

VET FEE-HELP: What went wrong?



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VET FEE-HELP – Its Inception

The VET FEE-HELP scheme commenced in 2008, after the 2007 amendments to the Higher Education Support Act (2003) extended the Commonwealth Higher Education Loan Program (HELP) to full fee-paying students undertaking high level vocational study (Diploma, Advanced Diploma, Graduate Certificate and Graduate Diploma qualifications). VET FEE-HELP was promoted widely by the Commonwealth as an equity measure, allowing anyone, including those on low income and disadvantaged learners, to participate in high level fee-for-service vocational courses, without upfront fees and financial barriers. Loans for VET students would also facilitate the marketisation of vocational education, to allow students to move students to private providers if they chose. It was felt it would create a more level playing field where public providers, subsidised by states, lost their obvious costing advantage, and user-choice, along with user-pays, is supported by the system.

Initially, however, the number of approved courses was small, and approval was only on a single, provider-by-provider basis. Each provider was required to hold a formal, guaranteed credit agreement with a Higher Education provider towards a higher education award. This drastically limited the number of eligible courses and providers, but it did build into the scheme the ideal of the “vocational pathway” through VET to Higher Education.

There were other restrictions to provider approval. Providers, apart from being RTOs, were required to be body corporates, though public providers could be exempted from this. They were also required to show financial viability and to provide adequate tuition assurance for their courses and students. These limitations were seen as unfair by some providers, especially small or niche providers, and the requirements too harsh or onerous. Initial uptake of the income contingent loans was low (37 providers and 5262 students with an average loan size of \$4674 in 2009).

In the main, the stringent provider and course eligibility criteria had acted to protect students, though as loans were only available for Diploma and above qualifications, there was an obvious funding vacuum for fee-for-service students in lower level courses. Some students were tempted, or perhaps encouraged, to leap to a qualification beyond their current skill or knowledge level, especially as entry requirements had been scrapped in many training packages.

VET FEE-HELP was used by the Commonwealth as the carrot to move the states to a fully contestable VET market, giving access to loans to students at both public and private institutions. There were no limits set on fees, as it was considered that natural market forces would keep prices low, a naïve assumption in hindsight. With the slow start to the scheme, no alarm bells rang to consider capping fees, nor to scrutinise provider marketing behaviour, student participation nor loan repayment rates. Student debt, expected to be repaid, was not seen as a budget issue. The only limitation was the individual student’s lifetime HELP loan limit, set at the time at over \$80,000. No-one really seriously contemplated this ever being reached!

The original scheme did not provide access to loans for state government subsidised students, (except for the ‘reform state’ of Victoria) only for full fee-paying students. Many public VET providers felt that this was inconsistent with universities, where loans were available to students in subsidised (Commonwealth supported) places as well as fee-for-service.

VET FEE-HELP 2012 Review

The relatively low take up of the scheme (by 2011 the scheme had grown to 84 providers, and 39,124 students with an average loan of \$5208) and the slowness of the states in implementing the Commonwealth’s Government Reform agenda encouraged the Commonwealth to review of the scheme in 2012. There was strong pressure from the sector to make the scheme more accessible to all. It had become clear that there were inequities both in provider access to the scheme and in course approval. Some practical courses, for example, were unlikely to ever

be given credit towards a degree, and it was often difficult, particularly for small providers, to negotiate sufficient credit with Higher Education institutions to meet the Commonwealth requirements, especially for Advanced Diplomas. Courses were left out, even in valuable skills shortage areas.

The review led to major changes, including a reduction of VET FEE-HELP restrictions on eligible courses, removal of the credit transfer requirement and weakening of conditions to become a VET FEE-HELP provider. Expansion of the program was explicitly linked to VET market reforms, which included requiring states to offer subsidised training places to private providers. Loans were then extended to state government subsidised students in Diploma and Advanced Diploma programs in those “reform states” those that implemented the National Partnership Agreement on Skills Reform. Access to VET FEE-HELP was subsequently used by some states as the rationale to reduce their funding of higher level VET qualifications.

Provider Behaviour Post 2012

Amendments to the HESA legislation enabled substantial growth in the number of approved VET FEE-HELP providers from 37 in 2009 to 254 in 2014, a huge increase in eligible courses and a massive increase in VET FEE-HELP loans by both private and public providers. Large scale business opportunities were seized. Private providers went ‘public’, selling shares which over time became worthless. The “no upfront fees’ and “pay later” slogans, sometimes translated to “free courses”, was an easy sell, especially to those who were cash poor and living for today.

