



Business Council of Australia

18 December 2024

Gerry McNally
Committee Secretary, Senate Education and Employment Legislation Committee
PO Box 6100, Parliament House
Canberra ACT 2600

Dear Mr McNally

Thank you for the opportunity to provide a submission to the Senate Education and Employment Legislation Committee (Committee) inquiry into the Free TAFE Bill 2024 [Provisions] (the Bill). The Bill would facilitate the ongoing provision of financial assistance to the states and territories, funding 100,000 Fee-Free TAFE places a year from 2027.

The Business Council of Australia (BCA) has supported the government's broader skills and training strategy, frameworks and initiatives to improve tertiary education outcomes, including the establishment of Jobs and Skills Australia, the National Skills Agreement, the review of the Australian Qualifications Framework and reforms driven through the Universities Accord. We are highly supportive of the government's focus on reducing financial barriers to education and training.

However, we oppose legislating Fee-Free TAFE as an enduring feature of the vocational education and training (VET) system. As a principle, programs such as this should not be set by legislation. Rather, they should be part of a normal budget and policy setting process which identifies the problems that need to be addressed and the most effective and sustainable solutions.

Fee-Free TAFE is a policy lever to increase VET commencements and support disadvantage cohorts. It is too early to assess the impact of Fee Free TAFE on students, the VET sector and the labour market. We are concerned about the use of legislation to prematurely hard-wire this policy. We are also concerned the government has not allocated funds to this Bill.

We offer recommendations to evaluate and modify the Fee-Free TAFE policy to ensure both its effectiveness and that it provides value for money, in lieu of legislation.

Recommendation

- Whilst supporting increased investment in training, the Committee should reject the Bill, on the principle such programs should not be set by legislation.

Limited data

There is little available data to assess the effectiveness of the government's \$1.5 billion Fee-Free TAFE program. Since Fee-Free TAFE began in 2023, completion rates for three or four-year Certificate III or Certificate IV qualifications have not yet flowed through. And while drop-out rates would be a valuable data-point to evaluate the initial effectiveness of the policy, the National Centre for Vocational Education Research (NCVER) has no data on Fee-Free verses mainstream VET commencements and completions.

The BCA has heard from stakeholders in the VET sector that completion rates for Fee-Free places are around 20 per cent lower than the average VET completion rate of almost 50 per cent. This low completion rate is highest in students undertaking cyber security and digital qualifications. We believe this may be due to a lack of foundational digital skills required to succeed in advanced cyber and digital courses, indicating a misalignment in student expectations and abilities. This is not the outcome we would want to see, considering this is an area where Australia needs to lift its skills base.

It is vital we understand the study and employment outcomes of Fee-Free TAFE students to ascertain the program's value, where it is most effective and how to overcome any shortcomings.

Recommendations

- Government undertakes a comprehensive review of the Fee-Free TAFE program to ensure it is fit-for-purpose and provides value for money
 - The review should be undertaken prior to any proposal to legislate this policy.
- VET data should include a tag for Fee-Free placements to enable analysis by NCVER.
- The analysis should include why students are not completing courses, and proposals to lift completion rates, particularly in sectors in demand.

Distorting the Sector

The government's focus on making 'TAFE the heart of VET' is in response to decades of underfunding and neglect of the public sector. While we must uplift TAFE so it can prepare Australians with the skills industry needs, Fee-Free TAFE has increased demand on TAFE at a time when it is already struggling with capability and capacity issues. As stated in the VET Workforce Blueprint, "These additional [Fee-Free] places contribute to generating further demand for VET staff and, in particular, VET teachers, trainers and assessors."¹

In Australia, there are over 4,000 VET providers delivering training. Of these, only 24 are publicly funded TAFEs, with the rest comprising private Registered Training Providers (RTOs), dual sector providers, enterprise (industry) RTOs, community RTOs and schools.² Around 80 per cent of VET students study at non-TAFE institutions. The competitive mix of providers allows students to choose what they want to study, where they want to study. It encourages high performance and labour market responsiveness within the VET sector.

