

Review of the VET Student Loans course list and loan caps methodology – Discussion Paper

ACPET submission

Introduction

Established in 1992, ACPET is the national industry association for private providers of tertiary education and training. ACPET members deliver a range of vocational education and training (VET), higher education and English language programs across all states and territories, as well as internationally.

ACPET aims to enhance quality and choice in Australian tertiary education and training. Its members include commercial and not-for-profit entities, community groups, industry providers and enterprise-based training organisations. ACPET works with governments, industries and community organisations to ensure VET, higher education, English language and international education programs are well targeted, accessible and delivered to a high standard.

Accordingly, ACPET supported the introduction of the VET Student Loans program (VSL) in 2017. The widely identified major flaws with the VET FEE-HELP program (VFH) warranted many of the changes contained in the VSL. ACPET strongly advocated for many of the reforms that will strengthen quality delivery and outcomes for students and industry.

At the same time, ACPET expressed concern with the process for identifying skill priorities, including the lack of consultation with industry. Compared to those delivered under VFH, many of the courses in sectors including the creative industries were deleted along with many others that simply weren't national priorities. The quantum of feedback on the draft list clearly confirmed these concerns.

Accordingly, ACPET welcomes this opportunity to provide further advice on the course list and pricing methodology.

It remains ACPET's position that the course list methodology is not appropriate and stifles legitimate skills development opportunities for students and industry. While an approach of identifying skills priorities may be appropriate at the local level, it does not work at the national level.

The processes subsequently introduced to allow courses to be added by listed and not-for-profit providers is a recognition of the limitations of this centrally-driven methodology. The focus on provider performance and delivering strong outcomes for students that is the core of this additional course process should form the basis of future VSL provider and course approvals.

While the timeframes for the introduction of the VSL limited the opportunity for consideration of the loan cap arrangements, it is now appropriate that a detailed analysis of course costs and pricing be undertaken.

VET Student Loans Approved Course List

The approach to identifying the course list for the VSL did not include consultation with peak employer groups or the broader industry. Courses were determined on the basis they appear on at least two state and territory skills lists, were STEM related or some non-defined national priority.

While state and territory skill lists are based on consultation with industry and stakeholders, they typically reflect narrower government priorities and consultation protocols with industry as well as the funding responsibilities for trade training within jurisdictions. They also reflect the obligations and priorities under the former National Partnership Agreements to deliver a Certificate III entitlement within available (and in some jurisdictions declining) program budgets.

This approach also fails to recognise that skill needs and employment outcomes can vary significantly across the country. If a course is identified in only one state or territory as a priority, it is not eligible for support. And what of local and regional skill priorities that may not 'register' on a state or territory list. On what basis are these skills priorities less important or relevant?

These processes are also not suited to identifying the emerging higher level skill needs and opportunities in the burgeoning human services sector or those of the creative industries, for example, where traditional industry links and employment pathways are less well articulated.

With the direct link between qualification completion and entry into like industries at only around 40 per cent this attempt to match courses with job outcomes has shortcomings.

More fundamentally, it is not at all clear that governments have successfully demonstrated a capacity to 'centrally' determine the future skill needs and relevant qualifications across a diverse labour market and workforce. A recent evaluation of the Victorian Training Guarantee found that giving students the choice in deciding their course improved the alignment with industry needs as compared to the previous government determined priorities for funding (at least with regard to older students)¹.

Students who are fully responsible for their unsubsidised VSL course fees are more likely to take care in the selection of their course of study and its employment outcomes.

It is no surprise then, that around half of the courses previously supported through VFH were not approved for the VSL. Just a few of the courses not eligible for support include Diplomas and above in Screen Acting, Professional Writing and Editing, Theology, Disability, Interior Design, Anaesthetics, Nutrition and Dietetics, Diagnostic Medical Ultrasound, Audiometry, Journalism, Building and Construction, Laser Therapy, Family Dispute Resolution and Relationship Counselling. While they may not be courses that register as some state/territory, national or other priority, many respond to legitimate and growing sectors.

