

## Why Australia Needs to Stop Using the Term “VET Market”

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### Use of the Term “VET Market”

Words matter, and the choice of the term “market” when referring to Australian vocational education and training (VET) is more than symbolic; it shows a preference to continue Australia’s deeply problematic policy of **marketising** (read substantially **privatising**) the VET system. The term underlies and reinforces a philosophy that endorses the view that private, competitive provision of VET services, including to disadvantaged learners, is the best means to skill Australia. I believe that is a wrong approach, and strongly encourage Commonwealth, state and territory governments to adjust their terminology to reflect a system that emphasises quality of provision and ethical behaviour by training providers, rather than a “competition” that seems like it will include “cost efficiency” as a major criterion. Lower costs will NOT equate with quality provision.

The latest example of “VET Market” use is the title of the SEE Program discussion paper: *Market Preparation Paper for Stream 1 of the Skills for Education and Employment (SEE) Program*, issued by the Australian Government Department of Employment and Workplace Relations (DEWR).<sup>1</sup>

The DEWR *Preparation Paper* includes the following phrases, aside from the title:

- “Introduction of longer-term contract arrangements of up to 10 years to provide greater stability **in the market.**” (page 7)
- “These will be detailed in the RFT when released **to the market.**” (page 8)
- “This document, being **the formal approach to market process** for the SEE program.” (page 28)

### Why not re-word those phrases:

- “Introduction of longer-term contract arrangements of up to 10 years to provide greater stability **in the VET system.**” (page 7)
- “These will be detailed in the RFT when released **to VET providers.**” (page 8)
- “This document, being **the formal approach to possible providers** for the SEE program.” (page 28)

Every time a department is tempted to use the phrase “VET market”, why not remove the word “market” and insert the word “system”, so it reads “VET system”. Does it still make sense? My guess is that 99% of the time it not only WILL make sense, but it will also lead the reader to a better understanding of Australian skills and training, one which is based *on how the system operates*, not that it is a “buy and sell” market.

**In summary:** The use of the term “VET market” is inappropriate for discussion and future planning about the SEE Program and about VET generally. In what strange world do we now call the provision of foundation skills through the SEE Program, which delivers primarily to disadvantaged and vulnerable

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<sup>1</sup> See <https://tenders.employment.gov.au/tenders/841c5fda-140b-ee11-8f6d-6045bd3d31be/>. Responses are required by 6 July 2023, so the original paper may not be available online after that date. “The SEE program, formerly known as the Language, Literacy and Numeracy Program, has operated since January 2002 when the Literacy and Numeracy program was amalgamated with the Advanced English for Migrants Program”; see <https://www.dewr.gov.au/skills-education-and-employment/about-program>.

Australians, a “market”? In other words, use of the term “VET market” will continue Australia’s deeply misguided policy of privatising the VET system. I respectfully request all governments in Australia to change that approach.

## Why is VET the Only Privatised Australian Education Sector?

Not just the SEE Program paper, but government agencies have persisted in referring to Australia’s vocational education and training (VET) system as a “market”. But why is that? *The university system of higher education is never referred to as a “market”,* with 95%+ of higher education students enrolled in public or not-for-profit institutions. Nor are primary and secondary schools are “market”; schools CANNOT receive government funding if they are for-profit institutions.<sup>2</sup> Even the heavily “marketised” early childhood learning sector is not, thankfully, called a “market” (imagine that – buying and selling childhood care).

Education should not be seen as a “buy and sell” commodity. Yet here in Australia, that’s exactly what VET is. NCVET data tells us more than 74% of the 4.3 million VET learners studied with a for-profit provider in 2021. While many of those 3.2 million students at for-profit providers paid full fees, approximately 36.6% of government VET funding goes to more than half a million students enrolled with for-profit companies (see table below in the next section).<sup>3</sup>

Investigations which took place some years ago by media companies showed that many for-profit providers involved in VET FEE-HELP had significant *profit margins of 20% or more* on government-funded VET services.<sup>4</sup> This inevitably impacts the quality of provision. Or if the impact on quality is slight, it’s because for-profit providers specifically *choose* the easiest students – those who relatively advantaged and who do not have learning barriers: they are *not* low income, *not* Indigenous, *without a disability* and *not* living in outer regional and or other hard locations to deliver to.

