensure a bright economic future and on the assessment that we now fall short of that standard ... A highly skilled and efficient labour force requires training arrangements and institutions that are effective, ensure equitable access and are responsive to change ... The main funding responsibilities of government in funding education and training lie in areas where the benefits to the wider society are greatest. In addition, governments have a particular responsibility to improve lifetime opportunities for disadvantaged groups by providing education and training ... Most of the expansion will occur in areas where the bulk of the benefits flow directly to industry (Dawkins 1988, pp.1-3).

Research had been undertaken on the benefits of employer investment in training. It showed considerable benefits to both employers and to their workers (Long et al. 2000, Stanwick 2009).

The [Dawkins report](#) canvassed the various ways in which industry might pay more for training.³⁵ It concluded the best approach was an 'internal training levy'. Under this scheme the government imposes a minimum training obligation on enterprises which is met by expenditure on a broad range of approved training. Known as the Training Guarantee it required employers with more than 8-10 workers to demonstrate they had committed initially one per cent and then 1.5 per cent of their wage bill to training or pay a levy.³⁶ It was in force from July 1990 to July 1994.

34 Their input is mainly through Industry reference groups which work under the auspices of the Australian Industry Skills Committee and are supported by Skills Services Organizations. Industry Clusters will replace the Industry Reference Committees and the Skills Service Organisations from the start of 2023.

35 Including a proposal by the ACTU (1987) in Australia Reconstructed for a National Employment and Training Fund where the funds would be paid to a central agency and employers would receive a minimum of 80% back. McDowell et al. (2011) made a somewhat similar proposal.

36 There are industry levy schemes set up by employers and enforced by legislation, for example, the Construction Training Fund which is mainly used in additional support of apprentices (McDowell et al. 2011).

The program was unpopular with employers and there was some abuse of what was reported as training expenditures. The funds raised by the levy were very small. After it was abolished, a fairly positive evaluation of the scheme was published by the Department of Employment, Education, Training and Youth Affairs:

Although uneven, the effect of the Training Guarantee was positive. Its main successes (included) the remarkable increase in training activity among medium-sized businesses ... However, it did not generally meet its objective of creating a viable training culture in those areas of industry with no tradition of training, and it failed to bring about any net increase in training opportunities for disadvantaged groups. Its principal weaknesses lay in the looseness of its guidelines, and in its reliance on decision-making at the individual enterprise level (Fraser 1996, vol.1, p.111).

While the Commonwealth Training Guarantee was abolished, the training of adults with an employer contribution is still a relevant issue as noted by the OECD (2019): 'adult learning needs to receive adequate and sustainable funding to function well – with contributions by the government individuals, and firms – as well as governance arrangements that can help countries to make different parts of adult learning systems work well together' (OECD 2019, p.241).

Surveys of Employer Training Expenditure and Practices

To monitor total industry training and the amount of expenditure, the ABS was funded to undertake surveys of employer training expenditures in 1989-90 as the Training Guarantee was beginning and in 1993. After the demise of the Training Guarantee, there were two further ABS surveys of employer expenditure: in 1997-98 and in 2001-02.

For 2001-02, the ABS estimated an employer expenditure, net of subsidies received such as employer incentives, at \$3.7 billion; about the same as government outlay of VET (ABS 2003).

Reporting by employer size and industry, the ABS found that the large proportion of employers providing structured training paid the wages of the employees undergoing training.³⁷ Most paid fees and half paid for training materials.

The ABS did not detail the nature of the expenditures but did identify expenditure on 'dedicated trainers', employees whose main job involved the preparation, administration, presentation and/or assessment of training to other employees'. It was estimated at about 25 per cent of their expenditures.

Estimating recent employer expenditure

Figure 1, panel b included speculative estimates of employer expenditure based on the survey in 2001-02 (ABS 2003). Adjusting the total \$3.7 billion by the CPI we get a figure of \$5.6 billion for 2018-19.³⁸

The spending on dedicated trainers is estimated as \$1.5 billion. Expenditure on domestic fee-for-service training considered above was speculatively estimated to account for \$2.2 billion of employer expenditure. That leaves nearly \$2 billion of the total of \$5.6 billion unaccounted.

37 The wages and salaries paid to workers undergoing training were not included in the 2001-02 survey. This makes it more comparable with expenditures on VET where wages and salaries of students are not included.