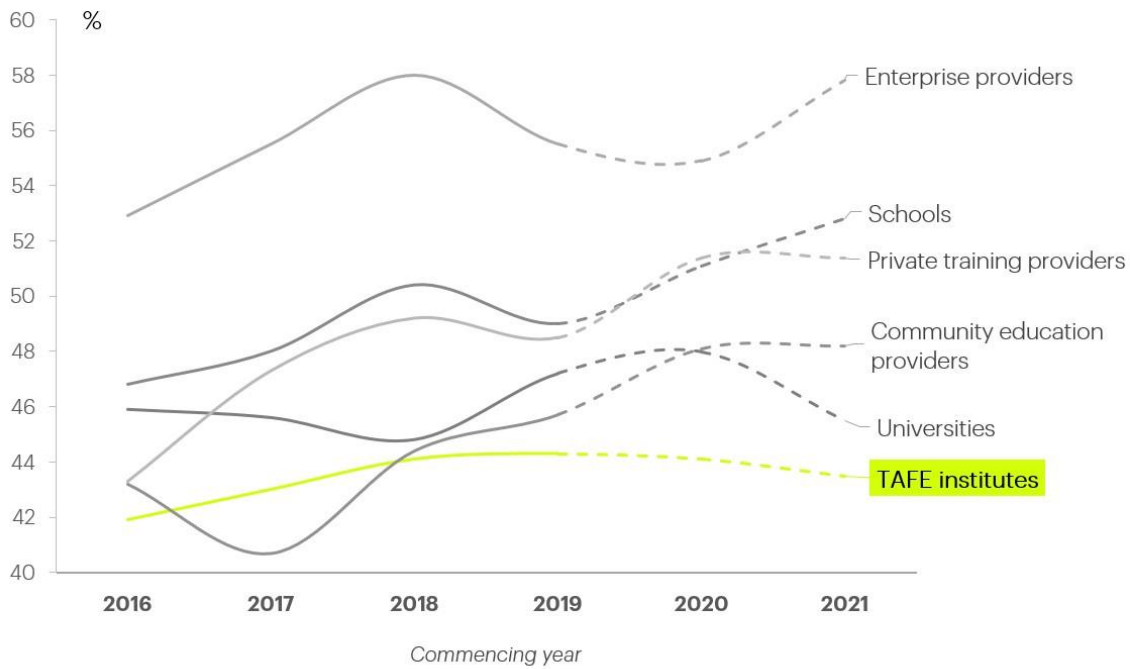
High-quality private RTOs often provide specialised, industry-focused training that gives individuals the critical skills needed in key industries. NCVER data indicates private RTOs deliver not only most short courses, but also most higher-level and complex qualifications.³ Private RTOs have better completion rates than TAFE (see Figure 1) and their students have better employment outcomes than TAFE (see Figure 2).

¹ VET Workforce Blueprint, October 2024, p 3.

² JSA, *RTO Typology: Methodology Paper*, 2024, p 2.

³ NCVER data 2023 – Total VET students and courses, program enrolments.