CCA’s research on government-funded VET for the past seven years shows this statement to be true: ACE providers are the best providers in delivering to learners experiencing disadvantage, followed by TAFEs, with for-profit providers at the very bottom of the list of disadvantaged student engagement.<sup>5</sup>

**Is this what we want for a revitalised and upgraded SEE Program?** To see for-profit providers taking the “easy” students in the most convenient locations, with the least disadvantage, leaving the hardest to reach and teach to the not-for-profit adult and community education (ACE) providers and the TAFEs. If we persist in using the term “market” for the SEE Program, we increase the chances of that result.

## Breakdown of VET Student Numbers and Government-Funding by Provider Type

The VET student breakdown by provider type in 2021 was:

- 3,186,795 (74.1%) students at for-profit providers
- 778,300 (18.1%) students at TAFE institutes & other public providers
- 449,500 (10.5%) students at not-for-profit community education providers
- 114,100 (2.7%) students at schools
- 107,000 (2.5%) students at enterprise providers

<sup>2</sup> See “Do we want for-profit schools in Australia?” by Annette Rome and Adam Smith, *The Conversation*, 24 December 2012; <https://theconversation.com/do-we-want-for-profit-schools-in-australia-7015>.

<sup>3</sup> See <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/total-vet-students-and-courses-2021>.

<sup>4</sup> See <https://cca.edu.au/for-profit-vet-provider-targeted-80-profit-margin-and-1-2-billion-turnover/> and <https://cca.edu.au/the-long-tail-of-australian-private-for-profit-vet-scandal/>.

<sup>5</sup> See CCA’s most recent provider breakdown of student NSW analysis at <https://cca.edu.au/nsw-ace-providers-over-perform-in-reaching-vulnerable-and-disadvantaged-learners/>.

- 75,600 (1.8%) students at universities

The 2022 provider breakdown of data will be released by NCVET in August 2023, however do not expect any significant changes, as the data has remained very consistent for many years.

What is interesting to note is how government funding has been allocated. Below is a table of 2021 government-funded VET numbers and percentages, extracted from NCVET “Databuilder”<sup>6</sup>:

Provider Type	Total VET Students 2021	Government-funded VET students 2021	% students govt-funded this provider type	% of all govt funded students
TAFE	778,280	652,375	83.8	45.5
University	75,625	60,825	80.4	4.2
Schools	114,110	103,290	90.5	7.2
Community (ACE)	449,515	73,095	16.3	5.1
Enterprise	106,985	19,025	17.8	1.3
Private for-profit	3,186,795	525,540	16.5	36.6
TOTAL	4,299,555	1,434,150		

There are a few important takeaways from this table; in 2021:

1. **TAFE** had the highest absolute number of government-funded VET students (625,375) and the highest percentage of the total of government-funded students (45.5%).
2. **Private for-profit providers** had the second highest number of government-funded VET students (525,540) and the second highest percentage of the total government-funded students (36.6%).
3. **Community education providers** had the lowest percentage of students who are government-funded (16.3%) and the second lowest amount of the total government-funded students (5.1%).

#### Conclusions:

- While TAFE has retained its primacy in government-funding, it is closely followed by for-profit providers. However TAFE has “lost ground” over the last ten years. The “free TAFE” approach by the current Commonwealth Government may ameliorate this somewhat, but the trend lines are clear – TAFE and ACE providers have consistently lost government funding to for profit providers.
- Community education providers are proportionately under-funded by governments. This varies by state and territory, with only New South Wales and Victoria providing substantial funding to the ACE sector. Nevertheless, ACE providers appear to be the “poor cousin” in government funding.