38 If the outlay had grown at the same rate as the GDP it would have been considerably higher.

Work-Related Training and Adult Learning

While there are no recent quantitative estimates of expenditure, there are other indications that employer training activity remains very substantial. ABS periodically monitors the extent of formal learning (leading to a qualification) and non-formal learning (structured training or courses not part of an award or qualification (ABS 2017)). ABS defines work-related training as non-formal learning undertaken to obtain, maintain or improve employment skills or to improve employment opportunities. For its 2016-17 Survey of Work-related Training and Adult Learning, reported:

- nearly 30 per cent of employed persons participated in work-related learning as part of their current job
- median hours of the most recent training were 16 hours
- over 85 per cent said they had 'no personal cost incurred for the most recent training' (ABS 2017).

These data show major training activity being undertaken. However, Buchanan (2020) has drawn attention to the apparent decline in the proportions receiving training compared with surveys in 2013 and 2005.

Information is also provided on employer practices by NCVER's two yearly survey of employers' interactions with the VET system (NCVER 2019). While it does not offer information on expenditures, it shows that about 50 per cent of employers use the VET system. TAFE is the main provider for apprentices/trainees. Private providers have the major part in nationally recognised training.³⁹ For unaccredited training, the majority of employers did not use external providers and scarcely any used TAFE.

Britain and the European Union regularly undertake surveys of employer expenditure (Winterbotham et al. 2014; Wiseman & Parry 2017). Smith et al. (2008) argued in favour of a similar survey in Australia while accepting the difficulties in collecting reliable data by employer surveys.

A sign of renewed interest in employer expenditure might be implied in the VET roadmap (Skills Senior Officials' Network 2020). In summary point six, it said 'Government VET investment supports economic and social priorities and complements the investment of industry and learners ... The system features agreed principles for shared investment in VET by governments, industry and learner' (SSON 2020, p.10).

³⁹ Research studies on employer training confirm the greater use of non-TAFE providers than of TAFEs (Smith et al. 2017; Shah 2017a, 2017b).

Key findings in relation to employer expenditure include:

- There have been no estimates of employer expenditure on training since 2001-02
- In 1988, Minister Dawkins stressed the importance of training in industry and introduced the Training Guarantee levy, in effect from 1990 to 1994.
- The need for industry to pay more has been neglected since the mid-1990s.
- Projecting net employer expenditure of \$3.7 billion in 2001-02 gives a recent figure of \$5.6 billion.
- ABS surveys of workplace training confirm that employer training is still extensive.

Section 11: Observations on 50 years of funding

The paper has reviewed funding in a range of areas. It considered the growth in total public funding directed to VET activity, a range of policies affecting the use of those funds and a number of additional specific funds. It also considered private expenditures but with very limited data.

Some changes in funding have been implemented quickly and later abandoned. Some areas of policy concern in the early part of the period have been neglected in later years. The Commonwealth Government has driven several initiatives, but the states have direct responsibility and are often not in step.

Government funding

Government funding expanded rapidly for 10 years after the [Kangan report](#) with rates of growth that now seem phenomenal. Since then, total government funding for VET activity has grown sporadically. There have been short periods of expansion in Commonwealth funding and in some states.

The bigger changes in the last 25 years have been in the use of funds and in some supplementary funds. Many of the changes stem from the Hawke and Keating governments from 1983 to 1996. They placed a renewed stress on VET's contribution to employment as distinct from [Kangan's](#) (Australian Committee on Technical and Further Education 1974) emphasis on lifelong learning. The new approach stressed the role of employers and of market competition, supported by the development of a national vocational system with qualifications based on occupational competencies. Competition, it was argued, would promote efficiency in the production of what employers and students wanted.

User choice

In the 1990s, ANTA led the implementation of 'user choice' which allowed choice of a public or private training provider for the off-the-job training of trade apprentices. Its full rollout was commenced in 1998. The states funded this and they varied in the extent to which they implemented it. While confined to trade apprentices, most of the training remained with TAFEs and 'user choice' received both positive and negative reports. This was the first sizeable public funding available to private training organisations.

Entitlement funding by states to public and private providers

The provision of the regular funds to private providers commenced with Victoria's Training Guarantee in 2009. It provided an entitlement to a subsidised vocational training to at least

certificate III. As discussed in section 4, there was enormous expansion in enrolments and government expenditure, all in private providers. There was considerable waste and fraud and major changes were made to the system from the end of 2011.

