



Election 2022

**Education policy brief:
Vocational education and
training**



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Vocational education and training

After a series of prolonged lockdowns and closed borders, skills shortages are again making vocational education and training a prominent issue. Employers of apprentices and trainees have received huge support during the pandemic, and the scandals of the past decade have subsided. But the wider problems of the vocational education and training sector remain - it is underfunded and trust in the quality of outcomes is still an issue. It is not clear that the major parties are offering the system wide reform required for the sector to meet the needs of the diverse groups it serves.

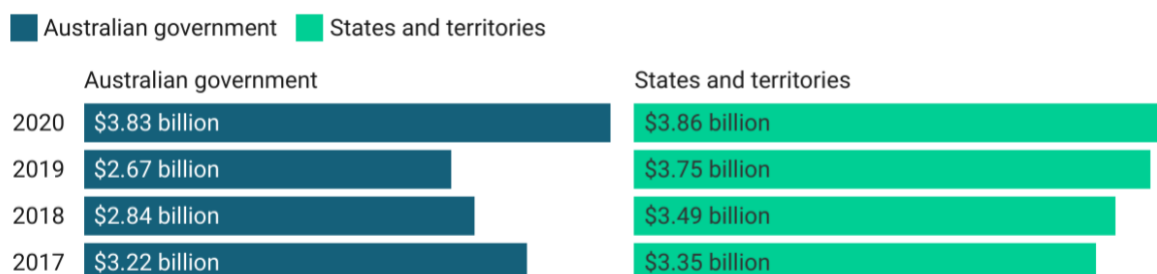
What is vocational education and training and why is it important?

Vocational education and training (VET) is one of two major divisions of Australia's tertiary education system (the other is higher education). TAFEs (government owned providers of VET) and apprenticeships are well known parts of VET, though the sector includes a diverse array of government, community and for-profit providers who deliver a huge range of programs. The VET system uses a competency-based training framework, which means the focus is on demonstration of skills to industry-defined standards.

States, territories and the Australian government share responsibility for VET funding and governance. As the figure below shows, funding contributions to the sector are split between the two levels of government. The states provide the bulk of the funding for training delivery. The Australian government provides specific purpose payments and is the majority funder of the apprenticeship and traineeship system, mainly through the National Apprenticeship System and incentives to employers to hire apprentices and trainees.

Figure 1: VET sector funding from the Australian government has increased due to employer incentives

Contributions to VET funding by jurisdiction 2017 to 2020 [3]



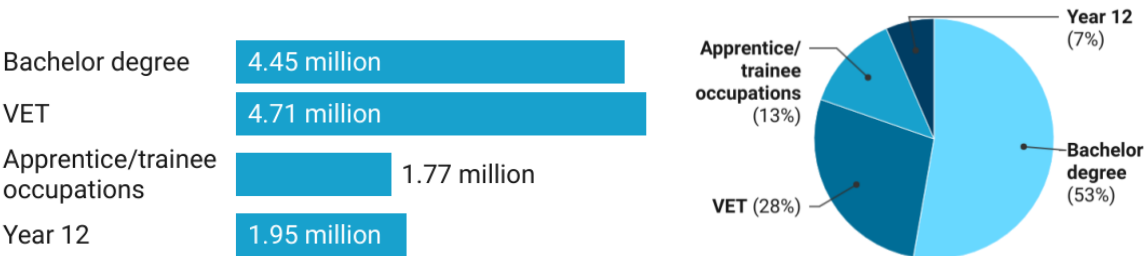
The large increase in funding from the Australian government in 2020 is largely due to spending on employer incentives for apprentices and trainees. Apprenticeships and

traineeships involve a contract with an apprentices/employee and employer, and apply to designated occupations, such as trades. The Australian government has said that in the 2021-22 financial year, its total funding contributions for VET will increase to \$7.8 billion [4].

While the policy focus has been on apprentices and trainees, the VET system provides training to a wide range of occupations. As the Figure 2 shows, about 6.5 million people are employed in occupations with a skill level commensurate with a VET qualification, and about 41% of forecast job growth to November 2025 are in occupations aligned to VET qualifications.

Figure 2: Occupations aligned to VET qualifications make up a large proportion of current jobs and future job growth

Total employment by occupational skill level [1] Job growth to 2025 by occupational skill level [1]



What has happened in VET policy since the last election?

