



‘A report into the potential impacts of the 2020 User Choice and Skilled Capital funding cuts for the Australian Capital Territory’.

1st February, 2020
Authorised by the APTS Committee, 2020.

Introduction

The purpose of this report is to outline the adverse impact of the cuts to qualification subsidy amounts on prospective students, employers and training providers in the ACT Vocational Education and Training (VET) sector. The information contained in this report has been gathered from numerous affected Registered Training Organisations, students and employers that operate in the ACT VET market.

The report has been prepared and authorised by APTS, a member-based volunteer organisation established to represent providers of training services in Canberra, ACT, and the region. We have a keen focus on representing the interests of privately owned Vocational Education and Training (VET) providers that hold an ACT Training Initiative Funding Agreement (TIFA).

Executive Summary

The funding cuts (released by Skills Canberra on the 14th January 2020) have been extensively applied across the two major training initiatives funded by the ACT Government, User Choice and Skilled Capital. Close analysis of the funding cuts reveal the ACT Government has reduced or removed funding for the majority of qualifications funded in the ACT, slashing millions of dollars out of the ACT VET sector. The impacts will be felt far and wide and will result in substantial tuition fee increases for students/employers, significant revenue reductions for training providers (resulting in reduced service delivery and quality) and a sharp decline in Australian Apprenticeships (including School-based) commencements across the territory.

Many employers/businesses and NGOs rely heavily on Government subsidised opportunities for the purpose of training and upskilling new and existing workers. Many of these training opportunities will now be financially out of reach for many students/employees hoping to advance their careers and employers wishing to upskill their employees. VET qualifications, for many, will now only be available to those who can afford it, dramatically impacting the equity and access to VET qualifications for ACT residents. Limited or no access to VET Student Loans to assist covering up-front tuition fee costs will further disadvantage students compared to their university counterparts. VET has always been deeply egalitarian and embraced the importance and value of work to a person's self worth (B Macenzie 2019). The ACT Government appears to have lost sight of this fact.

The sudden and severe decision to cut funding (effective immediately) came as a complete shock to the ACT VET sector with no prior warning or communication provided, leaving prospective students, employers and training providers dumbfounded.

Adverse Impacts on Training Providers, Prospective Students and Employers

The direct impact and ongoing ramifications of the Qualification Subsidy Amounts released on the 14th of January 2020 will have a major negative impact on every Registered Training Organisation and every industry that has benefited and/or relied upon Skilled Capital and User Choice Funding. How is a training provider expected to maintain the current high quality standards and student/employer satisfaction rates when placed under such extreme financial pressures? Training providers that have built their businesses around the ACT VET training market created by Skills Canberra will be faced with significant financial pressures. Initial feedback from affected training providers indicates projected revenue losses of between 30% - 100% which will significantly reduce service provision, force mass job losses and/or lead to business closure.

While the business models of training providers shouldn't be fully reliant on any one income source, changes in the business macro environment rarely happen with zero notice.

A factor relating to the impact of the reduced subsidy amounts is the timing of the release, as one ACT training provider explains *"As a business, we make strategic decisions to prepare us for the future based on historical evidence and current information available to us. In previous years, the Qualification Subsidy Amounts have been released in November of the year prior to them becoming effective. We had hoped to receive this information in November 2019, but for whatever reason, the information was not released until the 14th of January 2020 and was effective immediately"*.

The timing of the release was even more impactful coming after 30 - 45 days of limited student activity due to the Christmas holiday period.

The lack of warning from Skills Canberra meant that training providers were unable to plan and prepare with any certainty for future business activities. The uncertain environment created by the Government severely hinders and stifles investment by training providers and deeply affects their ability to grow and improve their businesses.

Skills Canberra has advised they were unaware of the extent of the budget blow-outs and as a result were unable to inform the sector of the impending cutbacks. Given the majority of Skilled Capital places are taken in the first 3 months of each release period (in some cases the first three days), Skills Canberra should have ample opportunity to monitor take up rates. In addition, Skilled Capital and User Choice payments are paid to training providers on a fortnightly to monthly basis which provides further indication of potential budget blow-outs. Subsequently, APTS finds it hard to understand how Skills Canberra were not aware of the budget blowouts prior to the normal release in November of the qualification subsidy amounts.

During 2019, there was also a noticeable pull-back by Skills Canberra to consult with the VET sector e.g. scrapping of industry 'think tank' meetings. The distinct lack of consultation and

transparency displayed by Skills Canberra creates an even more uncertain environment for training providers which negatively flows through to all VET sector stakeholders.

