Funding, participation and quality in VET

Gerald Burke

Monash University

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Abstract

The purpose of the paper is to present estimates of changes in the funding of VET and to consider the relationship of funding to participation and to quality. The focus is Australia over the last fifteen years, and the broad context is the commitment of Commonwealth and state governments to the expansion of VET but at lower cost in a more competitive market with greater involvement of the private sector.

The paper presents funding data in real terms by discounting for price changes. It relates funding to information on participation and on quality. It draws on studies by academics and government agencies and uses recent data from the Productivity Commission, the National Centre for Vocational Education Research (NCVER), Australian Bureau of Statistics (ABS) and Australian Department of Education and Training.

Conclusions include:

· the long term decline in real funding per hour in VET has continued
· the VET sector fares badly compared with schools and higher education
· participation changes in part are due to funding changes
· quality changes in part are attributable to declining real funding per hour of training
· quality changes are associated with the expansion of funding to private for-profit providers without adequate assurance of their assessments.

Introduction

This paper considers changes in VET funding and the relation of funding to domestic student participation rates and to the quality of training. It does this by analysing data and studies from a range of government authorities and researchers. Attention is given to the quantity of funding but also to the extension of government funding to private providers, and entitlement funding with the removal of caps on the number of places. These matters may be associated with participation and with quality.

Background

The Australian National Training Authority (ANTA) agreement of 2002 between states and territories included setting up ANTA and an annual boost in funding from the Australian government from 1992 to 1997 with the states required to maintain their effort. When the growth funding stopped a new agreement used the phrase ‘Growth through efficiencies’ to require the states to continue to expand VET in return for the Commonwealth maintaining the funding at the 1997 level. In later years of the Howard government up to 2007 some schemes boosted VET spending, such as the Australian Skills Vouchers program, which provided funding direct to public and
private providers. A very large increase was made to Australian government funds 2009 to 2011 through temporary capital grants, the Productivity Places Program, with payments direct to providers, and national agreements with state governments. But Australian government funds have fallen back a little in more recent years.

Some, but not all, Australian government grants to the states are adjusted for inflation. Since 1996 this adjustment has been at a rate well below the changes in the Consumer Price Index (CPI) and even that tends to rise less than wage rates. Higher Education funding by the Australian government was adjusted in the same way as VET funds prior to 2012 but it is now to have its funding adjusted by CPI. There has been no such change proposed for VET.

The aims of the first ANTA agreement included promoting:

- an effective training market, with public and private provision of both high level, advanced technical training and further education opportunities for the workforce and community generally
- an efficient and productive network of publicly funded providers that could compete effectively in the training market (Goozee 2001).

ANTA wanted to encourage competition to better satisfy the clients and to reduce costs of delivery. The most notable way this was done was ‘User Choice’ whereby employers could choose the Registered Training Organization (RTO) to deliver and assess the training of apprentices and trainees. The state then funded the public or private provider chosen. In some states there were restrictions on the extent to which private providers could be chosen.

Most Australian government funds are passed to the states to be allocated to providers, though as mentioned, some Australian government programs such as Skills Vouchers and Productivity Places bypassed the states and funded public and private providers directly.

Within the states there was some extension of the choice of public or private provider beyond User Choice but the major development was in Victoria with its introduction, fully implemented in 2011, of an open-ended, student entitlement system. Under this all students were entitled to a government supported place with some restrictions such as that the qualification sought should be at a higher level than already held. The students could choose a public or private provider. The new scheme led to a massive expansion in government funding, virtually all to private providers. Funding was reduced from mid-2012 by cutting the funding rates for many courses following the deregulation of fees (though maintaining additional subsidies for disadvantaged up to Certificate IV level).

The deregulation of fees in Victoria could be seen as the final reversal of a policy to abolish fees in tertiary education brought in by the Whitlam government in 1974. A small fee was introduced in higher education by the Commonwealth in 1987 but more substantial fees in 1989 along with HECS loans. In the VET sector fees have gradually been introduced. VET fees were at very low rates until recently with domestic student fees on average raising only about five per cent of total VET revenues.
Overall, VET participation rates expanded in the 1990s, stagnated in the 2000s and expanded rapidly for a few years from 2009. The participation of equity groups tended to expand in the years of rapid overall expansion of student numbers.