¹ NCVET, 2017, Making good choices: the impact of entitlement models on up-skilling later in life.

It is noted that a key driver of the reforms, outlined in the VET Student Loans Act Explanatory Memorandum and the discussion paper, was the necessity to rein in the unsustainable and exponential growth that occurred under VFH and to more strongly align courses to employment needs. The VFH data for 2015 indicate the largest proportion of VFH assisted enrolments and growth was in the Management and Commerce field of education that comprised 45.9 per cent of all enrolments. The Diploma of Business and Diploma of Management alone comprised around a quarter of all course enrolments in that year.

Conversely, VFH assisted enrolments in the Society and Culture comprised only 19.6 per cent of all VFH assisted enrolments, Health 9.0 per cent, Food, Hospitality and Personal Services 5.4 per cent, Creative Industries 5.3 per cent and Information Technology 4.6 per cent. Most of the courses removed contributed only a small proportion of total enrolments.

The result was a list that excluded many courses with strong support from industry, that underpinned skills development in legitimate and growing sectors of the economy and were mostly not responsible for the unsustainable growth in VFH.

Better VSL stewardship and particularly the use of provider course caps will prevent unsustainable growth. A list is now unnecessary for this purpose.

That courses funded through VSL should respond to the needs of business and industry and support employment and career pathways for students is strongly supported. Indeed it was, and remains, ACPET's view that a focus on outcomes for students and industry should be the overriding consideration.

Provider evidence of industry support, program completions and employment outcomes for their students should be the critical measure of whether a course is eligible for a VSL loan and not whether it appears on two state and territory skills lists or is a national priority.

This approach, of course, has been incorporated into the program with listed and not-for-profit providers able to "put forward evidence of strong employment outcomes, strong employer support, and a strong track record of student progression and completion" to support additional approved courses. This approach should be adopted across the program.

This approach would not require the Department to identify current and future skill needs of industry and students across the country. It would put the onus on providers to clearly demonstrate their track record of achievement relevant to the courses for which approval is sought. Their ongoing participation in the program would, as now, depend on their performance in delivering outcomes for students and industry. It would closely align with the current VSL application process that requires providers to demonstrate their student outcomes and links with industry.

Noting there may be a limited number of courses where there is clear evidence they do not align to student outcomes or industry needs, there would be benefit in an exclusionary list. Where this is the case these courses should also be referred to the relevant Skills Service Organisation to inform their

work in reviewing training packages (which are intended to respond to industry needs) and, where relevant, course accreditation bodies.

As noted above, one of the reasons for the course list was to respond to the rapid growth experienced with VFH and there may be some concerns with not having a list to control growth. But as also noted the strong program and contract management regime implemented for VSL means the Department now has the necessary 'levers' (including provider and program caps) to respond to rapid growth and poor provider performance.

If an inclusionary list is to be maintained, the opportunity for all providers to put forward additional courses for approval must be included.

While the discussion paper indicates a role for the course list in signalling to students those with "strong employment outcomes and identified skills needed for workplaces and the economy" the evidence suggests that students act on a diverse range of aspirations, considerations and information to determine their course of study. Put simply, students do not use government lists to determine their study priorities. Students paying for their course and not receiving a government-funded training place is a strong incentive to understand the links to skills in demand and employment outcomes.

A more appropriate approach to supporting students is to ensure that sites such as MySkills provide relevant information on courses and careers with greater transparency around provider performance, particularly where training is government-funded. This must be complemented by the use of mobile digital technology and social media that are relevant and accessible to prospective students.

Transparency initiatives that mirror those in the higher education sector should also be pursued along with an overhaul of the National VET Data Policy to support information sharing amongst jurisdictions and better information for students.

Recommendations:

There not be a centrally determined course list.