Students that have planned to undertake VET qualifications in 2020 will now be faced with significant increases in tuition fees and in many cases have no access to VET Student Loans to help cover the up-front costs of training. The funding cuts will significantly hurt and disadvantage ACT residents seeking to reskill and/or upskill and have ruined the goals and aspirations of hundreds of prospective ACT students hoping to embark on a VET qualification in 2020.

The funding cuts will also disadvantage ACT students, employers and training providers compared with their interstate counterparts. Comparing the 2020 User Choice and Skilled Capital subsidy amounts with the NSW Smart and Skilled funding amounts for 2020 reveals a substantial disparity in qualification subsidy amounts across the board. Shockingly, in some qualifications the ACT Government is only funding half the amount that NSW is funding through Smart and Skilled.

ACT Skills Needs List Consultation

Every year the ACT Government reviews the Skills Needs List to ensure it aligns with the changing skills needs of employers and growth industries in the ACT. This enables the Government to target investment in VET to develop a productive and highly skilled workforce.

APTS has a number of concerns with the current consultation process. Currently, the Government uses existing quantitative evidence along with direct industry input provided through an online survey to inform their decision making on the ACT Skills Needs List. Despite this opportunity for industry to provide input very few actually take it up. The primary reasons for this lack of engagement from industry relate to the inadequate promotion of the online survey to industry/employers and the confusing nature of the survey itself that relies upon respondents having a reasonable understanding of the VET system. VET is a very complex and convoluted system of training packages, qualifications, qualification levels, units of competency, delivery methods, training providers, student pathways and funding initiatives. It is very difficult for an employer without knowledge of the aforementioned factors to provide informed and reliable input on the current and future skills needs of their respective industries.

The lack of industry input can lead to a mismatch between skills needs and funding allocation. Early Childhood Education and Care is an example of such a skills to funding mismatch and is explained in detail below. Consequently, APTS has concerns on the validity and reliability of the information used to inform the Government on the creation of the ACT Skills Needs List.

Early Childhood Education and Care

A training provider in the Early Childhood Education and Care space noted that neither the Certificate III nor Diploma qualifications are listed on the ACT Skilled Capital Qualification List for February 2020 and will significantly impact upon enrolments and the number of new workers entering the sector. Further compounding the problem is the minimum regulatory qualification

standards for employment in the childcare sector. As per the National Care and Education Law and Regulations, educators must hold either a Certificate III of, or Diploma in Early Childhood Education and Care, to work as an educator in Australia. As per these requirements, such qualifications must be commenced or completed before employment or promotion can be gained, in order to remain compliant within the strict ratio and qualification requirements. The maintenance of a skilled workforce to these expectations is challenging enough given the well-known fact that the early education and care profession already is suffering from a skills shortage crisis.

Many individuals who are either looking to gain employment within or are currently working in the sector (namely Outside of School Hours Care and Family Day Care) do not meet the criteria to receive User Choice funding. Instead, they rely on Skilled Capital funding to provide them with affordable training options for the sake of employment and skill development. Affordability is essential given that the sector is one of the lowest paid professions in the country. Employers and students will now have to fork out thousands of dollars in tuition fees to access VET qualifications significantly reducing student enrolments and training opportunities provided by employers.

Another training provider in this space advised that “most frustratingly, the demand for courses in early education and care prior to the 2020 release was very strong. We had a waiting list for the February 2020 Skilled Capital release of keen and eager students hoping to embark on a career in the early education and care sector. We now have to contact them all and inform them that no funding is available and they will have to pay the full qualification tuition fees which will amount to thousands of dollars. My expectation is that the vast majority of these prospective students will not proceed with the qualification. This will be an unmitigated disaster for the prospects of my RTO not to mention the devastating loss of potential new workers moving into the sector. As an organisation we strongly believe that the provision of quality care for our next generation is essential. Society, children, families, employers, communities, and the nation as a whole benefit from high quality early education and care. This provision however, can only be supplied through highly skilled, qualified educators to mentor and shape the minds of our children”.

New subsidy amounts comparison analysis for Early Childhood Education and Care:

CHC30113 Certificate III in Early Childhood Education and Care has been completely removed from Skilled Capital funding in 2020 (February release). 150 places were offered in the February 2019 release with a further 100 places offered in the August 2019 release. All these places were exhausted in the first three days of each 2019 release. Although data is not available it is likely this ‘in demand’ qualification was significantly oversubscribed in 2019.

In 2020, User Choice funding for CHC30113 Certificate III in Early Childhood Education and Care will suffer a 14% decline in funding for New Workers: \$5,960.00 (2019) - \$5,130.00 (2020). 2020 User Choice funding for Existing Workers in this qualification initially saw a decline from \$5,960.00 to \$2,150.00 or a 64% funding reduction, however, this has since been

amended to match New Worker funding. Funding in NSW through Smart Skilled for CHC30113 currently stands at \$6,600 or almost 30% more than ACT funding.