When VET was very largely provided by TAFE there was criticism of its responsiveness and relevance and to some degree of its cost. There was less criticism of the quality of the courses provided. Broader concerns about quality came to the fore with the rapid expansion of international students in VET very largely with private providers in the years to 2010. A key driver of the expansion was the almost automatic access that a range of courses gave to independent skilled migration and then to permanent residence. The tightening of migration rules led to a sharp fall in international students. For domestic students quality issues arose especially with the move to entitlement systems where the expansion was largely with private for-profit providers.

**Method and data**

The paper draws on other studies and analyses (e.g. Burke 2015 a & b, Noonan et al. 2014). For data on spending and participation the main sources are National Centre for Vocational Education Research (NCVER) and the analyses made by the Productivity Commission. For quality there are a range of sources but in particular reports by the Productivity Commission.

For funding data the annual spending in current prices is converted to real value by discounting for price changes. The discounting method chosen can have a substantial effect on the estimates. The issues are discussed in Burke and White (2003). The Productivity Commission uses the Chain Price Index of the GDP which in recent years has been particularly affected by changes in minerals’ prices. The Chain Price Index showed no increase in 2013 whereas the Consumer Price Index rose by over two per cent.

The consideration of funding concentrates on the funds for the delivery of training largely in publicly supported training. There are other elements of funding affecting VET students which can have particular effects on participation and quality and need to be considered further in a larger study. They include:

- variations in the rate of public funding by field of study and level of course with effects on the distribution of student numbers
- fee subsidies for the disadvantaged—these are provided for courses up to Certificate IV but the extent varies across states and territories
- income contingent loans largely to diploma and advanced diploma students—the volume of such loans expanded greatly in the last two years
- provision of Youth Allowance, Austudy and Abstudy for full-time students who meet means tests—the age for eligibility independent of parents was reduced to 22 in 2012 and the income test eased but early reports suggested little effect on the number of VET students assisted
- provision of incentives to employers of apprentices and trainees—the incentives have recently been restricted to areas identified as skill needs impacting particularly on the number of trainees assisted
additional learning support for less advantaged persons—examples of this can be cited for major equity groups but comprehensive information is not available

regulation of fees—this varies across states with Victoria removing all restrictions in 2012

funds from international students—most are received by private providers so the impact on publicly funded VET may be limited.

It is difficult to get adequate data on several of these elements of funding. It is also difficult to isolate their single or collective impact as distinct from the aggregate financing arrangements. A larger ongoing study is needed

Findings and discussion

Funding

Figure 1 shows the total revenues of the Australian VET system as reported by NCVER. These are in ‘real terms’, in constant prices. The revenues include all the public and private revenues of public providers but only the public revenues of private providers. Overall there was little growth in funding 2003 to 2007 followed by growth to 2011. It was 20 per cent higher by 2013 than in 2001.

Figure 1. VET revenues, Australia, 2003 to 2013 $ million, 2013 prices

Source: NCVER 2014a and ABS 2014

Commonwealth funds grew considerably in 2009 but have fluctuated since. State funds had a remarkable surge in 2011, sustained in 2012 but falling in 2013. Fees and charges including earnings from contract work and international students steadily increased to over 20 per cent of all revenues. Victoria’s new entitlement scheme was largely responsible for the leap in state funds. Victorian government funding was over $600 million higher in 2012 than in 2010, an increase of 65 per cent. It was cut back by over $300 million in 2013.
Government funding for the VET system is allocated usually on hours of training delivered. Figure 2 shows the changes in funding per hour of government funded training delivered. It shows that there has been a very large decline in real funds per hour of training and that there are large differences among the states. Whereas the rate per hour for Australia as a whole fell by 25 per cent from 2004 to 2013, it fell by 10 per cent in Queensland, 34 per cent in Victoria and over 40 per cent in South Australia.

**Figure 2. Government recurrent expenditure per annual hour of training, 2013 prices**

Over the whole period from 2004, but concentrated in the period from 2008, total real funding from all sources grew 20 per cent (Figure 1). Student numbers grew 10 per cent. So funding per student was approximately 10 per cent higher in 2013 than in 2008. To reconcile this with the data in Figure 2, which showed a sharp decline in expenditure per hour of training, it is necessary to consider the total hours delivered which increased far more than the number of students. Overall, the number of hours of training per student is over 30 per cent higher than a decade ago.