The opportunity was ripe for marketing brokers to move in with sophisticated client management software, purchased client lists, generous inducements and rewards for those who signed up, and easy, “no wait” streamlined enrolment processes. From 5,262 students with a VET FEE- HELP loan in 2009 the number jumped to almost 234,100 in 2014 (Australian Government Department of Education). The total value of VET FEE HELP loans accessed in 2014 (\$1,757 million) “...was more than double the amount accessed in 2013 (\$699 million)” (2014 VET FEE-HELP Statistical Report – Summary). While both private and public providers grew their reliance on VET FEE-HELP, by far the biggest recipients were private, for-profit providers. Of the \$770m in VET FEE-HELP payments up to 1 July 2014, 77% of payments were to for-profit providers. “Funding growth to for-profit providers has more than doubled each year between 2009 and 2013”. (Workplace Research Centre).

With no upfront price signals, consumers became insensitive to the cost of their training. It seems that price sensitivity in actual fact, was playing little part in user choice. In general, there were fee increases across the board, particularly with private providers seeking to maximise profits and value adding with inducements or promises of better customer/student experiences.

Enrolment numbers in “soft” courses with no prerequisite education or training requirements, exploded, regardless of skill shortage or employment expectations.

The final report into the operation of private providers released in 2015 highlighted examples of the unscrupulous practices that became commonplace, as illustrated below.

Final Report - The operation, regulation and funding of private vocational education and training (VET) providers in Australia

Private Vocational Education: Business models, marketing practices and unethical practices

Unscrupulous marketing techniques employed by private providers

Excerpt

3.42 In other cases, students were explicitly encouraged by the RTO or broker to think of the loan required to undertake a course as one that they would never have to repay, as in the following case study presented by the TAFE Community Alliance:

An older woman in her early 70s was at the Bankstown Central shopping centre having lunch with her bible group when they were approached by a young man asking them if they would like a free laptop and a "free" Diploma in Community Services. He assured them that though they had to sign up for a government loan they would never have [to] repay it as they would need to [earn] over \$50,000 (and this was a group of pensioners) and they agreed they would never be earning that much. The whole group signed up and got their laptops.[28]

3.43 Similarly, the Canterbury Bankstown Migrant Interagency reported:

In March 2014, a group of senior citizens from Bankstown (all from Culturally and Linguistically Diverse background and little English) were talked into enrolling in 'computer classes' with Unique International College in Granville and Aspire College in Parramatta. It turned out that there was no computer class and they were all enrolled in different diploma courses and filled out forms to take out VET FEE-HELP. They were each offered a free computer/ipad or \$1000 cash by taking out the loan. They were told there no need to come to class, but if they wish, they could come and free lunch will be offered. They alleged in Aspire College, they had a canteen that could accommodate a couple of hundred people and on the day it was packed with senior citizens enjoying their free lunch.[29]

Impact of the changes on VET

The revised VET FEE-HELP scheme resulted in a shift of funding for higher level VET qualifications from states to individuals and a massive windfall for private providers. Profits were high, barriers to entry were low and with

little accountability, unscrupulous behaviour was rampant. Vocational training was a commodity to be sold just like any other product and it became clear that many marketing brokers, driven by profit, sales targets and commissions, were blatantly using unethical tactics, including specifically targeting disadvantaged people. Adverse newspaper headlines became frequent and distressing for those providers genuinely concerned with student welfare.

Yet, given the exponential increases in loans and loan amounts, still only minor changes were made at the national level. In November 2014, the Senate referred the matter to their Education and Employment References Committee for inquiry and report nine months later.

The business model used by some private providers was detailed in a September 2015 article published in The Age and Sydney Morning Herald.

“To put the rorting in Australia's vocational education system in context, consider this.

Signing up to Phoenix Institute for a 10-month business diploma will cost a new student \$18,000. This course, which is delivered online at a college with no reputation, costs \$8000 more than a year's on-campus tuition at the School of Medicine at Melbourne University. In both cases the learner finishes the year with a debt to the Commonwealth. But the Melbourne University student is significantly more likely to have been given something of value and is much more likely to eventually repay the debt.