Aged and Disability Care

Certificate III in Individual Support is another example of a qualification that has been defunded through Skilled Capital leaving prospective students high and dry and without an affordable pathway into the sector. The recently completed Aged Care Royal Commission has included in their interim report the fact that there is an undervalued and insufficiently trained workforce, whilst the disability Royal Commission has listed one of its areas of investigation as the training and education of health professionals with respect to patients with cognitive disability.

The aged and disability care sectors are highly casualised, which deems a large portion of staff ineligible for User Choice funding. Without access to affordable Skilled Capital training in Individual Care many prospective students will be forced to reconsider their career pathway and look elsewhere for affordable career and training opportunities. This will worsen the current skills crisis and further compound the current quality of care issues plaguing the sector. APTS has had numerous discussions with aged care employers in the ACT that are stunned by this decision as it will place enormous pressure on employers seeking new staff for 2020.

The reduction in funding for individual support (aged care and disability care) comes despite the Government's claim that 'The highest level of subsidy would be retained for courses in community services and individual support, early childhood education, ageing support, disability, mental health and allied health qualifications. (CT article January 28, 2020).

New subsidy amounts comparison analysis for CHC33015 Certificate III in Individual Support: Skilled Capital funding places have been completely removed. In the 2019 February release 150 places were available and a further 100 in the 2019 August release. User Choice funding for New and Existing Workers has decreased by 14%. Funding in NSW through Smart Skilled for CHC33015 currently stands at \$6,620 or 38% more than ACT funding.

Hospitality

Hospitality qualifications have been another hard hit area. No hospitality qualifications will be funded through Skilled Capital in 2020 and User Choice funding for New Workers has been slashed by 44% for all but one qualification. Additionally, funding for Existing Workers has been removed for all but one qualification. Most surprisingly, funding for Certificate III in Commercial Cookery has been reduced from \$9000 to \$5060 effectively forcing employers or students seeking a career in culinary to cover the loss in funding. There is already a significant skill shortage in cooks in the ACT and reducing the funding by 44% will further worsen the already dire situation. NCVET data reveals that Food Trades Workers in the ACT have experienced a 9.9% decline in enrolments from 2018 to 2019 and 42% decline in enrolments since 2015. The

removal of almost half the funding will undoubtedly see a far greater and disturbing decline than what has already been experienced.

One hospitality training provider is of the view the funding cuts will force restaurants and eateries to explore skilled migration and ignore providing opportunities for local people.

“There have been significant cuts in the Hospitality funding as well, which I am sure you will get from the other RTOs. Given that the ACT is a tourism destination and a food Mecca, these cuts will significantly reduce the number of traineeships and apprenticeships in an area that it is greatly required”.

“Due to the funding cuts and loss of existing worker funding, I am forecasting a 50% reduction in Australian Apprenticeship/Traineeship enrolments for 2020. In actual number terms that amounts to approximately 100 - 120 Australian Apprenticeship commencements. This will have a significant impact on new workers entering the ACT hospitality sector and worsen the already dire skills shortage situation”.

Across the border in NSW, Smart and Skilled funding for Certificate III in Commercial Cookery is \$10,570.00 or \$5,510.00 more than the funding amount offered in the ACT. *“How can such a disparity be explained when exactly the same qualification is being delivered? Certainly, the cost of training delivery is no different and one could even argue the cost of doing business in the ACT is even higher due to the ACT’s higher than average salaries”.*

Building and Construction

Building and construction and associated trades and licensed disciplines have not been spared in the funding cuts. Removal of Skilled Capital funding and large reductions in User Choice funding will have a major adverse impact on skills development in the ACT construction sector, which already relies on importing skilled workers from interstate to meet demand. Group Training Organisations will suffer significant cost increases that will have to be passed on to host employers greatly impacting upon the affordability of hosting an Australian Apprentice. Discussions with the construction employers regarding the funding cuts have uncovered real concerns about training quality and the flow-on impacts on the overall building quality standards in the ACT.

New subsidy amounts comparison analysis for building and construction sectors:

User Choice funding CPC30211 Certificate III in Carpentry has experienced a 22% decline in funding for New Workers and a massive 67% decline for Existing Workers. Funding in NSW through Smart Skilled for CPC30211 currently stands at \$12,670.00 or 30% more than ACT funding (\$8,910).

