

# **Submission in Relation to the Review of Redesigning VET FEE-HELP**

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**Prepared by: Federation of Parents and Citizens Associations  
of New South Wales**

**FEDERATION OF PARENTS AND CITIZENS ASSOCIATIONS OF NEW SOUTH WALES**

Locked Bag 40, GRANVILLE NSW 2142

Telephone: 1300 885 982

Website: [www.pandc.org.au](http://www.pandc.org.au)

Fax: 1800 655 866

ABN: 37 439 975 796

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## **Executive summary**

Redesigning the vocational education and training (VET) system is urgently needed to deliver workplace-specific skills youth need to become skilled up and into the paid workforce as soon as possible.

Federation of Parents and Citizens Associations of New South Wales (P&C Federation) represents parents and carers who want the best opportunities so their children can transition from high school to rewarding, skilled paid positions in the workforce. VET FEE-HELP (Vocational Education and Training Higher Education Loan Program) was designed to help students gain skills to enter the workforce, or as a path to higher education.

P&C Federation's main concern is that industry-recognised vocational qualifications are affordable and accessible to all students no matter where they live; city or regional. The current system is failing students because there are unscrupulous providers who are making money and leaving students in debt without the skills to gain employment to enable repayment of their loan.

VET FEE-HELP is not providing enough students with successful vocational education, nor a clear pathway from a diploma into higher education. The highest debt is acquired by students of Diploma of Business or Diploma of Management – areas that do not have a clear pathway to paid employment for graduates. In this way, VET FEE-HELP is burdening young people with debt. Even worse, certain students didn't know they were even acquiring the debt thanks to fraudulent recruiting practices of some providers. Most students (78% in 2014 – the most recent data) do not finish their course so they have no way of repaying the debt. In short, we are letting down our youth.

### **Analysis of Trends (aka who enrolls and how the system fails them)**

The current system is failing our youth; we can see this in the data. VET FEE-HELP is not turning out well-prepared and qualified students who can repay their loan. With enrolments increasing each year completions should increase too. Yet, each year fewer and fewer students complete their VET FEE-HELP course despite a considerable increase in the numbers of online and face-to-face students.

Completions have an alarmingly consistent downward trend across all measured student categories (disability, indigenous, face-to-face, online, and students from high and low socioeconomic status) and in both provider types: private and public. We can see this trend in the overall completions from 26% in 2013 to 22% in 2014. A far better predictor of completions is the course's mode of delivery.

In fact, mode of delivery is even more important than the socioeconomic status (SES) of the student. There was only 2% difference in completion numbers for students from high SES backgrounds (24%) versus low (22%); so we see the background of a student is not a predictor of success. Instead, the difference between face-to-face students and online students is far greater, and more informative.

To illustrate, students studying in the face-to-face mode are more than four times more likely to complete their studies than the online cohort. Thirty-two percent of face-to-face students completed their studies. Compared to a mere 7% of online students completing their qualification. This tells us that the online mode is simply not working. It is not helping students get a qualification. In fact, the dire completion rate of 7% in 2014 for online courses is so alarmingly low that the question must be asked; should an online mode of study even be offered in future?

## Examining the barriers to completing studies

So, how do we know what the barriers are to students completing their studies and being on their way to paid employment? It is unlikely that any single cause will account for all 78% of students who leave with an incomplete qualification. They are likely to be a combination of the four following reasons:

1. some enrolled students are unsuited for diploma-level study
2. some students are not suited to self-paced out-of-classroom learning
3. courses offered online have subjects that are not suited for online learning because their skills are vocation-based and heavily skills-based so need demonstrating
4. lack of tutorial support for online learners.

An examination of the data indicates that a course's mode of delivery is a major factor in the unacceptable ongoing downward trend for completions. Because of this, all online study modes will need to be completely overhauled before enrolling more students to study online.

