

# **AUSTRALIAN INVESTMENT IN EDUCATION: VOCATIONAL EDUCATION AND TRAINING**

**Peter Hurley, Nina Van Dyke**



## About us

The Mitchell Institute for Education and Health Policy's mission is to strengthen the relationship between evidence and policy, and to improve equity of opportunity and success in both health and education. 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. We are informed, independent and influential, with a proven ability to identify current and emerging problems in education and health, and use evidence to develop achievable solutions.

## Acknowledgements

We are grateful to Dr Jen Jackson (Education Policy Lead at the Mitchell Institute) for extensive comments and suggestions on earlier drafts, and assistance with revisions.

We would also like to acknowledge Professor Peter Noonan (Mitchell Institute, Victoria University) and Professor Gerald Burke (Monash University) for their assistance and advice regarding the collection and interpretation of data.

This paper is published as an advance chapter of a Mitchell Institute series on Australia's financial investment in the education sector.

## Suggested citation

Hurley, P., & Van Dyke, N. (2019). *Australian investment in education: vocational education and training*. Mitchell Institute, Melbourne.

Available from: [www.mitchellinstitute.org.au](http://www.mitchellinstitute.org.au)

# Table of contents

Key points .....	3
Policy context for investment in VET .....	4
How much does Australia invest in VET? .....	6
How much do Australian governments invest in education provision in VET? .....	8
How did funding reforms impact VET? .....	13
How much does the government invest per student in the VET sector? .....	15
Implications for future VET policy .....	17
1. Greater coherence in government investment.....	17
2. Improved certainty and support for VET students.....	18
3. Maintaining quality alongside efficiency .....	18
4. Reduced reliance on contestability.....	19
Appendix A: Notes on the data .....	20
Glossary .....	21
References .....	23

## Key points

- Australia's total reported investment in the VET sector is at its lowest level in real terms since at least 2008.
- Most states and territories are spending less in real terms on VET recurrent funding than they did ten years ago. There are some signs of an increase in investment in the VET sector in certain jurisdictions; however, overall investment in VET is still trending downwards.
- The Australian Government is investing more in real terms in the VET sector than it did in 2008. As a proportion of government investment in education provision in the VET sector, the Australian Government has increased its share of investment from 26.5% in 2006 to 38.2% in 2018.
- Australian Government investment increased significantly between 2012 and 2016 due to the introduction of VET FEE-HELP. This program generated concerns about financial sustainability and quality of provision, resulting in the scheme being closed down and replaced by VET Student Loans (VSL).
- It is necessary to arrive at a sustainable model of VET funding to reverse declining trends in participation, and achieve the right balance between quality and efficiency.
- Promising areas of policy reform include:
  1. Implementing agreements that more directly specify funding commitments made by all levels of government.
  2. Aligning VET funding policy with higher education funding policy to create a more cohesive tertiary education environment. This should include reforms that enable VET students to access the same level of support as higher education students, such as the ability to defer payment for all out-of-pocket costs.
  3. Establishing an efficient price per course, similar to the approach that has been taken to guide investment in the school education and higher education sectors.
  4. Giving greater attention to the limitations of market based reforms, such as contestability, as a principle for investment and policy in the VET sector, especially in balancing the agility of the sector with appropriate quality assurance for new and existing providers.

## Policy context for investment in VET

The vocational education and training (VET) sector has been characterised by rapid reform to funding arrangements over the past decade. Since 2008, the state and territory governments, as well as the Australian Government, began instituting a series of VET funding reforms.

A landmark of these reforms was a series of National Agreements between the Australian Government and state and territory governments, to raise the proportion of the workforce with VET qualifications through a VET student entitlement. To help meet this entitlement, the Australian Government committed to an income contingent student loan scheme known as VET FEE-HELP. This scheme covered diploma, advanced diploma, and some certificate IV level courses, using a similar model to the scheme operating in the higher education sector.

A major change resulting from the National Agreements has been a shift in obligations for VET funding across levels of government. Under the Agreements, the Australian Government committed to extra investment in the VET sector through revenue paid to states and territories. While providing state and territories with additional federal funds, this also arguably diluted any obligations on the states and territories to maintain recurrent funding levels (Noonan, 2016b). There was also no imposition of financial or other input controls by the Australian Government on the extra revenue received by states and territories (Noonan, 2016b).

Another major change resulting from the National Agreements was that they committed states and territories to introducing contestable markets in their respective training markets. Contestability already existed in some areas of VET training markets, and the National Agreements committed states and territories to a further opening up of state and territory funded training markets to private providers. Contestability is an economic theory that describes the organisation of markets and suggests that competition and efficiency are achieved, not by the number of firms, but by the ease with which firms can enter and leave a market (Baumol, 1982a). Contestable markets operate according to three main principles:

- No entry or exit barriers
- No sunk costs
- Access to the same level of technology

The promotion of contestable markets in the VET sector through the National Agreements was part of a wider Australian Government move towards implementing contestable market principles in government funded programs and services (ANAO, 2018).

Over this period there were also a set of Australian Government one-off Agreements with the states and territories. These include the Productivity Places Program, Skills Reform, and the Skilling Australians Fund, which was focused on apprenticeships and traineeships. Each Agreement readjusted the balance of investment in the VET sector.