Figure 1 VET qualification completion rates by provider

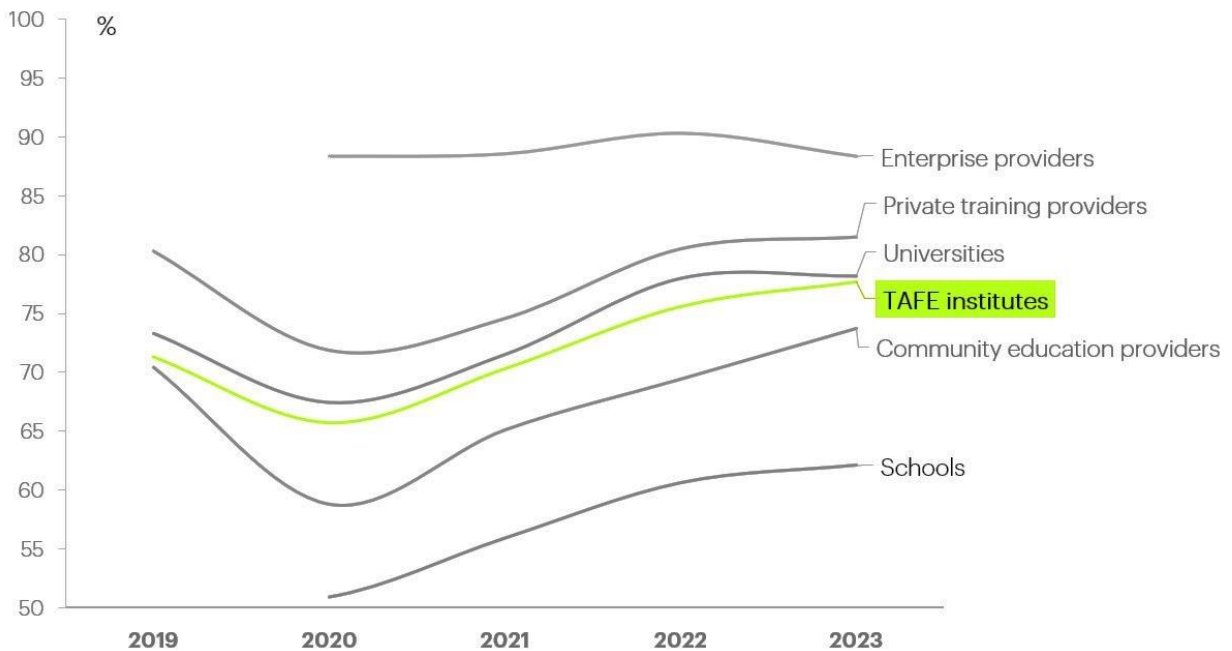


* Completion rates for courses commenced in each year, completed within four years of the commencement date (ie. commenced in 2016, completed by 2020)

— Actual
- - - Forecast

Source: NCVET 2024

Figure 2 VET student outcomes – employed after training



* Employment rates are estimates provided by NCVET, based on the National Student Outcomes Survey.

Source: NCVET 2023, VET student outcomes 2023

Restricting Fee-Free places to TAFE disincentivises students from selecting the course most suited to their career aspirations, and ultimately undermines national efforts to overcome workforce shortages. It could also impact overall VET completion rates, diverting scarce funding and student cohort from more effective private and enterprise RTOs.

Fee-Free TAFE may also impact regional skill development. Independent RTOs in regional and rural areas are well positioned to drive regional skills development, especially in areas with no TAFE presence. The Victorian and NSW Governments' recent funding cuts to private providers, including in rural and regional communities, is a step in the wrong direction in this regard. At a minimum, Fee-Free TAFE placements must be expanded to include private RTOs in rural areas where TAFE is not located.

Recommendation

- Redesign Fee-Free TAFE to put the student, not the provider, first. This will encourage competition, improve system-wide performance and ensure better value for money
 - 'Fee-Free VET' should include private and community RTOs to ensure Australians have access to free courses from the best providers for their course of choice. This is essential in regional and rural Australia where TAFE has a limited footprint, and for specialised, industry-focused courses that are primarily delivered by private RTOs.
 - Fee-Free VET places should be allocated based on student demand.
 - Government should develop a 'Table A' list of providers, akin to the Table system in higher education, and make 'Fee-Free VET' placements available to these providers. ASQA could manage the Table A list as part of their regulation and integrity oversight of the VET sector.

Diverse and priority cohorts

One of the key benefits of the Fee-Free TAFE program is providing a free VET education to diverse, disadvantaged and priority cohorts. Increasing the number of tertiary educated Australians boosts productivity and quality of life outcomes. A recent Jobs and Skills report found VET graduates have an income uplift of \$11,800 per annum. VET qualifications also result in a reduction of reliance on income support. 39 percent of students who were on income support before studying were no longer on income support two years after completing their studies.⁴

The government's focus on improving education outcomes and workforce participation for social and economic excluded groups should be commended and this should remain an enduring element of the Fee-Free TAFE policy. However, we have heard from stakeholders that the increase in disadvantaged cohorts attending TAFE has put pressure on the system and many TAFEs do not have the resources to appropriately support these cohorts. For the Fee-Free TAFE policy to be fully effective, the government should consider additional resources to providers of in-need students.

Recommendation

- Target Fee-Free places to disadvantaged and priority cohorts only, such as a Fee-Free TAFE Concession
 - Narrowing the student applicability of the policy would save costs in a tight fiscal environment and improve this policy's value for money.

⁴ Jobs and Skills Australia, '*Strong and Responsive VET Pathways*', November 2024.

- Fee-Free providers should receive additional resources to support diverse and priority cohorts to ensure they have good educational and employment outcomes.

Yours sincerely



Bran Black

Chief Executive

Business Council of Australia