Following the 2012 COAG National Partnership for Skills Reform, other states implemented entitlement schemes. They generally avoided the errors of the Victorian roll out. All states except Queensland have since pulled back the provision to private providers. About a third of government-funded students in Australia are currently enrolled with private providers but in Queensland it is heading towards two-thirds (NCVER, 2020b).

State variation in subsidies and fees

There have been several national reports including examples of large and seemingly inexplicable differences among states in the levels of subsidy and policies on fees. It can be hoped that real action will be taken in response to the work of the National Skills Commission.

Employer incentives

The Commonwealth had provided incentive payments to employers of trade apprentices from 1973. They were extended in the early 1990s to traineeships which had been introduced from the late 1980s.

Incentives were extended to existing workers in 1998. It led to a massive expansion in existing-worker trainees who, in many cases, received little training. Following a review (McDowell et al. 2011) the Gillard government withdrew incentives in 2012 and 2013 for most existing worker traineeships.

This led to a large reduction in the numbers of trainees especially in female-dominated clerical and sales areas. Australia had attempted through traineeships to capture the benefits of the German-dual-system in non-trade areas. It was at best only partially successful.

Further support for trade apprentices was provided in 2019 for employers of trade apprentices in 'identified skill shortage areas'.

Virtually all major reports on VET have concluded that the funds used for employer incentives for trade apprentices could be used more effectively and equitably.

Other support for trade apprentices

There are a range of other ways in which the assistance for trade apprentices is greater than for other VET students including the larger subsidy for off-the job training in some states. The Living Away From Home Allowance provides substantial support and so too do Trade Support Loans. A comprehensive evaluation of the various funds and subsidies seems desirable.

Commonwealth student loans

VET FEE-HELP, an income contingent loan scheme, operated from 2009 for diploma and higher-levels linked to university entry. It was extended under a COAG agreement in 2012 to virtually all diploma and higher-level students and providers. States were to share pro-rata in the impairment costs.

It wasted billions in dollars and student time. Fraud levels were very high. Over half the nearly \$3 billion outlay in 2015 went to 10 now defunct private training organisations. A substantial proportion of VET FEE-HELP debt has been cancelled.

The bungled roll-out of VET FEE-HELP is in sharp contrast with the higher education HECS scheme introduced relatively painlessly in 1989 and still confined to government funded places, nearly all in public universities and with set fees⁴⁰.

VET FEE-HELP was replaced in 2017 by VET Student Loans which are restricted to approved providers and courses. Outlays were about a tenth of the highest VET FEE-HELP outlays. Public providers have received most funds.

Income support for full-time students

An early action of the Whitlam government in 1973 was to introduce means tested grants for living allowances to full-time tertiary students including vocational students and these are still provided as Youth Allowance (Student), Austudy and ABSTUDY.

When national goals for VET were agreed in 1992, they included 'Opportunities and Outcomes for Individuals'. Income support was listed among its objectives (Department of Employment, Education and Training 1992, p.6). However, income support does not feature in more recent statements of goals and is not considered in recent reports on VET. Some income support additional to the Commonwealth's means tested allowances is provided: directed to trade apprentices through Trade Support Loans, Living Away from Home Allowances and some state benefits.

Private funds

We have little data on private expenditure on VET. Speculative estimates were included in the paper to draw attention to its importance.

Employer training expenditure

Some indication of the extent to which workers receive structured training and employer support for it is provided by ABS and NCVER's bi-annual Survey of Employer Use and Views. However, there are no estimates of employer training expenditure.

This paper has included speculative estimates of employer expenditure based on the estimates for 2001-02 when it totalled about the same as government funding of VET.

Employer training now gets little consideration in VET policy and research. It was quite different 30 years ago when a major policy initiative, the Training Guarantee, was introduced as discussed in section 9.

Domestic student fees and domestic fee-for-service

Student fees in government supported training in public providers were reported to 2017 but there was no data on the fees for government-funded courses provided by private training organisations.

We currently have very little identifiable data on fee-for-service receipts but based on the nearly 300 million hours of training delivered, the expenditure is clearly substantial and speculative estimates were included in Figure 1b.