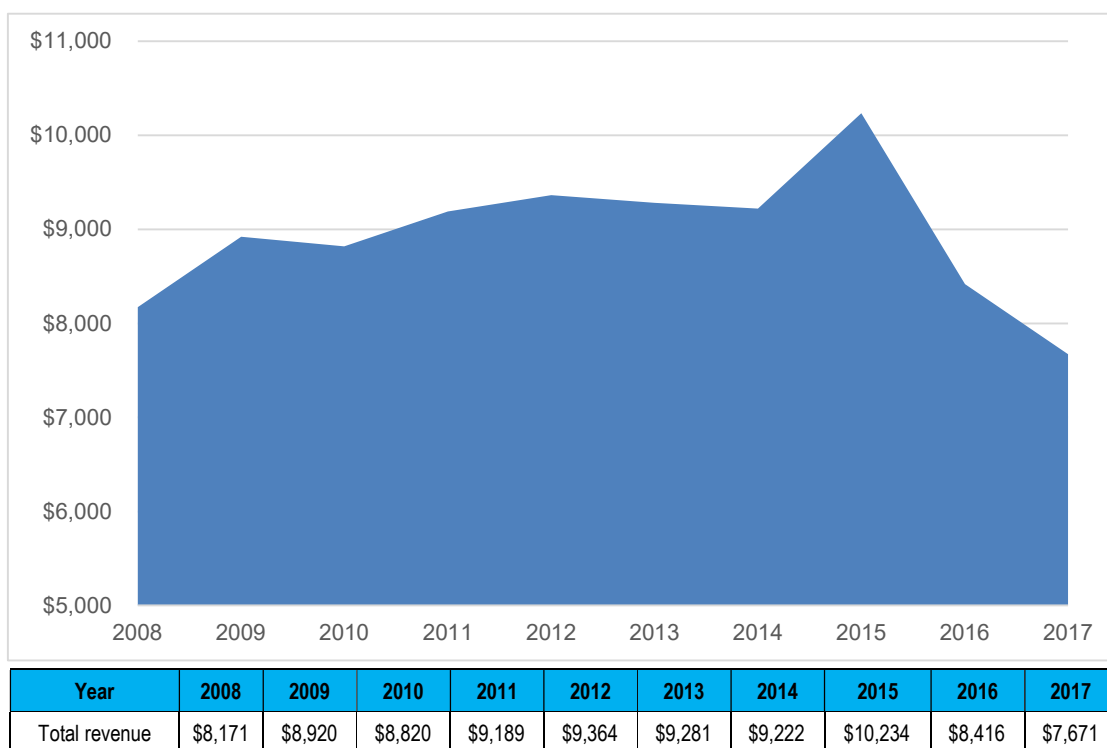
The ongoing status of National Agreements in relation to VET funding is under review. For instance, the Australian Government has recently announced a Productivity Commission review into the National Agreement for Skills and Workforce Development (NASWD). This will examine Australian Government financial support to states and territories for VET provision, as well as the possible agreed goals and targets in skills and workforce development.

## How much does Australia invest in VET?

Since peaking in 2015, total annual reported investment in VET is now at its lowest level since at least 2008.

Figure 1 shows Australia's total annual reported investment in the VET sector from 2008 to 2017. Calculating Australia's annual investment in the VET sector involves using information collected by the National Centre for Vocational Education and Research (NCVER, 2011, 2014, 2018, 2019a) and the Commonwealth Department of Education (Commonwealth DET, 2018). These data include revenue concerning VET delivery administered by the main training authority within each state and territory, and providers such as TAFEs. It also includes VET activity administered by the Australian Department of Education, including income contingent loans (Commonwealth DET, 2018).

*Figure 1: Total reported annual investment in the VET sector (2018 \$000,000)*



Source: Commonwealth DET (2018); NCVER (2011, 2014, 2018)

Note: Figures adjusted to 2018 dollars

These figures show that in 2008, Australia's total reported investment in the VET sector was approximately \$8.1 billion in real terms. This investment peaked in 2015 before falling to below 2008 levels in 2017. In real terms, Australia's total reported investment in the VET sector is now at its lowest level in over ten years.

There are some important notes on the data used above. First, these data do not include private expenditure at private RTOs, such as international student fees, and incentives paid to employers for apprenticeships and traineeships. Incentives paid by the Australian Government to employers for apprenticeships and traineeships are an important part of investment in the VET sector but have traditionally been excluded from certain VET sector reporting which is why they do not appear in the above figures. In 2017, the Australian Government provided \$511 million in the form of employer assistance which included incentives to engage apprentices and trainees (NCVER, 2019a).

Second, the figures above do not include data from 2018. This is because there was a break in the data collection methods in 2017 with the result that private revenue at public providers is no longer reported. Consequently, to enable a comparison with previous years, 2018 data does not appear in the above figures.



## How much do Australian governments invest in education provision in VET?

The Australian Government is playing a bigger role in the funding of the VET sector than it did ten years ago.

Figure 2 shows government investment in education provision in the VET sector from 2008 to 2018. The focus on *education provision* highlights government expenditure in the VET sector that is related to training and assessment in a formal education setting. Government investment in education provision in the VET sector includes revenue from Commonwealth National Agreements and National Partnerships, state and territory recurrent funding, and revenue associated with income contingent loans in the VET sector.<sup>1</sup> It does not include any private expenditure in the VET sector, such as fee-for-service activity at TAFEs.

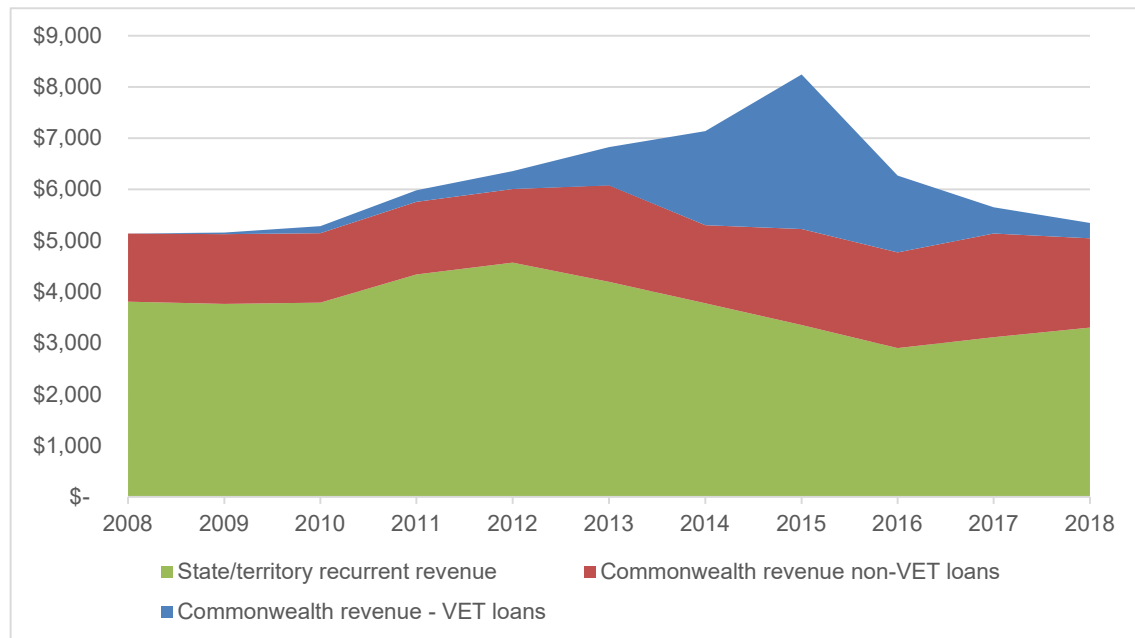
Figure 2 also compares how much the different levels of government invest in VET, by breaking down total government investment in education provision by three types. The first is state and territory government recurrent revenue provided to the VET sector. The second is Australian Government revenue provided to the VET sector through the National Agreements and specific Commonwealth administered programs such as National Partnerships and the Skilling Australians Fund. The third is revenue provided to the VET sector through Commonwealth administered income contingent loans.<sup>2</sup>

---

<sup>1</sup> These categories are drawn from NCVER reporting on VET sector revenue, and are detailed in the Glossary. Excluded is Australian Government revenue associated with non-award courses such as AMES.