P&C Federation believes the 2017 VET FEE-HELP redesign should put students' needs above the money-motivated providers in the following ways;

1. Youth receive training they need to empower them to be contributing members of society and to progress into the paid workforce.
2. Students do not accumulate unnecessary debt (by starting courses they do not finish).
3. Understand that VET FEE-HELP is a loan (not a free education).
4. Course delivery:
  - a. Encourages and supports completion
  - b. Rural and regional students receive the same education for the same cost.
5. Equity; all students get a consistently outstanding education and skills no matter where they study (TAFE vs private, city vs regional or rural).
6. Consistent delivery method across providers; achievable and measurable outcomes encourages lateral movement from one institution to another if needed. Currently students are vulnerable to high levels of unnecessary debt if private colleges shut down, discontinue a course, or go out of business.
7. Providers are industry respected so graduates are employable.
8. Providers receive payment according to completions (not enrolments).
9. Independent assessment and accountability for providers.

## Protecting Students

### Student eligibility to access a loan

**Discussion question 1:** Are further student eligibility requirements necessary?

**Response:** Yes, the current requirements focus on who is able to get the loan, instead it should focus on who is suitable for completing the course and being capable of repaying the loan.

Students take on debt when maybe they should not. They are vulnerable because they lack life experience. They enrol in a course that has 'no up-front fees' and think that it is a free course. They do not understand it is a loan that must be paid back once their earning threshold reaches the Government-determined amount. However, some students will never earn at that level. This means tax payers are bank rolling study in the hope of turning out qualified people to meet the skills shortage in NSW. But this does not happen if the students drop out of study and therefore do not get the qualification needed to work in that field.

However, if the students drop out of study they do not receive the qualification or skill sets required to be contributing members of society or effective employee in the chosen industry.

An independent body must oversee VET FEE-HELP because students are young so when offered inducements they sign up for study without fully understanding the repercussions. Recently, students were being offered an iPad upon enrolment if they signed up for the course. They did not realise that signing up for a course incurred debt immediately. They did not understand that they will be charged for their enrolment even if they neither physically attend the class nor log on for online studies.

Personal debt is accumulated when vulnerable students:

- sign up for study to get the inducements but have no intention to complete
- enrol but are unsuitable for the level of study needed
- do not withdraw formally so their fees keep accruing.

Accumulation of debt in the three instances above is difficult to justify when the students least able to repay a loan are the very students that are signed up by providers. It is hard not to see these provider practices as preying on the young and vulnerable.

It is critical that the following two issues be addressed with any prospective students:

- students must not be vulnerable to amassing unnecessary debt (starting courses they do not finish)
- students must understand that VET FEE-HELP is a loan (not a free education).

**Discussion question 2:** Can the administrative complexities involved in taking a Language, Literacy and Numeracy Assessment be reduced while ensuring this standard regarding student preparedness remains?

**Response:** No it cannot be reduced. It must be increased. The enrolment practices that have been in place since 2012 are outdated. It has left room for providers to act in self-serving practices by enrolling students just to get the reimbursement from the Government. This must be urgently addressed.

Student capabilities must be a match for the course requirements. Providers have been enrolling students who are illiterate or struggle academically; such students will never complete their course and are saddled with debt they cannot pay.

## Lifetime loan limit for students

**Discussion question 1:** Should a separate and lower lifetime loan limit apply just to VET FEE-HELP?

**Response:** This keeps debt down but does nothing for getting youth skilled up and working. Nor does it train students who can work in industries that have skills shortages. Consideration should be given to the actual costs of the qualification to also keep loans lower.

**Discussion question 2:** If a separate limit was applied, what would a suitable limit be?

**Response:** An independent body should examine the pattern of study to date and find out what the barriers to completion really are. They should carefully assess the course requirements compared to enrollees' abilities. The intention of this is to prevent students being enrolled in courses they do not have the ability to complete because this is a major factor in students being unfairly encumbered with debt they cannot pay back (discussed later).

**Discussion question 3:** If a separate limit was applied, how should this interact with the current lifetime loan limit for FEE-HELP?

**Response:** A period of time (like an exclusion period of 2 years) is irrelevant because in the intervening period the individual may have made no progress towards completing study or paid work. Instead of excluding people, the Commonwealth has an obligation of making study accessible for suitable students. However, it must balance

this obligation with the rights of individuals not to be preyed on for gain by providers, and the rights of tax payers who should not pay for study costs that do not bring more skilled workers into the workforce.

