



Response to the Senate Inquiry:

The operation, regulation and funding of private vocational education and training (VET) providers in Australia.

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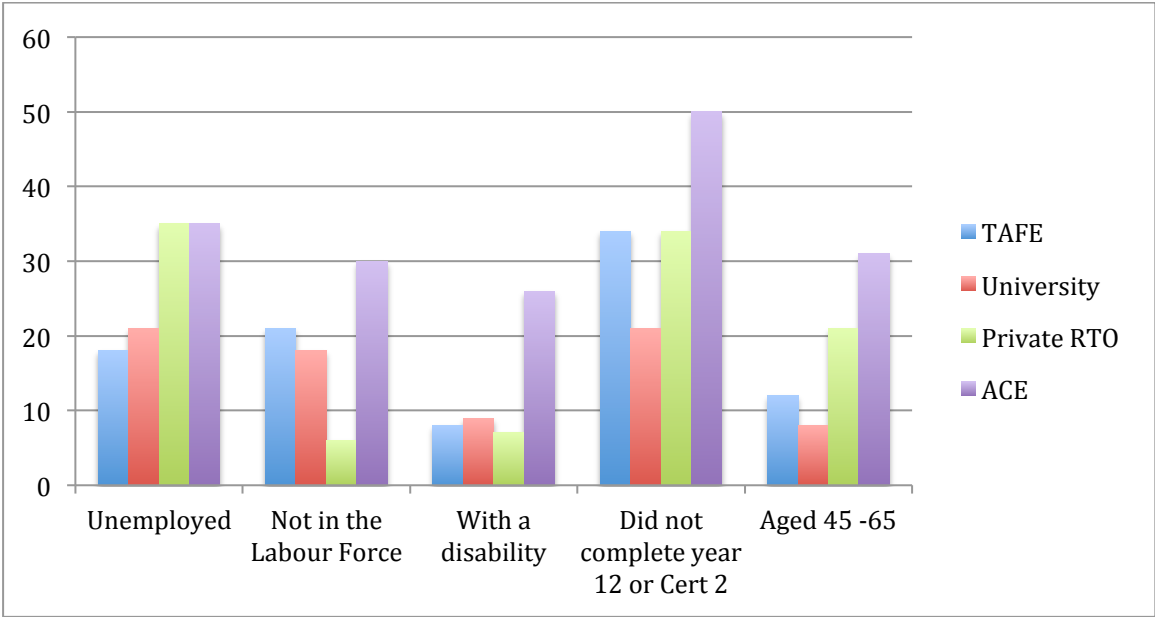
Context of our Response

Adult Learning Australia is the peak body for Adult and Community Education (ACE) in Australia with members in each state and territory of Australia. Our mission is for equitable access to lifelong and lifewide learning for all Australians. As a result, our particular interest in is adults who are missing out on opportunities for education and lifelong learning and we seek to advocate on their behalf. We welcome the opportunity to comment on this inquiry.

ALA’s members include neighbourhood houses, community colleges, community learning centres and other community based environments in which adults learn. Around half of these are small locally focused not for profit Registered Training Organisations.

Adult and Community Education in Contestable Markets

ACE RTO’s have a strong history of delivering training to the most disadvantaged cohorts including learners with less than year 9 education, second language learners and adults with a disability. For example, within the Victorian system, which is a leader in contestable VET markets, the following table indicates that ACE RTO’s play a significant role for disadvantaged learners, particularly older learners, learners with a disability and learners who are not in the labour market.



From Table 30: Overview of training delivery by sector, Victorian Training Market, Half Yearly Report, 2014) <http://www.education.vic.gov.au/training/providers/market/pages/reports.aspx>

ACE RTO's play a unique role in providing a soft point of entry to the VET system for disadvantaged learners. More than half are located in regional and rural Australiaⁱ. In many remote communities, they are the only provider of post compulsory education and training in town.

