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Reforming vocational education: it's time to end the exploitation of vulnerable people

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Thousands of students are being signed up to courses that they have little or no chance of completing. from www.shutterstock.com

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Australia's vocational education sector is a mess.

Tightening regulation and tweaking some of the settings will contain the damage, but these measures alone will not address deeper problems in the sector.

Real, sustained improvement requires rethinking the funding and regulatory models but also the purpose and idea of vocational education.

How the business model works

There is [clear evidence](#) of rorting and rent-seeking in the vocational education and training (VET) sector.

The behaviour of some training providers, agents and brokers is nothing short of

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despicable. Thousands of students are being signed up to courses that they have little or no chance of completing.

The business model is fairly simple:

- Register as a training provider and ensure your students have access to [VET FEE HELP income-contingent loans](#).
- Sign up as many students as possible for single or double diplomas.
- The student takes on a VET FEE HELP loan to defer payment of course fees.
- The training provider receives the VET FEE HELP payment from the government.
- As long as the student is enrolled beyond the census date, the training provider is paid.
- Even if the course is never started, the provider will receive funds from the government and the student is liable for the debt.

Chasing the dollar

This has given reprehensible providers a stream of revenue without the expense or trouble of providing much in the way of education.

Fees have grown, with a number of providers charging [over \\$10,000](#) for a diploma.

The figures are staggering. A [total of \\$2.4 billion](#) in VET-FEE HELP was paid to training providers in 2015 (up to November 15), a big increase from \$1.7 billion in 2014.

Yet graduation rates for many providers were abysmal, [well under 10%](#).

Other providers do graduate their students, pushing them through qualifications in [improbably short times](#). The approach has been described as [“tick and flick”](#).

In Victoria alone, around [9,500 qualifications were revoked](#) in one year.

The suggestion that [payment should be shifted](#) from when a student starts a course to when they complete it will not prevent the rorting, although it may force some providers to at least go through the motions of offering an educational program.

This outcome was predicted

Some shake their heads and say that no one could have foreseen what has happened. But it was predicted.

Prominent [academic Leesa Wheelahan](#) consistently argued that the reforms would



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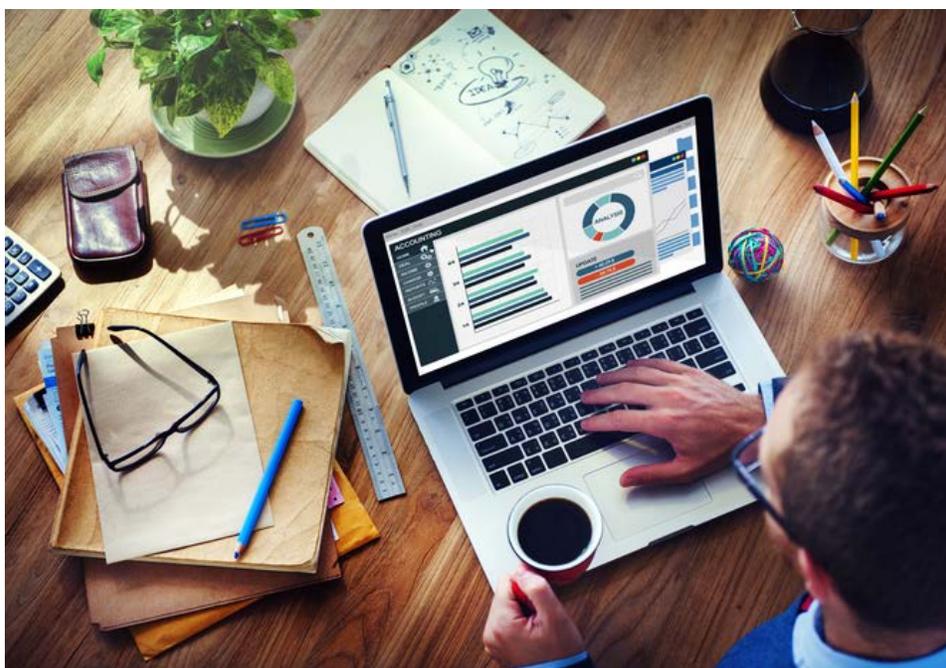
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result in a **race to the bottom**. Others expressed similar views in the media and within the sector.

The **TAFE institutes have been hit hard**, with a significant reduction in market share. Conditions are also difficult for any **private operators with a genuine commitment** to vocational education when competitors offer quicker, easier qualifications.



There is evidence that course providers are still using incentives, such as free laptops, to recruit students. from www.shutterstock.com

How have governments responded?

Governments have taken **some action**. Training providers are **no longer permitted to provide incentives** such as laptops and iPads, although there is **evidence the practice has continued**.