<sup>2</sup> Note: "Non-VET loans" includes Australian Government funding provided to the states and territories as part of National Agreements and also Australian Government administered programs such as Industry Workforce Training and Skilling Australians Fund.

Figure 2: Government investment in education provision in the VET sector (2018 \$000,000)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commonwealth revenue -VET loans		\$31	\$136	\$228	\$350	\$745	\$1,840	\$3,015	\$1,500	\$507	\$297
Commonwealth revenue - non-VET loans	\$1,326	\$1,362	\$1,359	\$1,417	\$1,439	\$1,879	\$1,526	\$1,871	\$1,870	\$2,030	\$1,744
State recurrent revenue	\$3,812	\$3,766	\$3,788	\$4,339	\$4,570	\$4,202	\$3,776	\$3,358	\$2,903	\$3,112	\$3,303
Total	\$5,138	\$5,159	\$5,284	\$5,985	\$6,359	\$6,825	\$7,142	\$8,243	\$6,273	\$5,649	\$5,343

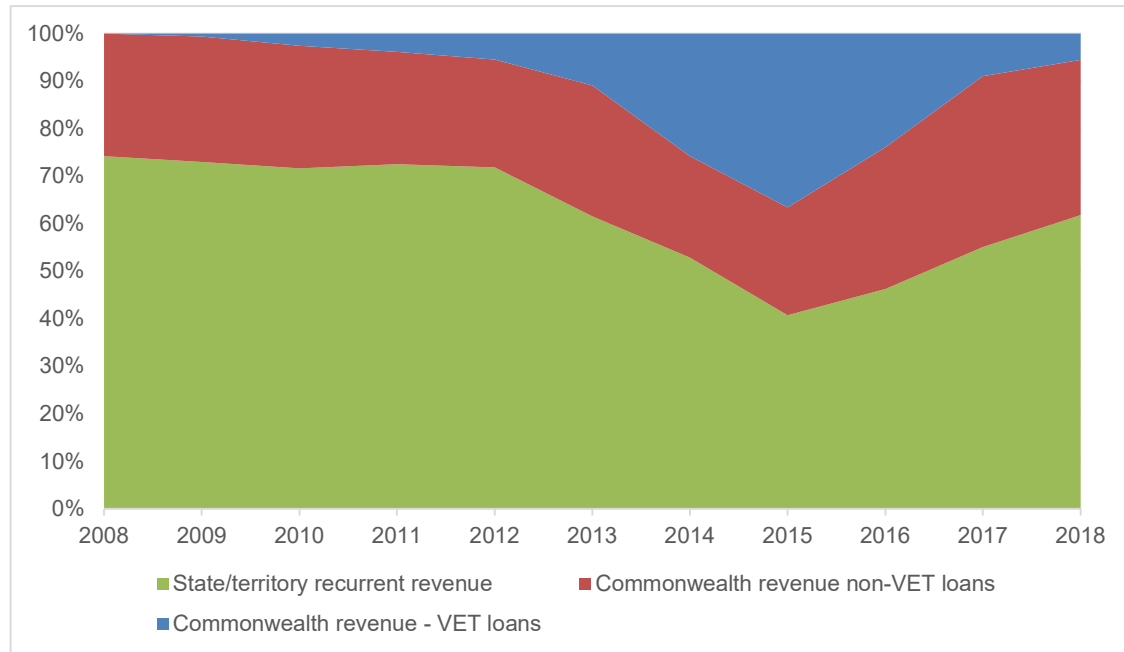
Source: Commonwealth DET (2018); NCVET (2011, 2014, 2018, 2019a)

These figures show that there was an increase between 2009 and 2012 in government investment in education provision in the VET sector. This occurred in large part due to Commonwealth funding through the National Agreements and increased expenditure by states and territories. However, since 2012, overall state and territory investment began to decline, as the states and territories wound back funding.

Figure 2 also shows that Australian Government revenue associated with income contingent loans increased significantly as providers took advantage of VET FEE-HELP (the former loans scheme for VET students). At its peak in 2015, VET FEE-HELP revenue reached approximately \$3 billion (2018 dollars). However, the VET FEE-HELP scheme was ended in 2016 and replaced by the VET Student Loans program. The VET Student Loans program places more stringent conditions on providers as well as limits on loan amounts. The result has been a large decline in the overall amount of income contingent loans issued in 2018 compared to the peak of 2015. These data also show a recent drop in Australian Government revenue between 2017 and 2018. This occurred in large part due to the expiration of the National Partnership on Skills Reform and lower revenue flowing from the Skilling Australians Fund.

Figure 3 highlights the shift in the proportion of government investment in education provision in the VET sector between the Australian Government and state and territory governments. It uses the same data shown in Figure 2, *Figure 2* but shows it as a proportion of total annual government investment in education provision.

*Figure 3: Proportion of government investment in education provision in VET by source (%)*