⁴⁰ It also contrasts with Fee-HELP, the loan scheme for full-fee higher education students which has not experienced the trauma of VET FEE_HELP, viewed 16 February 2022 <<https://www.studyassist.gov.au/help-loans/fee-help>>.

International students and fees

Full-fee international students were permitted from the late 1980s. The enrolments surged from 50 000 in 2005 to 200 000 in 2010. A major reason was easy access to permanent migration for occupations in demand. Fraudulent provision of qualifications occurred.

Changed migration rules led to a sharp fall in numbers but easing visa conditions have seen numbers surge again to a record level of 300 000 enrolments in 2020 and a fee income of \$2.1 billion, though there is some recent indication of poor-quality provision.

Implications for the goals of VET

The Steering Committee for the Review of Government Service Provision / Productivity Commission in its annual reports and its recent review of the National Agreement for Skills and Workforce Development, considers the outcomes of the VET system in relation to national goals and the various approaches to improving outcomes. We are not attempting this here but make comments on the effects of particular forms of funding on aspects of quality, employment and equity.

Quality

VET FEE-HELP led to the biggest rorts. However, also distorting the purposes of the VET sector were the rorts with migration, especially between 2005 to 2010, incentives for existing workers from 1998 to 2012 and the Victorian entitlements scheme from 2009 to 2012.

There is no consideration in the Steering Committee for the Review of Government Service Provision / Productivity Commission's annual reports of the effects of the fast expansion and then contraction of funding on the teachers employed and the quality of the courses delivered. Many of the commentators on the current system argue the need to include independent assessment, a broadening of the VET experience beyond present training packages and broadening of the qualifications for VET teachers (Wheelahan 2019; Karmel 2021).

In its annual reporting the Steering Committee for the Review of Government Service Provision / Productivity Commission provides measures of progress against the objectives for VET, including quality, but it is badly hampered in the indicators used and the data available (acknowledged in Productivity Commission 2021).

Employment

Employment is a key goal for VET. The change in the 1990s most related to this goal is basing vocational courses on the competencies identified by employers.

It is disconcerting that student outcomes data show that, except in the trades and some specialist areas, only about a quarter of qualification completers are employed in the occupation of their training package, though a considerable number who are employed in other occupations found their training of relevance (Karmel, Mlotkowski & Awodeyi 2008, NCVET 2021a). The critics of training packages argue that courses could be developed to address a cluster of occupations and be more concerned with underpinning knowledge. It would give students more options and increase the flexibility of the workforce.

Equity

Concessions or waivers in fees and loading of subsidies are provided for equity groups including Indigenous people, persons from remote areas and persons with disability (Productivity Commission 2021, Appendix C). There are foundation programs and programs for job seekers. There are equity provisions within the employer incentive schemes, for example, for persons with a disability and mature age persons.

Income assistance through Youth Allowance, Austudy and ABSTUDY are provided for full-time students subject to income tests but little is known of the effectiveness.

As discussed, a great deal more is spent on trade apprentices relative to other VET courses. A justification is that the employment outcomes are relatively good and they are often in shortage areas. The fairness and effectiveness of this support needs much more attention.

At least some of the faults of the VET system considered in this paper impacted heavily on equity groups. For example, under VET FEE-HELP, Indigenous students had the highest rate of growth in enrolment in the period 2012 to 2015, paid the highest tuition fees (often five times the full price in NSW TAFE) and had the lowest completion rates among overall very low rates (Australian Government 2016, Tables 1-4).

Some recent NCVET research in VET points to providers which are relatively effective for equity groups. These include community education providers and group training companies (O'Dwyer & Korbel 2019; O'Dwyer & Mihelic 2021). Lamb et al. (2018) showed that large and stable VET organisations can build long term community relations and be more successful with disadvantaged communities and students.

Disadvantaged school leavers and adults, if in tertiary education, tend to be in VET and not in higher education and yet, the higher education sector has a dedicated centre for research in equity that includes a program for academic research grants and research fellows (National Centre for Student Equity in Higher Education 2020). An equity-focused body previously existed to service VET, NVEAC (2009-2014). Its role was to provide independent advice to the Ministerial Council for Tertiary Education and Employment on how disadvantaged learners can achieve better outcomes from VET. It would seem easy to justify a body for equity in the VET sector as large as that serving higher education.

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