Table 1 shows that the increase in hours per student in the last few years largely occurred with private providers. The number of students in TAFE fell some seven per cent 2009 to 2013 but the total hours of training provided remained at 2009 levels implying a growth of about seven per cent in hours per student. For private providers the number of students increased about 100 per cent but the hours by 200 per cent implying a growth approaching 50 per cent in hours per student.

Hours per student can increase because a student enrols in more than one course in a year or the hours per course increase. Analysis for Victoria shows that the number of course enrolments per student has risen in both TAFE and private providers in recent years. For private providers there is also a considerable increase in hours per course enrolment. This needs to be analysed further.
### Table 1. Provider type by number of students and hours of delivery, Australia, 2009–13, '000

<table>
<thead>
<tr>
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<th>2009</th>
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<td>Number of students</td>
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<tr>
<td>TAFE and other Gov’t</td>
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<td>1299</td>
<td>1248</td>
<td>1258</td>
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<td>267</td>
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<tr>
<td>Index</td>
<td>100</td>
<td>130</td>
<td>181</td>
<td>206</td>
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| Number of hours of delivery |       |       |       |       |       |
| TAFE and other Gov’t        | 368291| 375877| 367500| 381717| 368527|
| Index                       | 100   | 102   | 100   | 104   | 100   |
| Other registered providers  | 52221 | 78399 | 126243| 155222| 153963|
| Index                       | 100   | 150   | 242   | 297   | 295   |

Source: NCVER 2014b

Figure 3 shows for 2004 to 2013 the changes in funding to non-TAFE providers for Australia and Victoria. For Australia the funds provided increased about $900 million in real terms. The public funding of non-TAFE providers represented 25 per cent of government revenues in 2013 compared with less than 10 per cent in 2009. Over two-thirds of the increase in funding of private providers for Australia 2009 to 2013 was in Victoria. The proportion of government funds allocated to non-TAFE providers in Victoria had risen from around the Australian average of 10 per cent in 2009 to nearly 50 per cent of government funding in 2013. For comparison the proportion in South Australia in 2013 was a little under 30 per cent and in NSW under 10 per cent.

Figure 3. Government recurrent payments to non-TAFE providers 2004 to 2013, Australia and Victoria, 2013 dollars ($million)

Source: NCVER 2014a, ABS 2014
Funding of VET compared with schools and universities

The considerable fall in funding per hour of training delivered in VET was shown in Figure 2. Table 2 for the period 1999 to 2011 shows that only the VET sector experienced a decline in funding. Real government funding per school student continued to rise over a long period. For higher education the funding was a little higher at the end of the period.

Table 2. Real government recurrent expenditure per student for schools and higher education and per hour of training for VET, Australia 1999 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Government secondary schools</th>
<th>VET</th>
<th>Higher education</th>
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<tbody>
<tr>
<td>1999</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>2005</td>
<td>118</td>
<td>93</td>
<td>101</td>
</tr>
<tr>
<td>2011</td>
<td>120</td>
<td>75</td>
<td>103</td>
</tr>
</tbody>
</table>

Source: AWPA 2013 p.131

For government schools and higher education index is for or equivalent full time student. For VET it is per hour of publicly funded training. Data in constant prices using the GDP chain price index. (Indexes 1999=100)

Participation

Indexes of the number of domestic students participating in VET and higher education from 2001 to 2013 are shown in Figure 4. In VET the number was at the same level in 2009 as in 2001. It rose rapidly in the three years to 2012. In 2013 it was about 10 per cent higher than in 2001. In contrast student numbers in higher education experienced some growth in the early part of the decade and were over 10 per cent higher by 2008 than in 2001. Then really rapid growth set in. By 2013 the number of domestic higher education students was 45 per cent higher than in 2001.

Figure 4. VET and higher education domestic students, Australia 2001 to 2013

Source: NCVER 2014b and Department of Education and Training 2015

Table 3 provides data on the characteristics of the VET student population and includes for comparison similar data for higher education. The table shows that two
thirds of domestic postsecondary students were in VET in 2010. Some 85 per cent of the VET students were part-time compared with 30 per cent in higher education. VET had many older students with 20 per cent aged 45 or over compared with 6 per cent of higher education students. Much higher proportions of VET students were Indigenous, had a disability, were from outside the major cities or were male. There were nearly 700,000 domestic students from the lowest two SES quintiles in VET compared with less than 200,000 in higher education. The lowest SES students in VET tend to be disproportionately in the lower level courses.