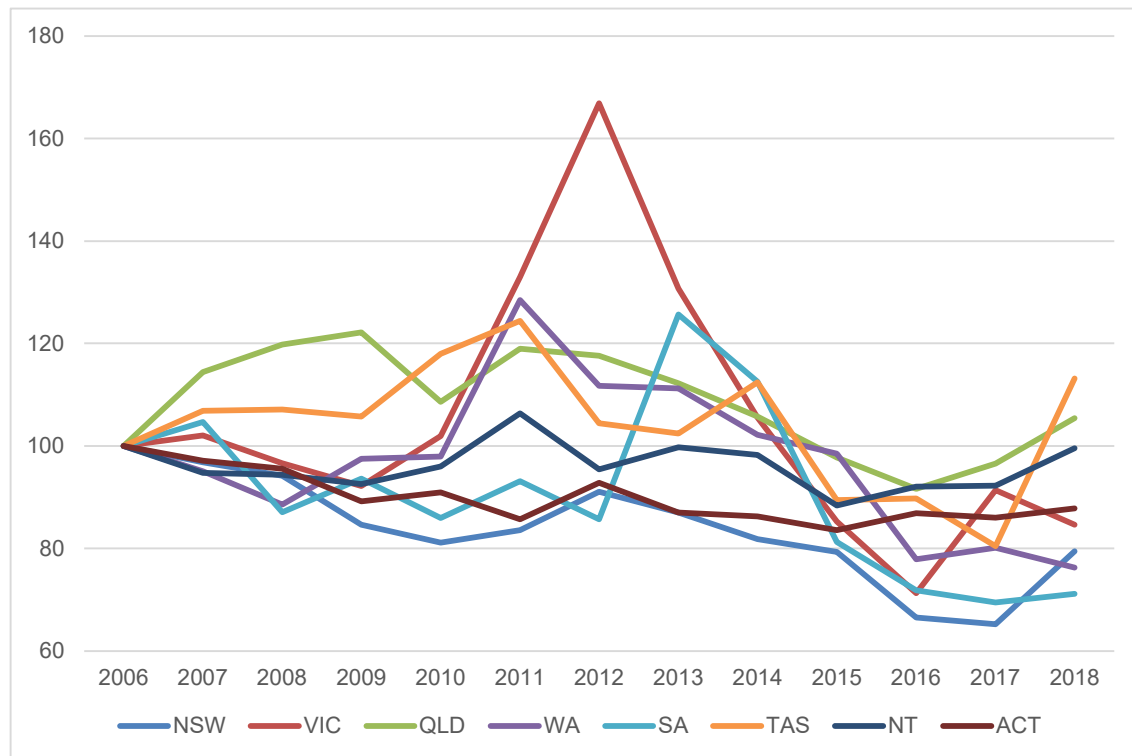


Source: Commonwealth DET (2018); NCVET (2011, 2014, 2018, 2019a) *Figure 3*

This figure shows the shifting share of investment in education provision in the VET sector between the Australian Government and the states and territories. Traditionally, the states and territories have been the biggest investors in the VET sector. In 2008, before the introduction of various policy reforms, state and territories contributed to almost three quarters of all government investment in education provision in the VET sector. When the VET FEE-HELP program became more prominent, the Australian Government took over as the largest investor, peaking at almost 60% in 2015. More recently, the share of funding between the Australian Government and the states and territories has returned to pre-reform levels. However, the Australian Government still plays a greater role in investing in education provision in the VET sector than it did before 2012.

The decline in the overall proportion of state and territory government investment in VET conceals differences in the investment trajectories of different jurisdictions. Figure 4 shows the real change in state and territory recurrent revenue, using 2006 as the base year (100%), with all subsequent levels of investment shown as a proportion of that base level. 2006 is used as a starting point because this enables closer exploration of the impact of different National Agreements that commenced in 2008. Recurrent revenue is used to exclude any fluctuations that may have occurred due to one-off targeted investment.

Figure 4: State and territory recurrent VET revenue (proportion of 2006 funding)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NSW	\$1,267	\$1,227	\$1,194	\$1,072	\$1,028	\$1,059	\$1,154	\$1,102	\$1,037	\$1,005	\$843	\$826	\$1,007
VIC	\$1,000	\$1,021	\$966	\$922	\$1,020	\$1,330	\$1,669	\$1,307	\$1,056	\$853	\$713	\$914	\$847
QLD	\$604	\$691	\$724	\$738	\$657	\$719	\$711	\$678	\$639	\$591	\$554	\$584	\$637
WA	\$465	\$442	\$412	\$454	\$456	\$598	\$520	\$517	\$475	\$458	\$362	\$373	\$355
SA	\$277	\$290	\$241	\$259	\$238	\$258	\$237	\$348	\$311	\$225	\$199	\$192	\$197
TAS	\$90	\$96	\$96	\$95	\$106	\$112	\$94	\$92	\$101	\$80	\$81	\$72	\$102
NT	\$86	\$82	\$81	\$80	\$83	\$92	\$82	\$86	\$85	\$76	\$80	\$80	\$86
ACT	\$82	\$80	\$78	\$73	\$75	\$70	\$76	\$71	\$71	\$69	\$71	\$71	\$72
<b>Total</b>	<b>\$3,871</b>	<b>\$3,929</b>	<b>\$3,793</b>	<b>\$3,693</b>	<b>\$3,662</b>	<b>\$4,238</b>	<b>\$4,544</b>	<b>\$4,202</b>	<b>\$3,776</b>	<b>\$3,358</b>	<b>\$2,903</b>	<b>\$3,112</b>	<b>\$3,303</b>

Source: NCVER (2011, 2014, 2018, 2019a)

Note: For the purpose of calculation, all figures were adjusted to 2018 dollars (\$000,000). Figures from 2018 are drawn from a different time series which may impact the reporting of some state and territory amounts.

These figures show how the implementation of the National Agreements initially led to an overall increase in recurrent investment in the VET sector by the states and territories. This was most noticeable in Victoria, which at its peak in 2012 spent \$1.7 billion (2018 dollars). However, since 2012, state and territory investment in the VET sector has decreased substantially. The most noticeable drop occurred in NSW, which in 2017 had a real VET recurrent funding level that was almost 35% below its 2006 level.

Most states and territories had lower levels of real VET recurrent revenue in 2018 than in 2006. Queensland and Tasmania were the only two exceptions. However, both Queensland and Tasmania still reported VET recurrent revenue in 2018 that, in real terms, was below their peak funding levels.