Providers will no longer receive up-front payment for the whole course. Funding for the loans **has been frozen**.

The Department of Education and Training is **preparing to receive loan applications** rather than leaving the training providers to process these.

These initiatives are to be applauded.

Key government reviews into funding, quality and the private training providers have also been undertaken. The extent of their impact on government policy is still emerging.

Alternative options being considered

Other options are being debated across the sector. These include risk-based approaches to regulation of providers and/or qualifications.

It has been suggested that students [should be charged a minimum fee](#) so they have “skin in the game”.

Questions are being asked about the wisdom of allowing the same organisation to train, assess and issue a qualification.

There is interest in finding reliable ways of distinguishing between providers that seek to deliver high-quality education and training, from operations seeking to milk public funding.

There is also [renewed interest in the practice of teaching](#), which has been marginalised over the past 30 years.

Significant profits have been extracted but scrutiny from various regulatory bodies and the media has had an impact.

A number of large training businesses are in serious trouble. [The Vocation group has folded](#) and Australian Careers Network's [shares have been suspended](#) since October. More will follow.

How did we get here?

The current situation has been built by layers of reform intended to create a vibrant, responsive sector that provided greater choice and flexibility for students.

The Council of Australian Governments (COAG) [agreements](#) in 2009 and 2012 led to the implementation of demand-driven training systems across Australia.

The idea was to give students greater choice and make providers more responsive to students and employers.

Victoria was the first state to implement the reform. Rapid growth in subsidised training rather predictably led to a massive budget blowout.

The government's commitment to the market model was ironclad, leaving adjustment to the subsidy or funding rates as its only response.

A dramatic cut in May 2012 was followed by other significant reductions. Other states followed, introducing variations of the Victorian model, all hoping to avoid the pitfalls.

The lack of certainty encouraged providers to [game the system](#) and direct students into the courses that attracted higher levels of subsidy. In some cases this was a matter of survival. This problem was compounded once access to VET FEE HELP was expanded.

Longer-term shifts in the sector have also impacted the quality of vocational education.

The marginalisation of teaching, which is starting to be reversed, is one factor. Another is a form of outcomes-based education that does not recognise development and growth and is [stripped of the knowledge](#) we need for employment and citizenship. This raises fundamental questions about the purpose and function of vocational education.



Quality of vocational courses is a key concern. from www.shutterstock.com

Key issues

One of the problems with a market in education is that only after the course has been completed can the quality of education and training [be assessed](#).

Another issue is that the vocational education market is based on flawed assumptions about the way we form preferences and make decisions.

There is a [body of research](#) that demonstrates that we do not operate as rational economic agents. We are all influenced by the way options are framed. Our preferences are not fixed. Our assessment of risk is shaped by our circumstances, particularly the opportunities available to us and the timing of any [rewards and costs](#).

These findings challenge the assumptions underpinning user-choice policies.

Choosing a VET course is complex. There are five levels of qualifications, thousands of providers and specific rules about entitlement to government subsidy and VET FEE HELP loans.

A number of [research projects](#) are examining young people's choices about study and work. It is apparent that the difficult circumstances some face limit the meaningful opportunities available to them.

The behaviour of providers and agents that exploit the hopes of people seeking to improve their prospects should continue to be exposed and condemned. But we also need to examine fundamentally flawed funding and regulatory models that allow and reward the exploitation.

Looking forward

Measures to control VET-FEE HELP will rein in the worst excesses.

Some operators will leave the sector. Others are reviewing their policies and practices. Hopefully governments will act on recommendations such as those produced by the [Victorian VET Funding Review](#).

However, considerable risks remain when there is pressure to extract a profit and limited opportunities to cut costs without compromising the quality of provision.

This is compounded when students are unable to judge the value of their course until it is too late.

Politicians, policymakers and commentators need to ask whether the market can deliver what was promised by reforms in this sector and by the recently adopted [competition policy](#).

We also need to reconsider the type of vocational education developed and delivered in Australia.

[Some researchers](#) argue for a more coherent approach to vocational development. Qualifications will be organised within broad vocational streams such as engineering or care work. Social partners will play a role in identifying the capabilities that will underpin qualifications. Courses will be designed to develop the knowledge, skills and attributes a person needs to work in their vocational stream.

In this way people will be prepared for a career, not just for a job that may be transformed or disappear. The approach is designed to build trust in the quality and relevance of qualifications.

A system that demands robust vocational education will not be attractive to those focused on extracting excessive profits.

Wasting public funds is a serious matter, but more troubling is the trashing of the vocational education system and the exploitation of vulnerable people.

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