Since the last election, there have been two major reviews into VET. The Joyce Review, led by former New Zealand Minister Stephen Joyce, recommended a series of responses that would “go a long way lifting the confidence of employers, students and trainees in the vocational education sector” [5]. These included establishing the National Skills Commission and the National Careers Institute.

The Productivity Commission review into the National Agreement for Skills and Workforce Development (NASWD) examined government support of the sector. The Productivity Commission argued that there was “no evidence of a system in crisis”, that governments could do more to ensure that they received a better return on their investment, and urged the “development of a more efficient and competitive VET market through informed user choice and a focus on quality” [6].

The pandemic precipitated the largest VET policy response since the last election. Through various wage subsidy programs, the Australian government has injected about \$5.2 billion into the sector. Like JobKeeper (the wage subsidy program available to business during the pandemic), these programs were largely in the form of support paid to employers, with employers receiving a subsidy of up to 50% of the apprentice/trainee’s wage.

The other major VET initiative in response to the pandemic is the JobTrainer Fund. This policy commits about \$1 billion to general VET courses, with states and territories co-contributing another \$1 billion.

Since August 2020, the Australian government has also been negotiating a new funding agreement with the states and territories. The 2022-23 Budget allocated \$3.7 billion over five years for a new National Skills Agreement. Analysis from the Australian Parliamentary Library suggests that, outside of the temporary peak in funding caused by an increase in employer incentives, the net result will be real funding of VET by the Australian government remaining in line with longer term trends [7]. Recent reports also suggest finding agreement may be difficult, as some states and territories rejecting the funding conditions suggested by the Australian government [8].

What are the major issues?

Youth transitions

The VET system provides important pathways for young people in their transition from school to work. Previous Mitchell Institute research shows that apprentices and trainees have some of the best outcomes by age twenty-five. But apprentices and trainees are limited to certain occupations (often male dominated) and are the primary pathway for only about 10% of the youth cohort [9].

Outside of apprentices and trainees, the VET sector continues its long decline as a pathway. In 1986 there were roughly the same number of young people aged 15 to 24 enrolled at VET institutions as there were at higher education institutions [10]. By 2016, the split was 78% higher education and 22% VET [11].

Skills, jobs and training delivery

The pandemic has caused extraordinary disruption to the labour market. Skills shortages abound and in the latest internet vacancy data, it is occupations associated with skills taught in the VET sector that account for 57% of all vacancies [12].

Figure 3: The number of internet vacancies is above pre-pandemic levels

Three-month moving average of internet vacancies by occupational skill level [12]

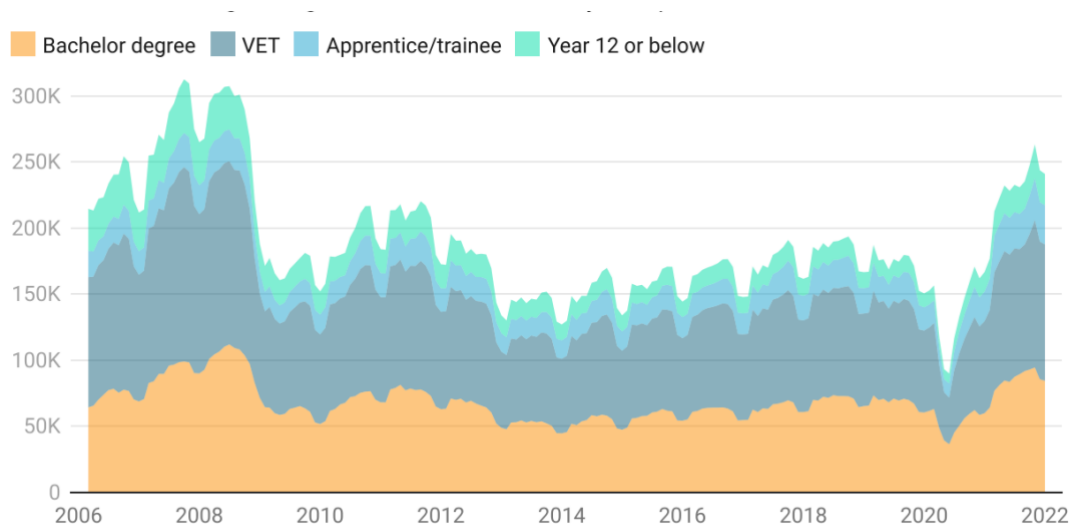
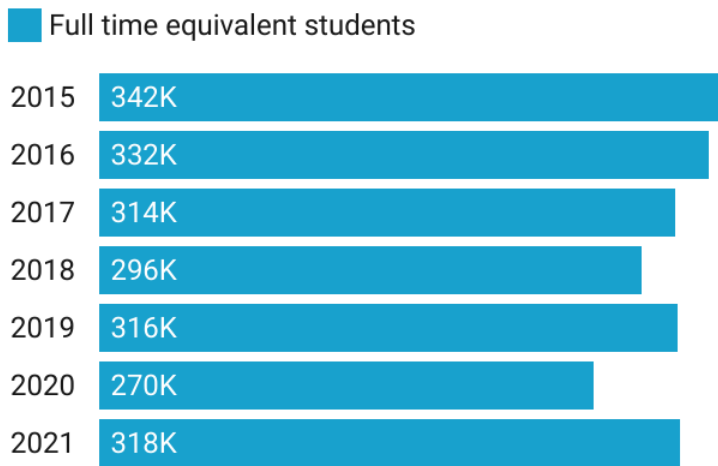