Providers, supported by business and industry and course completion and employment outcomes data, should submit courses for VSL funding approval as part of the normal application process. Approval should be provider and course specific.

A limited exclusionary course list be developed to guide providers.

Updates to the list

If the above recommendation for the discontinuation of an approved course list is adopted consideration of updating the list is of lesser relevance.

In responding to superseded courses, providers would need to make the necessary changes as per the existing transition policy, including teach-out provisions. Students should be able to enrol in superseded courses in accordance with the approved teach-out arrangements.

These arrangements should be reflected in VSL funding agreements. Impacted providers should have timely existing contract variations made to ensure clarity for current and prospective students and provider certainty. Future contracts would, of course, reflect the updated course/s.

For 'new' courses that respond to an emerging need, for example, there should be evidence of the need for the course as identified through the Training Package review or the course accreditation processes. Providers should be able to cite this material as well as industry advice and support and relevant/related student outcomes - as they would for an 'existing' course approval.

The timing of provider applications to add courses should be one for them to determine, especially given the flexible and diverse range of enrolment patterns across the sector and student and industry needs and opportunities.

If a list is maintained, access to superseded courses should also following existing policy with updates to the list referencing the approved transition arrangements and the equivalent course details. While this could occur as these arrangements are finalised through the Australian Industry Skills Committee (AISC) and regulators, it is acknowledged that a frequently updated list may cause confusion. Advice from members indicates updates in March and September would best align with 'typical' enrolment peak periods.

Once again, if a list is maintained, the application timeframe for all providers to submit additional courses for the approved list, would need to align with these timeframes.

Recommendations:

Additions to approved courses should be sought by providers with industry, student outcomes and other evidence submitted to support approval.

Student eligibility to enrol in a superseded course should follow the existing policy that governs training package or accredited course transition.

VET Student Loan Caps

In its submission on the Senate inquiry into the VSL legislation, ACPET argued the Department should undertake market testing of all VSL courses, in consultation with the industry and state and territory governments, to ensure all course loan settings were appropriate to support quality training outcomes.

Rather, as the discussion paper notes, the current loans caps were determined with reference to (with some very broad approximations to fit the caps) the *Smart and Skilled* price list developed for the public funding of VET courses in New South Wales.

In developing the price setting model used for *Smart and Skilled*, IPART looked at TAFE cost of delivery data, some limited provider pricing information and the pattern of delivery at that time, that is, 2013. IPART indicated that the cost of delivering qualifications “will change year to year, due to changes in wages and other costs”. It also highlighted the need for a more fundamental “reset” of prices after three years².

ACPET, therefore, welcomes the Department’s commitment to a review of the current loan caps and the allocation of courses to each band. This review should be based on a detailed analysis of quality provider course cost data (and not just TAFE), any patterns of delivery and other pricing data. This is fundamental to ensuring value-for-money for students and not simply a “downward pressure on fees” that may not deliver the best possible outcomes.

The review needs to consider the most appropriate method to adjust loan caps to reflect year to year cost changes.

This review should also consider the adequacy of the three bands given some of the very broad ‘rounding’ required to fit courses within those bands and the convergence of pricing noted in the discussion paper. A comprehensive analysis of course cost information would inform the number and setting of bands.

More confounding, however, is the consideration of cohort and geographical loadings which may be justified if caps are set to low but, under current arrangements, simply add to disadvantaged students’ debts. It does, nonetheless, warrant consideration.

ACPET does not support the assumption that quality on-line delivery is less expensive and notes that IPART did not recommend delivery mode loadings. In an environment where the use of digital technology across the sector to support quality learning via all delivery modes is expanding rapidly, to define and then determine funding for various modes of delivery is problematic and counterproductive to further innovation and student outcomes.

² IPART, 2013, Pricing VET under Smart and Skilled

Recommendations:

That the review of the loan caps includes a thorough examination of quality public and private provider cost and pricing data.

The review should include a method to adjust loan caps to reflect year to year cost changes.