Table 3 shows participation in 2010. But as shown in Figure 4, overall numbers in VET grew in the years 2009 to 2012 and outpaced the growth in population implying a higher participation rate. The experience of equity groups within VET indicates that most maintained or somewhat increased their shares of student numbers in the last decade. The Productivity Commission (2015) provides data on:

- Aboriginal and Torres Strait Islander people
- people from remote and very remote areas
- people with disability and
- People speaking a language other than English (LOTE) at home.

| Table 3 Students by sector and demographic characteristics, Australia 2010 |
|-------------------------------------------------|--------|--------|
| Total students including international '000    | 1,799  | 1,193  | 2,992  |
| Students as % of Australian population aged 15 to 64 | 12    | 8     | 20     |
| Domestic students                               | 1753   | 845    | 2598   |
| Domestic students in two most disadvantaged SES quintiles '000 | 691   | 191    | 882    |
| Bachelor degree or higher                       | -      | 86     | 37     |
| Diploma, advanced diploma and associate degree | 13    | 7     | 9      |
| Certificate                                     | 67     |        | 40     |
| Other                                           | 20     | 7     | 13     |
| Female                                          | 47     | 56     | 51     |
| Part-time                                       | 85     | 30     | 63     |
| Indigenous                                      | 5      | 1     | 3      |
| With a disability                               | 6      | 3     | 5      |
| Main language at home Non-English               | 15     | 17     | 16     |
| 25 and over                                     | 57     | 37     | 49     |
| Major cities                                    | 56     | 77     | 63     |

NCVER 2012 as included in Burke 2015a. Note there is not a more recent edition of this publication.

*Most international students in VET are enrolled with private providers and not counted in the NCVER data. Over a third of international students in higher education are *off-shore* studying with overseas campuses or partners of Australian universities.

The participation rate of 15-64 aged Indigenous persons are much higher than for the non-Indigenous. The rate had increased from around 15 per cent in 2004 to 17 per cent in 2013, though it had fallen a little in 2013. VET has had notably higher
participation rates among persons from remote and very remote areas than in closer regional areas or the cities. However, the data reported by the Productivity Commission suggest a recent small falling away in the remote areas with much of the recent lift in student numbers in the cities. Persons reporting a disability increased their proportion of publicly funded VET students markedly in the years 2009 to 2013.

‘Persons speaking a language other than English at home’ is overall not a good indicator of disadvantage. Analysis focussing just on those which they classified as considered vulnerable was reported by Rothman et al (2013 p.62).

The average rate of participation in VET across all these communities (22%) is much higher than in the overseas-born population as a whole (6%) and in the Australian-born population (11%). The rate however varies substantially across the communities, ranging from 53% in the Bhutanese community to 14% in the Iranian community.

Surprisingly, given its importance in analyses of equity in higher education and schools, the Productivity Commission was not asked to report on participation by socio-economic status (SES) groups. However, other data available from 2006 to 2011 show a constant proportion of VET students from the lowest SES quintile (Rothman et al 2013). More recent data needs to be analysed on this characteristic.

A simple conclusion on the effects of funding on participation is that aggregate participation rises with an increase in total real funding. Participation among equity groups considered also tends to be higher in the years of growth in funding though this is not quite so evident with socio-economic groups. However if an equity group at least maintains its share of student numbers then an overall expansion of the system will mean more students from less advantaged backgrounds are participating.

Quality

There are many dimensions to quality. One area is the extent to which providers deliver to the standards required the courses and the completion rate of those courses. A broad aspect of quality is the extent to which the student achieves the vocational or other outcomes sought.

The large majority of graduates from VET have expressed satisfaction with their courses and the work-related benefits and this has changed little over time (NCVER 2013b). However, there was a notable decline in employer satisfaction from 2011 to 2013. Employers agreeing that ‘vocational qualifications provide employees with the skills they require for the job’ decreased six percentage points to 78 per cent (NCVER 2013a). Completion rates though rising remain quite low in VET at about 36 per cent though there is considerable variation by course level and field and by age of students.

In VET, funding constraints have been one of the factors leading to a reduction in face-to-face teaching and to casualisation of the workforce. The Productivity Commission (2011c, p.31) estimated that ‘about 60 per cent of trainers and assessors in TAFE, and 36 per cent in the non-TAFE sector, were employed on a non-permanent basis, compared to 25 per cent of the wider labour market in Australia’. The increasing use of online delivery may lead to economies in some courses and
for some groups of students and therefore offset the reduction in funding. In the short-
term at least it does not appear to have done this.