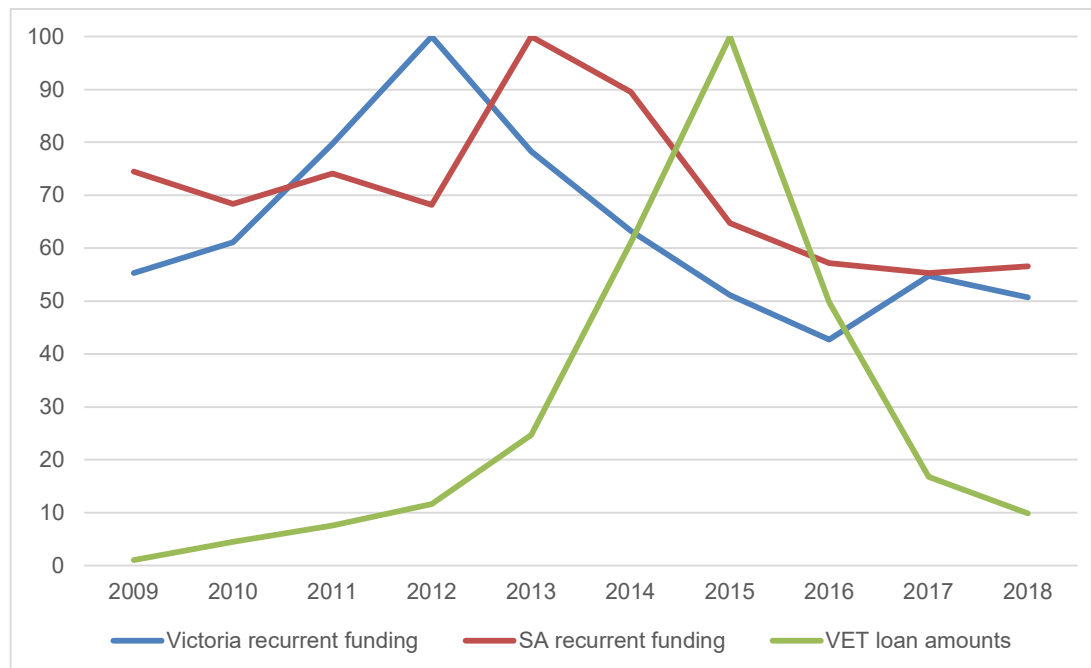
## How did funding reforms impact VET?

VET funding reform waves show a moving “bubble”, with investment peaking at different times across Australia.

The various waves of reforms of the VET sector influenced funding amounts at different times in different markets. Victoria was the first to reform its training market and in 2009 made more public funds available to private Registered Training Organisations (RTOs) (Burke, 2018). South Australia followed Victoria’s lead, and in 2012 all states agreed through COAG to an opening up of state and territory training markets to more private providers. Each state and territory tailored the introduction of VET reforms resulting in different ways to manage the greater involvement of private providers into government funded training markets.

In certain markets, the introduction of reforms and poor regulation saw a sharp increase in funding, as providers took advantage of increased investment. As various governments introduced tighter criteria for access to government funds, the result was a dramatic decrease in funding. The result of these rapid funding changes was a “bubble” in overall funding levels, for the jurisdictions most impacted by these early waves of reform. Figure 5 shows real funding levels relative to the year that they peaked in markets with this “bubble” formation.

Figure 5: VET recurrent funding relative to peak (proportion of peak year), early reformers



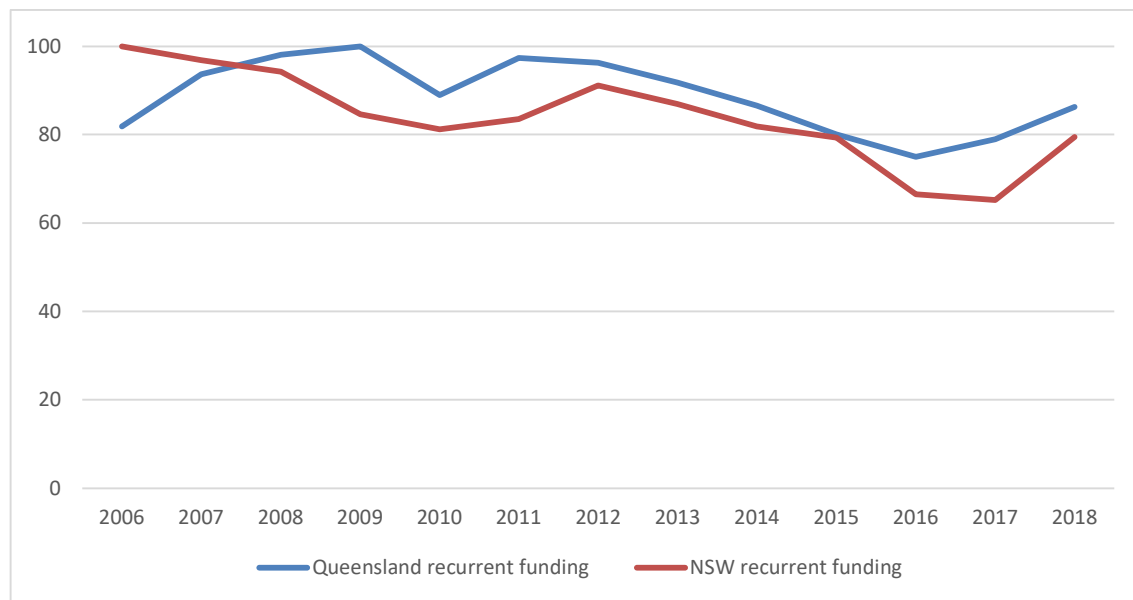
Source: Commonwealth DET (2018); NCVER (2011, 2014, 2018, 2019a)

Note: For the purpose of calculation, all figures were adjusted to 2018 dollars.

This figure shows how Victoria, as the first to reform its training market, experienced its peak in 2012. South Australia, which reformed after Victoria but before most other states, peaked in 2013. The federally funded VET loan system saw enormous growth between 2013 and 2015 before regulatory changes restricted access to the scheme. VET loan amounts in 2018 were less than 10% of the amount they were at their peak in 2015.

The states and territories that avoided a bubble were able to learn the lessons from Victoria and South Australia and introduce reforms with much stricter regulations and oversight. For instance, in NSW and Queensland, the implementation of reform was done in a more constrained manner, with a capping of places and an opening up of training markets at certain qualification levels only (Atkinson & Stanwick, 2016).

*Figure 6: VET recurrent funding relative to peak (proportion of peak year), later reformers*



Source: NCVET (2011, 2014, 2018); (NCVET, 2019a)

Note: For the purpose of calculation, all figures were adjusted to 2018 dollars.

Figure 6 shows how real VET recurrent funding in NSW and Queensland does not follow the same “bubble” pattern as Victoria and South Australia. Instead, the reduction in real VET recurrent funding has been more gradual. This means that the experience of VET reform has been vastly different across different Australian jurisdictions, for providers and students alike.

## How much does the government invest per student in the VET sector?

Government funding for student contact hours has decreased, but is beginning to rise to pre-reform levels.

Calculating per-student investment in the VET sector is extremely complex, as students may access a wide range of short or longer courses that each attract different levels of funding. Average funding per student contact hour (SCH) is one way to estimate government investment in each individual student, in a way that enables comparison over time. Every unit of competency has an allocated set of student contact hours that governments use to calculate the amount of funding to give to RTOs. The actual amount spent per student depends on the number of student contact hours associated with a course – a figure that is publicly available as an aggregate across the whole VET sector, rather than for each student.