NCVER reports (2022 data) that government-funding on VET from all sources totaled \$6 billion.<sup>7</sup> A reasonable estimate is that 36.6% of that funding went to for-profit providers – almost \$2.2 billion each year. So, although VET is not fully privatised, the “market” approach has ensured that not-for-profit (ACE) providers have almost insignificant amounts of government funding by comparison, which CCA estimates in the vicinity of \$300 million.<sup>8</sup>

<sup>6</sup> See <https://www.ncver.edu.au/research-and-statistics/data/databuilder#tva-students>.

<sup>7</sup> See <https://www.ncver.edu.au/research-and-statistics/collections/vet-funding>.

<sup>8</sup> This estimate is based on intelligence gained from various public statements of New South Wales, Victorian and South Australian government ministers. By and large, it is not possible to find a written public breakdown of how much funding goes to ACE providers in each state; annual budgets do not include that information.

## Marketisation of Australian Government Services is Increasingly Shown to be Misguided with Poor Outcomes

There is a growing literature that definitively proves that marketisation of government services in Australia is misguided and frequently produces poor outcomes, especially for learners/clients/users from the disadvantaged backgrounds. At the same time, marketisation has frequently *disadvantaged* public and not-for-profit service providers, and advantaged for-profit providers, adding to their bottom line. Marketisation encourages choice of service providers that bid “low” and can achieve a high profit margin with accordingly reduced quality (and quantity).

Professor Mark Considine, author of *The Careless State: Reforming Australia’s Social Services*, writes:

The main purpose of government is to promote the welfare of its people. Other things matter, too, but without this core value government moves from being the solution to becoming the problem. That is exactly what has happened in many of Australia’s social services. In key fields – childcare, aged care, employment services and the NDIS – what we have is not a quality system of care but a disordered ecology of self-directed providers and distant regulators. Governments write complex contracts and rain down new rules when things go wrong, but they haven’t improved the systems themselves. We pay a high price for poor quality and often fraud-ridden services.<sup>9</sup>

Extensive research has been completed by Dr Don Zoellner, who states:

The results from big data sources show that the national pattern of ... facilitating contestable markets for VET delivery has not met the range of expectations promised by advocates of user choice. Instead, not only have access and equity goals been seriously diminished, but an equally valid range of other choices have also been reduced or ignored.<sup>10</sup>

The Australian Government’s (PM&C) current *Roadmap - The National Care and Support Economy Strategy 2023* states<sup>11</sup>:

Markets have not worked well in all cases. Thin markets (discussed under Goal 1: Quality care and support) refer to inadequate market provision for certain populations or in certain regions. In thin markets, some people requiring care and support may miss out on services, or be forced into services that do not meet their needs (including services that are far away from their home).” And further states: “Care and support markets are not like regular markets in a number of important ways. For a start, government usually sets the price and/or amount of services consumed and decides who can access them.

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<sup>9</sup> Source: “Choice versus voice: Why money won’t fix Australia’s broken social services model”, by Mark Considine, *Inside Story*, 22 June 2023; <https://insidestory.org.au/choice-versus-voice/>. Also see *The Careless State: Reforming Australia’s Social Services*, Melbourne University Press, 2022; <https://www.mup.com.au/books/the-careless-state-paperback-softback>. Mark Considine will be a speaker at the Community Colleges Australia Conference in October 2023; see <https://cca.edu.au/professor-mark-considine-author-of-the-careless-state-to-speak-at-cca-conference/>.

<sup>10</sup> See <https://cca.edu.au/vet-markets-have-disadvantaged-regional-and-rural-australian-learners/> and <https://ervet-journal.springeropen.com/articles/10.1186/s40461-022-00133-7> and <https://researchers.cdu.edu.au/en/persons/donald-zoellner/publications/>.