Market competition which was to be stimulated by the extension of funding to private
providers can be effective in increasing responsiveness to needs and in reducing costs
and therefore offsetting reductions in funding. Competition is most effective when
there are sufficient numbers of buyers and sellers and good information which will be
supported by developments in My Skills. However, perhaps due to the way it has been
introduced, the benefits of competition are not yet clearly evident. Given the
difficulty, particularly for young persons in assessing the quality of the offerings
which are to have benefits in the future, effective regulation of key aspects of quality
such as assessment will remain essential.

Complaints about poor quality provision emerged strongly with the then rapid
expansion of international students in the period to 2010 (Knight 2011). More recently
the complaints have related to provision to domestic students. The Productivity
Commission has raised this in a number of reports, for example on training for aged
care:

Although standards for the delivery of vocational education and training
(VET) courses exist, it would appear that they are not being adequately
monitored. As such, it would appear that the national standards for the
registration and auditing of RTOs should be more rigorously enforced by VET
regulators to ensure quality and consistency in course delivery and student
outcomes. (Productivity Commission 2011a, Vol 2 p.376)

In response the Australian Skills Quality Authority (ASQA) undertook a major review
of training providers for aged care. A large majority were found to be initially non-
compliant. Many programs were too short to enable students to become competent.
There was a lack of assessment in a workplace and a failure to ensure valid
assessment of essential skills and knowledge (ASQA 2013).

Australia is remarkable in that a newly registered provider can proceed to awarding a
qualification without requiring external independent supervision of the assessment
leading to the award of a qualification. Exceptions to this are occupations such as
electricians and plumbers which require assessment by an industry body for a licence
to practice. The OECD review of Australian VET (2008) argued for standardised
assessment to ensure consistency. In England awarding bodies develop and award
qualifications that are delivered by training providers and the awarding bodies in turn
are regulated by Office of Qualifications and Examinations Regulation (Ofqual
www.gov.uk/government/organisations/ofqual). In Germany

Enterprises and vocational schools conduct training, but the Chambers
(Competent Bodies) are responsible for holding examinations. To this end, the
Chambers have to set up examination committees for each occupation which
comprise at least three members (one representative each of employers and
employees and a vocational schoolteacher). The examination certificate is
issued by the Chamber. The structure of examinations is laid down by
individual training regulations which are applicable nationwide and specify a
uniform standard (Hippach-Schneider and Toh 2009 p.31).
Skills Australia (2011) recommended that there be independent external validation of assessments and the trialling of this was required under the National Partnership Agreement among the national and state governments (COAG 2012, AWPA 2013). The requirements for validation of assessment have been strengthened in several ways in the new standards for providers (ASQA 2015). This includes Clause 1.11 which requires:

systematic validation of an RTO’s assessment practices and judgements is undertaken by one or more persons who are not directly involved in the particular instance of delivery and assessment of the training product being validated …

However this does not appear to require that the validation is by persons external to and fully independent of the provider. There are costs involved in an external assessment procedure but they may be small compared with the costs of poor quality provision.

Conclusions

Some key points presented in the paper are listed here with brief discussion.

On VET funding:
• total funding was flat in the early years of this century, had a rapid increase for a few years from 2009 but may be level or falling now
• the long-term decline in real funding per hour in VET has continued
• there are very large differences among the states in funding levels and provision of funds to private providers
• part of the extra funding has been for an increase in hours per students
• VET public funding has declined compared with schools and higher education

On participation:
• VET provides for many more of the less advantaged than higher education
• when funding rose participation rates rose
• Indigenous students are very well represented in VET and their rates of participation have increased as have those for persons with a disability
• participation of persons from remote areas though high has recently fallen
• students from low socioeconomic status do not seem to have improved their share of enrolments but their numbers rose at the same rate as real funding

The relationship of funding to quality seems obvious when it leads to rapid increase in student numbers, larger classes, reduced hours of delivery and to employment of less qualified and casual teachers. It is possible however that developments in online learning in some cases may enable quality to be delivered at reduced cost. Ongoing analysis is needed here.

Australia does not have fully independent validation of assessment leading to the award of a qualification. Approaches such as those in Germany and England need close consideration. The introduction of open-ended funding of private providers before effective quality-assurance of assessment procedures left the system open to fraudulent providers.
References