ACE RTO's are declining across the country for a range of complex reasons but largely because of the impact of successive government marketization policies. In 2005 there were 770 Community based not-for-profit RTO's across Australia delivering entry-level VET and language and literacy programs, the vast majority in NSW and Victoria. Today there is significantly less than that amount (423). The market share of Community based RTO's has also declined. In 2005, Community based RTO's delivered training to 15% of Australian VET students. In 2014 they delivered to less than a third of this percentage (3.9%)ⁱⁱ

Flaws in Contestability and the VET 'Market'

It is difficult to distinguish between the contestable VET markets now operating around Australia and the behavior of individual for profit VET providers within these systems. In many instances the VET system is so poorly designed that even if all private providers met mandated quality standards, and were committed to provide quality education and training, the system would still work against the interests of disadvantaged learners. We would argue that these flaws are:

1. The assumption that individual Australians have both the capacity and the willingness to pay higher fees.

Opening up of the VET sector to increased private sector competition has either lead to, or been used as a means to, reduce government subsidies for training across some jurisdictions with students expected to make up the difference. Many families have paid these increased fees. However, our members tell us that the reductions in government subsidies have made it increasingly difficult for them to offer courses targeted at disadvantaged cohorts, particularly young people. Some of our members have reported stories of disadvantaged learners in distress over increased fees even for basic literacy or alternative year 12 programs. Others have had to cancel

these programs because the students can no longer afford the necessary increased fees. It is important to note that fees have not only increased for what might be described as the “working poor” but have also increased for concession card holders in many instances.

2. The splintering of the VET system into high fee, high quality and low fee, low quality courses.

One of the consequences of VET marketization has been the splitting of the market into high fee, high quality and low fee, low quality courses. Learners who need the most support to complete a VET course, due to disability, literacy difficulties, English as a second language, or poor early experiences of schooling, are the least likely to be able to afford courses that offer the support that they need. These learners are also the most likely to be manipulated by unethical marketing practices, into a low quality course. They are also often under financial pressure to enter the workforce as quickly as possible, creating a market for shorter, low quality qualifications.

Our members report that they find it increasingly difficult to justify the length and cost of their community based courses, when poor and desperate learners are being enticed into ever quicker and cheaper courses, which ostensibly lead to the same qualification.

3. Impact on the integrity of the National Training System

The strength of the National Training system lies with its nationally recognised portable vocational qualifications, which provide employers with consistent national standards, encourage labour mobility and provide a pathway for early school leavers. Australia’s VET system has become a major export industry largely because of this national assurance of consistency and quality.

Marketisation has undermined the quality and consistency of the National Training System with many employers now maintaining their own ‘blacklists’ because they can no longer trust the integrity of the NTS.ⁱⁱⁱ Some state governments are now running their own preferred provider systems,

complete with increased quality indicators, because they cannot trust that all providers offering nationally accredited qualifications are doing so to an appropriate standard.

The role of the NTS in providing a scaffolded pathway for early school leavers has also been undermined. Our members report that they often attract learners with low levels of language, literacy and numeracy who have been issued high-level qualifications including Diplomas from disreputable private RTO's. In Victoria, where learners are only entitled to government support for one course at each AQF level and where Foundation skills is quarantined for the unqualified, these learners are not only left with a useless qualification, they have lost their right to a government supported learning pathway.

The disintegration of the consistency and quality of the NTS has occurred with little transparency to the Australian public. Young people, their families and older retraining workers, quite rightly believe that a nationally accredited qualification meets certain consistent standards, because, until recently, it did. Ordinary Australians have no capacity to identify a qualification that is offered by a "blacklisted" profit driven, poor quality provider that has carried on under the radar of ASQA compliance because of the sheer volume of providers that ASQA has to manage, and the same qualification offered by a high quality provider who appears on state government preferred provider lists. Most ordinary Australians have no idea that they now have limited "entitlements" to "government support" that can be fully expended with one foolish choice, where up until recently they could freely access ACE and TAFE to train and retrain.

Consider the young person, who, after expending time and money on a nationally accredited childcare qualification, applies unsuccessfully for work in childcare, never knowing that the qualification he or she has achieved has been blacklisted by the industry. Consider the parent who justifies investment of tens of thousands of dollars in a VET program, not knowing that a higher quality qualification is available for a fraction of the price nearby, because up until very recently, VET fees were regulated. Consider the

new immigrant who is enticed into an inappropriate, poor quality Diploma qualification and when she or he returns to their local neighborhood house for literacy support, finds that they are ineligible to enroll.