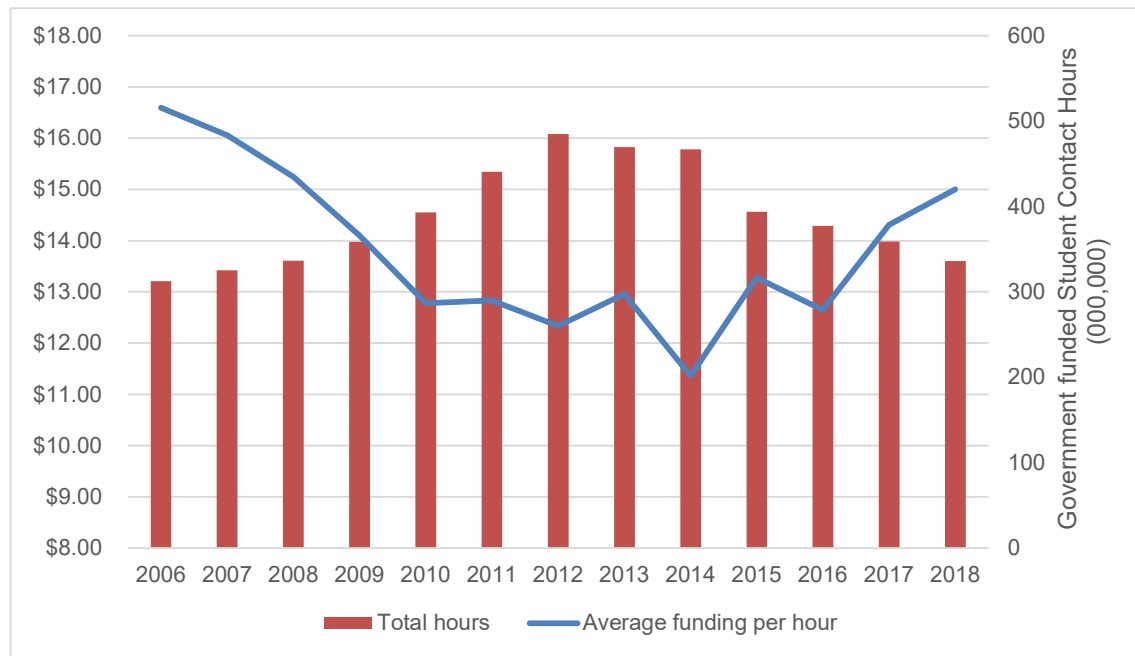
The average government revenue per student contact hour, and total hours that were supported, are shown in Figure 7.

There are some limitations on this data, as a representation of per-student investment in VET. First, a student contact hour is a nominal amount that reflects the anticipated time taken to deliver and assess the outcomes of a unit of competency. As a nominal amount, there is no obligation on an RTO to provide training and assessment that is directly equivalent to the number of student contact hours associated with a unit. Student contact hours therefore do not necessarily represent the true hours that students will spend in education and training.

Second, there can be a misalignment between government funded student contact hours and reporting of government investment in the VET sector. For instance, some VET FEE-HELP activity can be classified as fee-for-service. For this reason, amounts attributable to VET student loans have been removed from the data used to calculate average funding per student contact hour.



Figure 7: Government funded student contact hours 2006-2018 (2018 dollars)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average funding per hour	\$16.60	\$16.06	\$15.24	\$14.10	\$12.78	\$12.83	\$12.33	\$12.96	\$11.36	\$13.27	\$12.65	\$14.31	\$15.00
Total hours (000,000)	313	325	337	359	393	441	485	469	467	394	377	359	336

Source: NCVET (2011, 2014, 2018, 2019b)

Figure 7 shows that there has been a reduction in the average government funding an RTO receives per student contact hour, although the average has increased since 2014. This suggests that RTOs are receiving less government funding per student enrolment than they were previously.

# Implications for future VET policy

## Previous policy failures mean a new approach to VET funding is needed.

It is clear that the last decade of reform has not yet resulted in a fair, sustainable VET sector. The VET sector reforms that Australia has pursued over the past ten years have been critiqued in research for both their design and implementation (ANAO, 2016; Burke, 2018); and for compromising the ability of the VET sector to fulfil its diverse purposes (Noonan, 2018).

The analysis in this report points to four promising areas for future VET funding reform:

### **1. Greater coherence in government investment**

The data in this report show ongoing fluctuations in VET funding (at a per-student and whole-of-sector level), and shifting responsibilities for VET funding between different levels of government. Temporary funding increases in some states have been more than reversed in recent years, as states and territories moved to constrain significant increases in expenditure driven by the introduction of the VET student entitlement and contestable funding. While Australian Government funding has increased, the future of Australian Government investment in VET is also the subject of review. Combined with changes to state level policies, the VET finance environment remains uncertain.

To achieve sustainability, stability and quality in the VET sector, there is a need to replace the current set of National Agreements with a new agreement to give effect to a new VET financing system. This agreement should more directly specify the level of funding commitments made by federal, state and territory governments. Greater clarity in responsibilities may help to ensure that all levels of governments sustain their commitment to VET funding, rather than the apparent shifting of costs from one level to another that has resulted from previous reform.

This agreement should also take into account the need for coherence in funding across all forms of tertiary education. With participation in VET declining (Dawkins, Hurley, & Noonan, 2019), all new funding models and policy directions should be underpinned by a long-term commitment by both levels of government to redress the decline in VET participation and publicly funded VET enrolments. This commitment requires cohesion with higher education, to ensure that funding arrangements do not grow participation in one form of tertiary education, while disadvantaging another. Funding should ensure that all forms of tertiary education are used efficiently, to deliver the skills and knowledge that the Australian workforce requires. For instance, the Australian Government forecasts that 90% of employment growth in the next five years will be in jobs with skill levels aligned to tertiary education courses. The VET sector has a big role in supporting Australia's forecasted employment needs because 45% of all employment growth in the next five years will be in jobs aligned to training delivered by the VET sector (Department of Jobs and Small Business, 2019).

## **2. Improved certainty and support for VET students**

A second priority for VET reform is reducing disparities in support available to students. To achieve this, the current partial and limited VET Student Loans (VSL) program should be replaced with a comprehensive income contingent loan scheme that extends to Certificate III courses, as previously modelled by Higgins and Chapman (2015) for the Mitchell Institute. This will enable VET students to have the same access to income contingent loans as higher education students, including the ability to defer payment for all out-of-pocket costs.