Figure 4: There are fewer government funded students in VET, despite the increase in funding

Year to date (Jan to Sep) full year training equivalents in government funded courses [2]



A major part of the government’s response to broader skills training needs is through JobTrainer, which it claims will offer “450,000 places for school leavers and job seekers to upskill” [13]. What constitutes a place or an enrolment in VET can vary enormously and range from a half-a-day first aid course to a four-year apprenticeship. Figure 4 uses the most recent year-to-date data to show government funded full-time equivalent enrolments for January to September over the past seven years. It shows that while enrolments have increased in

2021 compared to 2020, they have returned to pre-pandemic levels instead of increasing substantially.

Some of the top course listed as supported by JobTrainer are single subjects such as “Espresso Machine Operation”, “Introduction to Organisational Cyber Security”, and ‘white card’ training (an induction unit for the construction industry), along with longer courses in nursing, community services, and early childhood [14].

VET funding

Funding is a perennial issue in all parts of the education system and VET funding has been linked to a series of controversies over the past decade. The rorts that accompanied the shift to ‘contestability’ and VET-FEE loans have largely stopped and funding of the VET sector has stabilised. The size of the rorts is staggering – there are reports that about \$4.6 billion in student loans will be cancelled, money already paid to training providers [15].

The National Skills Commission has undertaken work to standardise funding through an ‘efficient price’. This seeks to remove some of the large variations in funding and fees across jurisdictions.

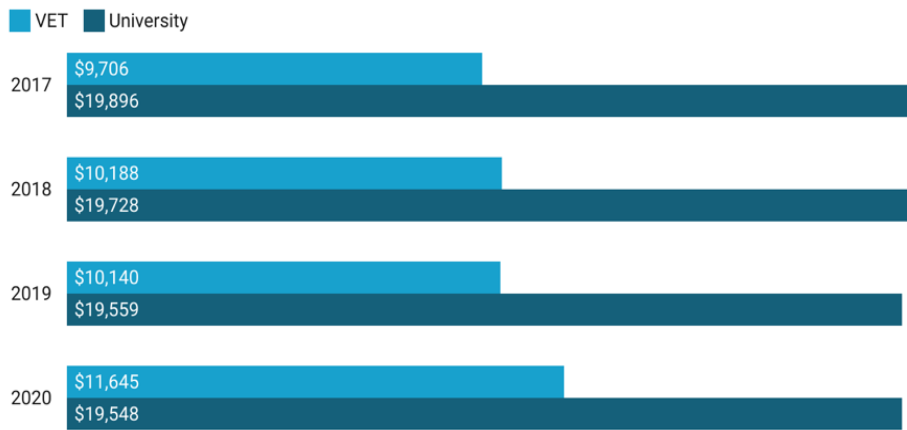
But the VET system remains relatively underfunded. As the figure below shows, from 2017 to 2020, universities received an average of \$19,600 per full time equivalent student.¹ Over the same period, VET institutions received an average of about \$10,400 per full time equivalent student.² The Australian government’s recent announcement of \$3.7 billion to support an “extra 800,000 places” suggests, if all the proposed funding was training related, an amount of under \$5,000 per place – well below per annum funding levels for a full time student in other part of Australia’s education system.