4. The growing burden of compliance

The increase in reporting and poor provision in VET that has accompanied widespread marketization appears to have outstripped the capacity of either the national regulator or state based systems to respond. While increased resources to ASQA are welcome, they don't go far enough in a system with over 5000 RTO's. The response from some state governments has been to add additional layers of compliance in the form of state based quality requirements for 'preferred providers' and in Victoria's case, an additional layer of compliance to deliver Foundation Skills.

ALA's not for profit RTO members are currently suffering under the ever-growing burden of compliance that accompanies each new report. Many of these providers have operated in the same local community for decades, offering a very narrow scope of foundation skills and other entry-level qualifications. By any definition, they are low risk, and yet, their compliance burden continues to grow and is out of all proportion with the amount of public funding they receive and the amount of qualifications they issue.

The increased compliance burden has both direct and indirect costs that have become crippling for small, locally focused community organisations. For example, in 2013 Australian Skills Quality Authority raised its fees for training providers to maintain their registration by between 170% and 280% in order to meet the cost of managing over 5000 RTO's. ASQA also charge for each course that a provider puts on its Scope of Registration (SoR). TAFE's have very large volumes of courses but economies of scale to offset this. Private RTO's tend to stick to one or two specialist niche courses delivered across large geographical areas. Small Community-based RTO's providers have the worst of both worlds; a broad range of courses to meet the diverse needs of disadvantaged groups, across a small geographic area with low

numbers in each course. VRQA fees have also more than tripled for small providers over the same period.

5. Investment in Learners

Adult and Community Education providers, like TAFE colleges, are owned by their communities. They are governed by a local volunteer committee of management or board. As not for profits with low overheads, the bulk of government funding is spent on teaching and learning. Across the system, marketisation and contestability have diverted funding from teaching and learning into marketing, sign up bonuses, layers of sub-contracting, increased compliance costs and corporate profits.

This private sector behavior has now become the standard against which not for profit ACE providers and TAFE Institutes must compete if they are to survive. The rapid growth in market share of private RTO's in contested markets and the huge volumes of public funds that have gone into private profits has been well documented^{iv}. Less well known, except anecdotally is the inevitable "hollowing out" of the TAFE and ACE systems as they minimize teaching and learning costs and maximize marketing and compliance costs.

Behaviour of Particular Rogue Providers

Our members' lengthy experience with disadvantaged learners has given them unique insight into the predatory behavior of some private RTO's. While we acknowledge that much of this behavior is undertaken by third party unregulated sales companies or "spruikers", nonetheless, these sales companies are employed by private RTO's who are ultimately responsible for their existence and behaviour. It is challenging to believe that those who purchase the services of so-called "spruikers" are unaware of the ways that vulnerable learners are being recruited. Some of the behaviours reported by our members include:

- Sales staff going door to door in public housing estates and spruiking outside Centrelink offices and in outer suburban shopping malls frequented by impoverished and socially marginalized people,
- Offering impoverished and socially marginalized people Ipads, Coles Myer vouchers and other incentives for enrolment,

- Offering cash bonuses to neighbourhood house staff or other community workers in poor neighbourhoods for each learner they encourage to enroll,
- Enrolling early school leavers with low literacy and numeracy in high level courses with no literacy and numeracy support and limited or no face to face class time,
- Enrolling early school leavers with low literacy and numeracy in multiple low quality courses.

We acknowledge that not all private RTO's engage in predatory behavior or offer poor quality training. However we believe that the behaviours outlined above are widespread and can't be dismissed as 'a few bad apples'. Further, we would contend, that the damage done to the lives and opportunities of socially and marginalized adults, who seek only to improve themselves and find a pathway out of poverty, is such that even one poor quality private RTO engaging in predatory behavior is one too many.

ⁱ Adult Learning Australia, 2013, The Role of ACE in Regional and Rural Australia, https://ala.asn.au/wp-content/uploads/2011/02/regional-research-report_WEB.pdf

ⁱⁱ NCVER, 2013, Table 11, Students and courses 2013, Statistical report, 3 July 2014

ⁱⁱⁱ <http://www.abc.net.au/news/2014-09-10/childcare-centres-blacklist-organisations-over-poor-training/5732270>

^{iv} Yu, Serena, 2015, The Capture of Public Wealth by the For Profit VET Sector, A report prepared for the Australian Education Union.