Students must also be able to trust that the VET funding environment will give them certainty and transparency in the costs of their courses, and the support available to meet them. The implementation of the student entitlement meant that predatory providers were able to significantly raise fees charged to students under VET FEE-HELP, as well as engaging in highly inappropriate enrolments and delivery practices. VET students experienced further turbulence as VET FEE-HELP was constrained, closed down, and then replaced by the VET Student Loans scheme. Future VET reform should investigate a more sustainable balance between public and private contributions (Noonan, 2016b), and greater transparency of costs.

## **3. Maintaining quality alongside efficiency**

The above analysis showed a reduction in government investment per student contact hour, at the same time as the number of hours accessed by students was increasing (Figure 7). While this could be interpreted as a more efficient functioning of the sector resulting from market-oriented reforms, the evidence indicates that it may in fact represent growth in lower-quality, lower-cost provision (Burke, 2018; Noonan, 2016b; Yu & Oliver, 2015). As the number of student contact hours increased, state governments cut subsidy levels to courses in order to manage costs as the previous funding levels were not sustainable (Gordon & Preiss, 2014). The result of this model was considerable pressure on VET providers to reduce course costs, and ultimately a decline in VET participation, as enrolment levels could not be sustained.

Future policy reforms for the VET sector must recognise that higher enrolments at a lower cost per student contact hour does not necessarily equate with a better functioning VET sector. To address the balance between quality and efficiency, it has previously been recommended that governments establish “an efficient or benchmark price for each VET qualification” (Noonan, 2016b, p. viii). An agreed efficient price per course could become the cornerstone of a new agreement on VET funding. Such arrangements already exist in the school sector with the Schooling Resource Standard (SRS), and the higher education sector with Commonwealth supported places (CSP). Such a position has also been recommended by Noonan (2016a) and there are similar recommendations made in the recent ‘Joyce Review’ (DPC, 2019).

#### **4. Reduced reliance on contestability**

Future VET reform should also give attention to the limitations of contestable markets, and how these have influenced previous policy failure in the VET sector. The limitations of contestability are frequently raised in research and commentary on Australian VET reform, especially in the rise and decline of major RTOs that entered the market, made significant income, and then closed after regulations were tightened (Aston & Evans, 2014; Danckert, 2016, 2019; Gillezeau & Fowler, 2019; Hurley, 2017). This “hit and run” strategy is encouraged by the contestability principle of having as few entry and exit barriers to the market as possible (Baumol, 1982b, p. 4); suggesting that contestability principles require further modification if they are to be implemented in a VET context.

The second principle of contestable markets is no sunk costs, which refers to investments that cannot be recovered, such as start-up costs. By establishing VET funding markets that involved few sunk costs, firms with no previous experience in the VET sector could establish themselves without substantial investment in fundamental elements of quality, such as classrooms or teacher expertise. While the VET sector must remain dynamic and responsive to emerging needs, this should not occur at the expense of the quality of the VET experience. The future of the VET sector depends not only on its agility, but the restoration of public trust in the value that it delivers, as the core justification for both public and private investment.

# Appendix A: Notes on the data

All data has been adjusted for inflation using the General Government Final Consumption Expenditure (GGFCE) price deflator published in the Report on Government Services by the Productivity Commission (2019). All figures in this report have been adjusted using the following GGFCE price index.

*Table 1: GGFCE deflator index*

Nominal dollars (year)	GFCE deflator (2018 = 100)
2006	72.3
2007	75.8
2008	79.2
2009	83.0
2010	86.3
2011	89.9
2012	92.7
2013	93.9
2014	95.5
2015	96.7
2016	98.0
2017	99.1
2018	100.0

Financial figures for this report are drawn from data published by the National Centre for Vocational Education Research (NCVER) and the Commonwealth Department of Education.

NCVER data is drawn from the Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) which provides a national framework for the consistent collection and analysis of financial information about Australia's public vocational education and training (VET) system.

AVETMISS enables the collection of data on VET finances and provides information on financial performance, financial position and the use of public funds in financing of activities. Public funds are those funds transacted through the public accounts of states/territories and the federal government departments responsible for VET provision.

# Glossary

Term	Description
Commonwealth revenue – non-VET loans	<p>AVETMISS reported data from the following categories:</p> <ul style="list-style-type: none"> <li>• Commonwealth national agreement</li> <li>• Commonwealth administered programs— Skills Reform</li> </ul> <p>Definitions for each category is available from (NCVER, 2017).</p>
Government supported education provision	<p>AVETMISS reported data from the following categories:</p> <ul style="list-style-type: none"> <li>• Commonwealth national agreement</li> <li>• State recurrent—general</li> <li>• State recurrent—productivity places</li> <li>• Commonwealth administered programs— Australian Government-funded national programs</li> <li>• Commonwealth administered programs— Skills Reform</li> <li>• VET loans—students training with non-government training providers</li> </ul> <p>Definitions for each category is available from (NCVER, 2017).</p>
National Agreements	<p>A series of agreements made under the auspices of Intergovernmental Agreement on Federal Financial Relations (IGAFFR) where the Australian Government and the states and territories agreed to raise the proportion of the workforce with VET qualifications through a VET student entitlement and skills reforms including the extension of income contingent loans through VET FEE-HELP.</p>
Registered Training Organisation (RTO)	<p>Registered Training Organisations are institutions who provide formal vocational education and training in Australia.</p>
State and territory recurrent funding	<p>Revenues appropriated by the state/territory out of its own funds for recurrent purposes where the entity controls amounts appropriated to it, including appropriations for state/territory taxes and charges (for example, payroll tax). Some other examples which may impact on reported state or territory recurrent revenues and other items would be:</p>

	<ul style="list-style-type: none"> <li>• The requirement for transferee/transferor entities to recognise revenues, assets liabilities and expenses resulting from a restructuring of administrative arrangements where control of the items is transferred.</li> <li>• Items which may be appropriated to entities but over which they do not have control. These may be transfer payment items and would not be reported as revenues (NCVER, 2017).</li> </ul>
Total reported investment	All revenue reported through AVETMISS finance data. This data may not include private revenue from private RTOs, revenue from enterprise RTOs, and international student revenue at private providers.
VET FEE-HELP	VET FEE-HELP was an Australian Government loan scheme that assists eligible students to pay their tuition fees for higher-level vocational education and training (VET) courses (at the diploma-level and above as well as some Certificate IV level courses) undertaken at approved providers. It commenced in 2009 and was closed down in December 2016.