Universities are also more able to supplement the domestic student income from international students. International students at VET providers, however, are concentrated at non-public

¹ Formula for average university funding per student = Commonwealth Grants Scheme + HECS – HELP funding / CSP EFTSL
² Formula for VET funded per student = Total government support for funding delivery / Government funded full-year training equivalents

providers. TAFEs are largest providers in VET, but they only enrol about 5% of VET international students [16].

Figure 5: Universities receive per student about twice the government support a VET provider receives
Average government funds receive for full time student by sector



One of the problems with VET funding is there can often be variation in what public funds ‘buy’. Whereas schools must teach for a certain amount of time and childcare providers must provide an hour of care, the ‘student contact hours’ (SCH) used to calculate VET

funding is a nominal amount. This means two providers can receive the same funding for a course yet have completely different inputs. For instance, a course with 1,000 student contact hours can feasibly have anywhere from 0 to 1,000 actual face-to-face contact time. This can create incentives for providers to diminish the amount and quality of training while certifying the same outcome.

The NSC is due to finish its work on an efficient price after the election [4]. It is not clear the extent to which this will deal with issues of under-funding.

What are the parties offering?

The Coalition is framing its VET policy around youth and “opportunities for young Australians”. It is highlighting the enormous amount of money paid to employers to keep apprenticeship and traineeship numbers high, and the decrease in youth unemployment over the past 12 months. The Coalition is also promoting its recent Budget announcement of \$3.7 billion for skills agreements with the states and territories.

Labor’s VET policy proposes a restoration of locally manufactured products and green skills and announced A Future Made in Australia plan. This includes a \$100 million New Energy Apprenticeships to support 10,000 apprentices in green jobs, which will involve a subsidy paid to the apprentices. Labor is also proposing to establish a body called Jobs and Skills Australia to lead workforce planning. The main difference between this organisation and the National Skills Commission established by the Coalition seems to be that Jobs and Skills Australia will be an independent body, rather than part of the Department of Education, Skills and Employment.

Labor is adopting the ‘Free TAFE’ programs that originated in the states and placing a requirement that 70% of Commonwealth funds go to public providers. The Coalition’s JobTrainer policy, one of the suite of policies with ‘job’ in the title, is effectively a version of free TAFE in that it offers free or low fee courses in areas of study designated in skill shortage areas.

The Greens have the most ambitious policy by offering free education across all levels of education and a focus on public provision of education. This involves removing funding for any education provider which is for profit. Other Greens policies include a benchmark of 80% permanent staff at VET institutions, direct payment to apprentices to cover costs of tools and tuition, and the abolition of student debt.

What are the likely battlegrounds?

The memory of policy disasters and the current skills shortages mean that key VET battlegrounds will be sector stewardship and the sector's role in meeting skills needs.

As evidence of their support for the VET sector, the Coalition will highlight their funding of apprentices and trainees during the pandemic, trading off the public association of apprentices with wider VET. The Coalition can argue that federal investment in VET is at record levels because of their policies, even though this is largely due to the wage subsidy program that employers receive instead of general investment in the sector.

The Labor Party often cites the decline in apprentices and traineeships as evidence of a neglected system, stating “70,000 fewer apprenticeships and traineeships compared” to 2013 when Labor was in government [17]. While technically true, much of the decline has come from the removal incentives that distorted the system and resulted in an increase in low-value retail traineeships and the enrolment of existing workers as trainees [18].

The 478,000 extra places “created” from JobTrainer will also likely be a refrain from the Coalition [19], despite it being unclear what these extra places mean, particularly as total full time equivalent students are at or below pre-pandemic levels. The Labor party has used a similar figure of 465,000 places to quantify the size of their ‘Free TAFE’ policy, but they suggest this will result in a more realistic 45,000 extra places.

What major parties seem to be battling over is who is best placed to restore VET so that it more effectively meets skills needs and functions as a pathway for young people. Missing from the major party policy platforms is the system wide reform that might tackle structural issues and underfunding that would enable VET to reverse its long-term decline in enrolments relative to the higher education sector.

About us

The Mitchell Institute for Education and Health Policy at Victoria University is one of the country's leading education and health policy think tanks and trusted thought leaders. Our focus is on improving our education and health systems so more Australians can engage with and benefit from these services, supporting a healthier, fairer and more productive society.

About this document

This document aims to provide a concise overview of the major policy issues in the 2022 Australian federal election. It is a part of a series outlining policy issues across the education sector. All dollar amounts have been adjusted for inflation.

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