... [VET] prospective students are much more likely to be unemployed, less educated, older and poorer. They need training to fill the demands of industry for skilled workers.

Instead, though, many are being lured by door-to-door salesmen, fake job advertisements or shopping mall spruikers into dubious online courses in private colleges run by people who are not educators.

... The Commonwealth spends this money upfront, handing it to the colleges. It expects to see it repaid through a HECS-style delayed repayment scheme called VET FEE-HELP.

As for quality, unlike in the heavily regulated university sector, there is no minimum course length, no standardised testing at the end, and precious little oversight of the colleges.

And the industry is growing exponentially.

... The industry, by design, is "demand driven". But it's colleges, not students, driving the demand. They employ an army of salesmen (known euphemistically as "brokers") who can earn millions in profits from taxpayer subsidies.

The [dodgy brokers](#), such as some of those working for Melbourne's Phoenix Institute, specifically target people

living in public housing, the intellectually disabled, the drug addicted and non-English speakers.

They offer a free laptop as an incentive to get the signature of a new "student", then fill out the literacy and numeracy test themselves (or coach the client through it). A number of former salesmen have confirmed to Fairfax Media that, at Phoenix at least, most "students" are signed up to two courses each, generating \$36,000 in revenue for the college's publicly listed owner, Australian Careers Network (and a \$36,000 cost to the government).

The salesman then comes back to the house to sit in the room and coach the new student as the college makes its post cooling-off period confirmation phone call.”

It wasn't only private providers who profited. TAFEs also benefited (though not through using the same aggressive sales tactics as private providers), but, given their government-owned, not-for-profit status, there were restrictions on how their funding was used. There were generally low course completion rates across providers and students accrued debts, in many cases with little to show for it. The Grattan Institute in their submission to the Senate Committee indicated that NCVET statistics (2014) estimate that the qualification completion rate of people enrolled in vocational education Diplomas had consistently been less than half. They concluded “The available data gives no reason to believe that VET FEE-HELP borrowers will achieve higher rates than this, and considerable concern that they will achieve lower rates.” The loan conditions that students had signed up to had been based on a higher education model of delivery, and not adequately adapted to vocational education. They had little recourse to review or recompense.

With VET FEE-HELP debt continuing to increase, the likelihood of repayments shrinking, a growing list of providers, almost daily exposes on the bad behaviour of some private providers or their marketing brokers, and the inability of ASQA to deal with the problems, the Commonwealth Government acted in 2015 to rein in the VET FEE-HELP scheme. Progressively, over the next two years stronger measures, many of them recommendations from the Senate Committee, were implemented. These included putting a halt to aggressive marketing practices, banning the use of brokers and cold calling. Students wishing to apply for a loan needed to undergo literacy and numeracy screening. Rules around provider approval were tightened and the National Training Complaints Hotline was established, giving students recourse to appeal. Measures were also taken to improve the capacity for information sharing between Commonwealth agencies, giving ASQA greater access to VET provider data.

In releasing the 2016 VET FEE-HELP Statistical Report on Wednesday 16 August 2017 the Assistant Minister for Vocational Education and Skills, the Hon. Kevin Andrews, claimed some wins:

“The number of students accessing VFH loans fell by nearly 30 per cent in 2016, showing the Government’s reform measures were proving effective ahead of the failed scheme being abolished and replaced in 2017,” Minister Andrews said.

“A total of 235,236 VFH eligible students enrolled in 2016, down 24.1 per cent from 2015. Of these students, 193,868 received VFH assistance, which is a 28.7 decrease.

“Students borrowed \$1.47 billion in VFH loans in 2016, which was \$1.445 billion or 49.6 per cent less than the \$2.915 billion in 2015.

“The Government took a number of steps in 2015, and again in 2016, to curb unsustainable growth, address unscrupulous behaviour, and to protect and better inform students ahead of a redesigned program.

“These figures clearly show our actions were effective.”