## Addressing course costs

**Discussion question 1:** What action could the Commonwealth take to address the rising cost for students undertaking VET with access to VET FEE-HELP?

**Response:**

- Providers more accountable for student success i.e. completions.
- The current system where providers are paid per enrolment does not work. It is biased in favour of the providers and encourages fraud (enrolling students who cannot complete).
- Payment to providers upon students completing (not enrolment).
- 'Finder's fee' perhaps split into three payments across time that increases as the student completes each component. This could be a progress fee for completing a number of units and then on successful completion of the qualification and possibly a bonus for when the students finds gainful employment.

## Calculating 'reasonable costs' as a basis for maximum loan amounts

**Discussion question 1:** Should the Commonwealth target its investment in VET FEE-HELP to courses that align with industry needs, lead to employment outcomes, result in a public good or provide pathways to higher education?

**Response:** Yes, P&C Federation's concern is equity; courses should be open to all. The Commonwealth's concern should be to the students and to the community. Tax payers should not pay fees for students who will neither;

- pay back the costs of their study, nor
- enter the workforce skilled in areas there is a skills shortage.

**Discussion question 2:** What are the implications of the Commonwealth setting national prices or loan values for qualifications despite significant diversity in the cost of training across different geographic locations, student populations and mode of delivery?

**Response:** Cheaper study costs for some courses and not others could result in students taking (and ultimately paying for) whichever courses are cheapest which may lead to:

- possible scenario of students signing up for courses they are not interested in but are have the cheapest fees. If students are not interested the course they are enrolled in they will be less motivated to attend so they drop out. This in turn leads to study debt with no better way of paying it off than before they signed up to study
- oversupply in a qualification driven by course cost not demanded by need in market place. This means, lots of people qualified in fields that are cheapest to study, not meeting skills shortage.

**Discussion question 3:** If the Commonwealth does set prices or maximum loan values for qualifications, what parameters should be used to determine how to set these values?

**Response:** Possibly calculated on a ratio of study debt to starting salary. Vocational study is not as expensive as university study but it's worth noting that university graduates starting salaries are higher. P&C Federation recommends calculating the ratio of study debt for vocational courses against graduates earning potential salary. Then compare it to the ratio for study debt from university study against graduates earning potential salary. Student debt for VET is disproportionately high when compared to that same ratio of university study and earnings.

## Delivery mode

**Discussion question 1:** Should mode of delivery be factored into any calculation on reasonable cost? If so, what mechanism could be used?

**Response:** P&C Federation does not want people excluded because they cannot afford the higher cost of one mode over another. For equity, no one mode should be more than another.

Content should be consistent across all providers; TAFE and private colleges. If it's not viable financially for private colleges to be consistent with other providers then they should not be in business.

Mode of delivery is more important than cost. All modes of delivery must fit the following criteria:

- Encourages and supports completion.
- Rural and regional students receive the same education for the same cost.
- Providers must be industry recognised and respected so graduates are employable.

## **Improved information for consumers and the role of brokers and agents**

**Discussion question 1:** How could existing information resources be improved to ensure greater access to information for VET FEE-HELP students?

**Response:** P&C Federation believes the current system makes it impossible for students to compare courses across modes and providers. Similarly, parents and carers and career advisors cannot advise students on making informed choices because information is spread over a number of websites. [www.myskills.gov.au](http://www.myskills.gov.au) gives course average cost and duration, and satisfaction with training but does not say how much each course costs nor what the prospects are for employment after graduation.

**Discussion question 2:** Should VET FEE-HELP providers have an obligation to provide information in a consistent form about the scheme to students?

**Response:** Yes. So students, their parents, carers, teachers and vocational advisers can examine each scenario and the associated costs. If this is not required for each different provider how can an advisor or the student make a comparison and a decision?