# References

- ANAO. (2016). *Administration of the VET FEE-HELP Scheme*. Canberra: Commonwealth of Australia. Retrieved from [https://www.anao.gov.au/sites/default/files/ANAO\\_Report\\_2016-2017\\_31.pdf](https://www.anao.gov.au/sites/default/files/ANAO_Report_2016-2017_31.pdf).
- ANAO. (2018). *Efficiency through contestability programme*. Canberra: Commonwealth of Australia. Retrieved from [https://www.anao.gov.au/sites/default/files/ANAO\\_Report\\_2017-2018\\_41.pdf](https://www.anao.gov.au/sites/default/files/ANAO_Report_2017-2018_41.pdf).
- Aston, J., & Evans, S. (2014, November 2). The rise and fall of Vocation. *Australian Financial Review*. Retrieved from <https://www.afr.com/policy/health-and-education/the-rise-and-fall-of-vocation-20141101-11fmvu>
- Atkinson, G., & Stanwick, J. (2016). *Trends in VET: policy and participation*. Adelaide: NCVET. Retrieved from [https://www.ncver.edu.au/\\_data/assets/pdf\\_file/0017/60722/Trends-in-VET.pdf](https://www.ncver.edu.au/_data/assets/pdf_file/0017/60722/Trends-in-VET.pdf).
- Baumol, W. J. (1982a). *Contestable markets and the theory of industry structure*. New York: New York : Harcourt Brace Jovanovich.
- Baumol, W. J. (1982b). Contestable markets: an uprising in the theory of industry structure. *American Economic Review*, 72, 1-15.
- Burke, G. (2018). *Changes in funding in Australian vocational education and their effects*. Retrieved from [https://melbourne-cshe.unimelb.edu.au/\\_data/assets/pdf\\_file/0010/2845774/Burke-Changes-in-funding-in-Australian-vocational-education-and-their-effects\\_.pdf](https://melbourne-cshe.unimelb.edu.au/_data/assets/pdf_file/0010/2845774/Burke-Changes-in-funding-in-Australian-vocational-education-and-their-effects_.pdf)
- Commonwealth DET. (2018). *VET FEE HELP statistics*. Canberra: Commonwealth of Australia.
- Danckert, S. (2016, 23 March). 15,000 students left in limbo as ACN collapses. *Australian Financial Review*, p. 20.
- Danckert, S. (2019, April 4). Confusion over Demetriou's role at failed vocation group.(Business). *The Age*, p. 24.
- Dawkins, P., Hurley, P., & Noonan, P. (2019). *Rethinking and revitalising tertiary education in Australia*. Retrieved from: <http://www.mitchellinstitute.org.au/wp-content/uploads/2019/05/Rethinking-and-revitalising-tertiary-education-FINAL.pdf>
- Department of Jobs and Small Business. (2019). *Employment projections*. Retrieved from <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>.
- DPC. (2019). *Strengthening Skills*. Canberra: Department of Premier and Cabinet. Retrieved from <https://pmc.gov.au/sites/default/files/publications/strengthening-skills-independent-review-australia-vets.pdf>.
- Gillezeau, N., & Fowler, L. (2019, May 31). Former Treasurer John Dawkins breached duties in Vocation collapse. *Australian Financial Review*. Retrieved from <https://www.afr.com/work-and-careers/education/former-treasurer-john-dawkins-breached-duties-in-vocation-collapse-20190531-p51tbs>



- Gordon, J., & Preiss, B. (2014, April 8). TAFE funding in crisis. *The Age*. Retrieved from <https://www.theage.com.au/national/victoria/tafe-funding-in-crisis-20140407-3696n.html>
- Higgins, T., & Chapman, B. (2015). *Feasibility and design of a tertiary education entitlement in Australia: modelling and costing a universal income contingent loan*. Melbourne: Mitchell Institute.
- Hurley, P. (2017). Why exploitation and corruption continue to dog Australia's VET sector. *The Conversation*. Retrieved from <https://theconversation.com/why-exploitation-and-corruption-continue-to-dog-australias-vet-sector-80321>
- NCVER. (2011). *Australian vocational education and training statistics: financial information 2010*. Adelaide: NCVER. Retrieved from <http://hdl.voced.edu.au/10707/178309>.
- NCVER. (2014). *Australian vocational education and training statistics: financial information 2013*. Adelaide: NCVER. Retrieved from <http://hdl.voced.edu.au/10707/335858>.
- NCVER. (2017). *The standard for VET financial data*. Adelaide: NCVER Retrieved from [https://www.ncver.edu.au/\\_data/assets/pdf\\_file/0020/100946/Standard-for-VET-Financial-Data-release-2.1-update-Dec-2017.pdf](https://www.ncver.edu.au/_data/assets/pdf_file/0020/100946/Standard-for-VET-Financial-Data-release-2.1-update-Dec-2017.pdf).
- NCVER. (2018). *Financial information 2017: data tables*. Retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/financial-information-2017-data-tables>.
- NCVER. (2019a). *Government funding of VET*. Adelaide: NCVER. Retrieved from <https://www.ncver.edu.au/research-and-statistics/collections/vet-funding>.
- NCVER. (2019b). *Historical time series of government-funded vocational education and training from 1981 to 2018*. Adelaide: NCVER. Retrieved from <https://www.ncver.edu.au/research-and-statistics/data/all-data/historical-time-series-of-government-funded-vocational-education-and-training-from-1981-to-2018>.
- Noonan, P. (2016a). *A new system for financing tertiary education in Australia*. Retrieved from: <http://www.mitchellinstitute.org.au/wp-content/uploads/2016/09/A-new-system-for-financing-tertiary-education.pdf>
- Noonan, P. (2016b). *VET funding in Australia: Background trends and future directions*. Melbourne: Mitchell Institute.
- Noonan, P. (2018, April 25). That sinking feeling: VET participation levels spell trouble ahead. *The Australian*.
- Productivity Commission. (2019). *Report on Government Services 2019: Approach to performance reporting*. Commonwealth of Australia. Retrieved from <https://www.pc.gov.au/research/ongoing/report-on-government-services/2019/approach/statistical-context>.
- Yu, S., & Oliver, D. (2015). *The capture of public wealth by the for-profit VET sector*. Sydney: The University of Sydney.



Mitchell Institute at Victoria University  
300 Queen Street, Melbourne, Victoria 3000  
+61 3 9919 1820  
[info@mitchellinstitute.org.au](mailto:info@mitchellinstitute.org.au)  
[mitchellinstitute.org.au](http://mitchellinstitute.org.au)