The 2016 changes resulted in numerous private providers ‘going to the wall’ as their business models broke down. Unethical or even sometimes, illegal behaviour of private VET sector providers became even more evident. The Department of Education and Training and the Australian Competition and Consumer Commission (ACCC) launched action in the Federal Court of Australia against four former VET FEE-HELP providers that are alleged to have breached various provisions of the Australian Consumer Law by engaging in misleading, deceptive and unconscionable conduct. These are Unique International College, Cornerstone Investment Australia Pty Ltd trading as Empower Institute, Australian Institute of Professional Education Pty Ltd (AIPE) and Phoenix Institute of Australia Pty Ltd. Other spectacular falls include Vocation and Careers Australia, which is facing a class action from its investors. The ACCC site provides a litany of actions being taken against private VET providers. -

However, good as well as poor providers were caught up in the fallout, and the whole VET sector appeared to have been brought into disrepute, or at least tarnished. The collapse of some providers left students unable to complete courses. The course and tuition assurance that had been mandatory for all providers, was often found to be ineffective or insufficient. In some cases, students were unable to retrieve documentation of their study record.

It was, by now, obvious to the Government that much of the debt incurred by students was bad debt and difficult, or impossible, to recover. It was not going to be repaid by those students would never reach the income threshold for repayment, nor recouped from providers who were no longer operational. At the end of 2016, the Government drew the line and abandoned the VET FEE-HELP scheme completely. The concept of loans for vocational educational students, however, was now entrenched in the system and couldn’t be scrapped altogether. The entirely new, overhauled VET Student Loan scheme was released in January 2017, breaking most, but not quite all,

links with its predecessor. Each provider was given a financial cap, courses were limited (generally to those in skills shortage or STEM areas) and loans limits were set for each qualification. Loans became a transaction between the student and the Commonwealth, with students required to prove ongoing course participation before payment is made to providers.

While these changes were widely supported in principle, there was increased administrative burden and risk to providers who remained in the new scheme. Student loan uptake reduced, and there was a shift from fee-for-service places back to (state) government subsidised. This was, in part, caused by the loan caps imposed on each qualification, which often made it uneconomic to deliver a course without substantial, additional out of pocket expenses for students. Price signals, and inhibitors, returned to the VET market. In this environment, students frequently find it easier to opt for university, especially with the proliferation of University Colleges.

Reflection on ASQA as a Regulator

Given that it took three years to even begin to tackle the orts, by the time action was taken, extreme measures were required. VET FEE-HELP had become a major political issue and unpaid debt a concern for the budget. All VET providers were caught in the net and tainted to some extent, irrespective of their performance. The continuing retro-fit of band aid solutions has been confusing for the public and made the administrative load on providers extreme. The reputational damage done to VET through the VET FEE-HELP saga will take many years to reverse. This is especially so in the international market where a once highly valued VET system was seen as being amongst the best in the world.

The student website, Campus Morning Mail picked up on this issue noting that:

While international demand for Australian education is booming, the collapse of private training providers in the aftermath of the VET FEE-HELP scandal is starting to have an impact overseas. “People abroad don’t understand what VET FEE-HELP was all about but they just sense that something was not quite right with Australia’s education system. Ironically, overseas students were never able to access VET FEE-HELP course places but our international education sector appears to have been made guilty by association”, a senior industry observer warns.

The Senate enquiry into the operation, regulation and funding of private vocational education and training providers in Australia also identified the extreme pressure that had been put on VET regulators.

“5.36 ... ASQA, and the Department of Education and Training which regulates access to VET FEE HELP, has faced severe challenges dealing with the abuses of some private providers. The committee is of the view that there is every reason to doubt that ASQA is fit for purpose, and

that the regulatory architecture of VET may need a revamp.”

ASQA continues the task of auditing and taking action against those providers who cashed in on the windfall from student loans.

With the reduction in access to VET Student Loans, the overall funding for VET has been reduced even further. Loans are now restricted, with many courses unfunded and course loan caps leaving students in some cases, with large gaps to self-fund.

VET FEE-HELP had started as a well-intentioned scheme to promote equal access to study for all. However the design was badly flawed, and it enabled an environment where VET fees increased, unscrupulous providers flourished, students were burdened with debt without commensurate outcomes and budgets of government were drained. This has not surprisingly caused the public to be cynical and cautious about vocational education.

It also makes us reflect on how governments effectively regulate the VET market. With currently over 5,000 VET providers, regulators face a difficult task to address the issues of quality and integrity across them all at any one point in time. Should the barriers to being a VET provider be higher, as they are in Higher Education, to weed out weak performers? Given the current rhetoric around skill shortages, maintaining a strong, fair and sustainable VET system is critical. Accessibility is still an important issue for VET but what is required is strong and clear direction, based on sound policy to strengthen and not undermine it at every turning point.

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