Furthermore, course content should be consistent across all providers (in the same way TAFE courses are consistent across each TAFE all over Australia). P&C Federation is concerned that, at present, students can be in debt without a way to pay it back if their private college ceases teaching that qualification or if it closes down. Currently the system for reporting issues is too complex and difficult to navigate so claims for reimbursement are not submitted. This means it is difficult for students to move laterally to another provider and continue their studies where their previous work is recognised so they do not need to repeat classes and pay a second fee for units already completed. Recognition of Prior Learning (RPL) should be recognised by all providers and the process should not be so cumbersome that it is seen as not a reasonable path to consider.

**Discussion question 3:** Is there a role for an agent, or an intermediary, to assist students to make a choice regarding a course and provider?

**Response:** There should be an independent body, ombudsman or similar. An agent, or any other person who receives a fee for their service, is not impartial because their payment is in return for meeting quotas or financial targets. As such they cannot be putting the student first (or the student's parent, carer or careers advisor).

Nor should the advisor be working for a provider because their interests are for the provider's business success. That is, providers' main goal is earning a profit; not focussing on how each student can succeed in getting a VET qualification. Vulnerable students may think that any and all advisors are impartial. Such students do not understand providers' are motivated to enrol as many students as possible (even if the students may not be suitable for the course) because the provider's fees are calculated upon a fee per each enrolled student.

**Discussion question 4:** If so, how should such an agent be regulated to ensure the interests of the students are paramount, rather than the interests of providers?

**Response:** P&C Federation recommends:

- Providers are industry-respected so graduates are employable.

- Providers receive payment according to completions (not enrolments).
- Independent assessment and accountability for providers.
- Ombudsman to handle student issues and complaints.
- Advisors independent of providers.

## VET FEE-HELP ombudsman

**Discussion question 1:** Would a VET FEE-HELP ombudsman help address student complaints and issues?

**Response:** Yes and the ombudsman must be able to enforce the rules and providers must have consequences for breaches.

Impartial careers advisors should be able to understand the different providers and modes of study and each industry's career paths. They must be able to explain to students;

- Debt: explain that despite students' beliefs the courses are not free. VET FEE-HELP is a loan that must be repaid and explain the earning threshold (that is itself subject to change).
- Courses and Industries: be familiar with the VET courses and the industries people with a particular qualification will work in.
- Realistic aspirations: assess if the student is capable of doing what is required to pass the course and work in the industry.

P&C Federation supports the establishment of an ombudsman for a period of time to help students navigate the system and obtain a remission or resolution of their issue.

P&C Federation has concerns about limiting competition because a limited market can potentially exacerbate the issues already highlighted.

**Discussion question 2:** Should such an ombudsman be time-limited?

**Response:** No. It should be active for as long as required by students, even if their study is not current. As has been documented in the discussion paper, providers have been abusing of the system for years. The students affected deserve some recourse. If their debt is as a result of fraud or misinformation then it should be waived.

## Regulating providers

### Use of maximum scheme or provider loan caps

**Discussion question 1:** If the Commonwealth were to maintain a cap on provider loan values, how could this ensure the current issues are addressed?

**Response:** If there is an exclusion period after a failed attempt at completing a VET course it does not meet the overarching aim of the whole scheme: getting youth skilled up and into the work force. P&C Federation supports redrawing the relationship between the Commonwealth and the student and provider.

### Quality measures

**Discussion question 1:** Should access to VET FEE-HELP loans include a requirement for students to be engaged in their training and working towards completion?

**Response:** Yes, under the current system it is too easy for students to run up debts they cannot reasonably pay off without further study. The current system is failing our youth; each year fewer and fewer student complete their course.

**Discussion question 2:** How could student engagement, progression or completion be measured and tracked?

**Response:** Providers receive payment according to completions (not enrolments). Providers monitor: engagement; attendance; log into online lectures; participate in online forums.

**Discussion question 3:** Should providers be required to meet minimum specified course completion or progression rates?

**Response:** Yes, so providers do not enrol then abandon students once the provider has received remuneration from the government, as happens now.

**Discussion question 4:** Should higher quality standard be applied to RTOs seeking to provide VET FEE-HELP?

**Response:** Equity for all students. All students should get a consistently outstanding education and skills no matter where they study (TAFE vs private, city vs regional and rural).