<sup>11</sup> See Australian Government, Department of Prime Minister and Cabinet, *Roadmap - The National Care and Support Economy Strategy 2023*, Goal 3 – Productive and Sustainable; <https://www.pmc.gov.au/resources/draft-national-strategy-care-and-support-economy/goal-3-productive-and-sustainable/well-functioning-markets>.

Then, consumers rarely face the full cost of the service, distorting price cues. Additionally, in many cases there are rules about who can become a service provider in the market. Low competition and contestability mean service users can't (or don't readily) change provider. As a result, inefficient or poor quality services can persist. All of this means that competition-driven market incentives and dynamics don't always work to achieve efficient outcomes.

## VET FEE-HELP – VET Marketisation at Its Worst

The best example of VET “market failure” is the disastrous, much-abused and severely flawed VET FEE-HELP (VFH) program, which *The Sydney Morning Herald* called “the biggest public policy scandal in Australian history: the systematic roting of the vocational education and training system.”<sup>12</sup>

Getting the policy settings correct are essential. Under VFH, Indigenous and disadvantaged (low socio-economic status) students accrued higher fees/debts compared to non-Indigenous and non-disadvantaged students, as the following table from the Australian National Audit Office report *Administration of the VET FEE-HELP Scheme* shows. Indigenous students and low-income students *paid up to 50% more* for the same course than non-Indigenous students and higher income students.<sup>13</sup>

Characteristic	Face-to-face	Online	Mixed-mode	Mean annual tuition fee
Indigenous	\$20,448	\$19,875	\$18,007	<b>\$19,977</b>
Non-Indigenous	\$12,972	\$16,515	\$12,042	<b>\$14,328</b>
Quintile 1 (low SES)	\$15,153	\$18,127	\$12,970	<b>\$16,193</b>
Quintile 5 (high SES)	\$11,555	\$15,114	\$11,151	<b>\$12,835</b>

The Australian National Audit Office report also states (paragraph 27) that course fees varied tremendously, “from an average of \$4,060 to \$13,911 between 2009 and 2015, and the cost of the same course sometimes varies significantly between providers... for example, the fees for the Diploma in Graphic Design ... were \$5,492 with one provider and \$59,860 with another; and Diploma of Aviation (instrument flight operations ... ranged from \$32,330 to \$96,000.”

In other words, for-profit VET providers simply charged the most they possibly could get away with, because the “market” allowed them to. Consumers did not have enough information, power or capability to determine or negotiate proper pricing mechanisms. Many simply assumed that because the loans were from the Australian Government that it must have been okay.<sup>14</sup>

## Conclusion: Education Is a Public Good

The VET FEE-HELP disaster is a symptom of a deeper malaise in Australian public life, one that assumed that the privatisation of public educational and other services was a good thing, that somehow an

<sup>12</sup> See <https://www.smh.com.au/politics/federal/how-australia-s-education-debacle-is-still-creating-victims-20180419-p4zal3.html>.

<sup>13</sup> Source: Australian National Audit Office, 2016, *Administration of the VET FEE-HELP Scheme*; available at <https://www.anao.gov.au/work/performance-audit/administration-vet-fee-help-scheme>.

<sup>14</sup> See <https://cca.edu.au/proof-that-a-free-for-all-australian-vet-market-is-wrong/>.

efficient “market would provide” when public funding was given out.<sup>15</sup> What we know now – and should have recognised then – is that this simply is not true. Education is a public good.<sup>16</sup> The marketisation of Australian public services has never been more problematic than in the VET space. Education should not be a buy-and-sell commodity.

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<sup>15</sup> See more discussion on this topic at <https://cca.edu.au/news/comment/why-the-issue-of-for-profit-australian-vet-doesnt-go-away/>.

<sup>16</sup> See “Education is a public good, not a private commodity,” by Stewart Riddle, *The Conversation*, 1 October 2014, available at <https://theconversation.com/education-is-a-public-good-not-a-private-commodity-31408>.