**Discussion question 5:** What additional standards should be considered when granting VET FEE-HELP provider status?

**Response:** Consistent delivery method across providers; achievable and measurable outcomes; encourage lateral movement from one institution to another is available if required. Currently, students are vulnerable to high levels of unnecessary debt if private colleges shut down, discontinue a course, or go out of business.

## Reapplication process for all providers

**Discussion question 1:** Should all existing providers be required to re-apply for the new VET FEE-HELP scheme?

**Response:** Yes, so providers change to meet the changing needs of industries their courses cover and equality for providers.

**Discussion question 2:** How would transition arrangements for existing students be managed?

**Response:** Students currently enrolled must be able to successfully complete any course that they have commenced without detriment to the quality of learning. Lateral movement between providers would help.

## Time limited registrations

**Discussion question 1:** Should access to VET FEE-HELP scheme be time limited?

**Response:** Yes to keep the quality consistent. The emphasis should be student-centred. Currently the emphasis is on remaining an RTO.

**Discussion question 2:** If so, how long should 'licences' apply for?

**Response:** It should be contingent on meeting certain requirements and not a certain number of years. A time determined period would foster an attitude of rushing to be compliant only when the licence is due. Scrutiny across time will encourage compliance and high standards our youth deserve from a provider.

## Managing the system

### Courses to be funded

**Discussion question 1:** Should all VET courses be eligible for VET FEE-HELP?

**Response:** VET courses should be eligible for VET FEE-HELP on priority bases where those that are related to industry skills shortages should be given higher priority. This would mean the need for State by State information and priority lists.

**Discussion question 2:** If not, how should course eligibility be determined?

**Response:** Providers should offer courses that meet stringent requirements. Currently there is too much scope for providers to be unethical by enrolling unsuitable students just to get reimbursement from the Government.

**Discussion question 3:** Should the Commonwealth consider capping the number of courses students can enrol in?

**Response:** How does limiting the number of courses get students skilled up and into the paid workforce?

**Discussion question 4:** Should the Commonwealth consider capping the number of places in any given course?

**Response:** Yes, if providers self-regulate enrolment numbers they risk overloading the class sizes simply to earn more Government reimbursements but without thought to student's learning experience or success.

**Discussion question 5:** Should the Commonwealth consider capping the number of places a provider may offer?

**Response:** It could be necessary so that the student to teacher ratio is set at a number that is best suited for student learning outcomes. Big class sizes leave student's vulnerable to getting behind and falling through the cracks without being noticed. Especially students who may not have had a strong foundation in their previous academic experiences so need extra help to meet the required learning objectives at Diploma level.

## **Information on performance**

**Discussion question 1:** How could provider data requirements be enhanced in the redesigned VET FEE-HELP scheme at what frequency could providers report to the Commonwealth?

**Response:** There is a four month lag meaning students see information that is not current. There could be a problem that isn't showing up in the data yet. Lack of real-time access of performance data means students are still enrolling in classes with providers who could be unable to deliver on learning so students qualify.

The Commonwealth needs to look at gathering real time data by accessing reporting of results and progress of students through a central reporting base. Providers would need to complete administration reports on results and progress monthly to the central reporting base.

## **Tuition Assurance**

**Discussion question 1:** What tuition assurance arrangements are necessary in a redesigned scheme?

**Response:** Tuition Assurance Scheme aims for a student to have fees refunded, remission of debt or enrolment into a similar course. VET FEE-HELP providers must have a tuition assurance arrangement in place. However, students experience of the interruption of their education and find the scheme difficult to navigate. Even if they are reimbursed for their fees if the provider or course ceases, they incur extra study costs but are still not qualified and not working in their chosen field.

**Discussion question 2:** How can the tuition assurance arrangements be more responsive to direct regulation?

**Response:** An external ombudsman should be set up as an advocate for the students who have their education interrupted. Payments of funding to providers at set stages of the students' progress would ensure a better action should there be issues with provider closures or changes to courses.