Business and Public Sector

Qualifications from the Business and Public Sector training packages have also suffered significant funding cuts. APTS received the following feedback from a member training provider operating in this space on the adverse impact to their long-standing ACT business. *“The reduction of subsidised funding will significantly impact work opportunities for our organisation in the future and will also greatly impact existing contracts which had been entered into for 2020 prior to the announcement of the reduction in funding. These changes will have a direct and immediate impact on our business operations. The funding cuts have required our business to make immediate changes to reduce costs across all business areas. Regrettably these funding cuts have led us to make some very difficult business decisions. The reductions in subsidy amounts will have a direct impact on our current and existing clients. There are several programs we are currently delivering and others that we are preparing to deliver that will be substantially impacted by these changes. As the reduced funding will affect our entire business operations, services across the board will necessarily be negatively impacted”.*

New subsidy amounts comparison analysis for business and public service sector:

User Choice funding for BSB30115 Certificate III in Business has experienced a decrease for New Workers from \$4,460.00 to \$3,490.00 or a 22% decline. This decline is even greater for Existing Workers which has seen a decrease of \$3,000.00 or 67% from 2019 to 2020. Funding in NSW through Smart Skilled for BSB30115 currently stands at \$5,140.00 or 38% more than ACT funding.

User Choice funding for BSB51918 Diploma of Leadership and Management has experienced a decrease for New Workers from \$3,940.00 to \$2,810.00 or a 29% decline. Existing Worker funding for this qualification has been completely removed. Funding in NSW through Smart Skilled for BSB51918 currently stands at \$7,590.00 or 93% more than ACT funding.

User Choice funding for PSP50116 Diploma of Government has experienced a decrease for New Workers from \$7,540.00 to \$6,000.00 or a 20% decrease. Existing Worker funding has been significantly reduced to \$2,510.00. Funding in NSW through Smart Skilled for PSP50116 currently stands at \$6,460.00 or 8% more than ACT funding.

The ACT Training Market

The ACT has a small training market made up of small niche training providers covering a limited number of industry training packages. Consequently, User Choice and Skilled Capital was opened to interstate training providers to offer ACT residents greater choice of qualifications and to ensure there is a training provider for most industry training packages, especially those industries experiencing skills shortages. The decision to open up the ACT training market combined with the pre-2020 subsidy amounts made it financially viable for interstate training providers to travel to Canberra or even set up a campus. In many cases the interstate training providers delivered qualifications not offered by ACT based training providers

including CIT ensuring that ACT students had a variety of choice and did not have to travel interstate for training.

Discussions with interstate training providers have revealed that it will no longer be financially viable for many of them to continue delivering qualifications in the ACT. Subsequently, ACT students wishing to complete such qualifications will now be required to travel interstate to undertake their training. This will act as a serious disincentive for ACT students when deciding upon a VET pathway and worsen the skill shortage currently plaguing many industry sectors. In one example, the subsidy for the qualification HLT47815 – Certificate IV in Optical Dispensing which is not delivered by any ACT based training providers (including CIT) has experienced a decrease in new worker funding from \$4880 to \$3470 and all existing worker funding has been removed completely. The majority of students undertaking this qualification are existing workers choosing to upskill, therefore, in effect reducing the subsidy down to practically zero. Consequently, it will no longer be financially viable for this interstate training provider to deliver training in the ACT forcing students to travel to Sydney for their classes.

ACT Government Future Direction of VET

The funding cuts appear to be at odds with the future direction of Skills Canberra (2019-20) as outlined in the CMTEED Annual Report 2018/19:

- develop and implement projects under the National Partnership on the Skilling Australians Fund to further strengthen the quality of training and support available to increase vocational education and training commencements;
- continue to improve access to government-subsidised VET programs in the ACT to support improved school education and employment outcomes for people experiencing disengagement or disadvantage, and improved retention and completion rates for apprentices and trainees;
- continue to support non-apprenticeship training opportunities that have a strong link to employment outcomes;
- ensure training meets the skills needs of local industry, including new and emerging industries;

Additionally, the ACT appears to be going in the opposite direction to the Federal Government that is actively promoting VET pathways across Australia. Scott Morrison recently said at COAG - *“Vocational education is as good as uni, and I’ve got to say some of the people that I’ve met who have been most successful in business, they’ve done it out of a trade and technical qualification”*.

“We want to really lift the standards of vocational training in Australia. You ask me my passion about what we’re going to be talking about a COAG, it is about how we can get people better trained in our economy, support employers who want to put people into better trades so they can make their businesses do better”.

APTS and ACT VET Sector Concerns

APTS is of the view the current explanations given for the funding cuts are unsatisfactory, ambiguous and lack transparency. For example, the article in the Canberra Times on the 28th January 2020 stated the Skilled Capital budget was blown by \$3.8m with a total spend of \$6.2m. That would mean the total annual budget for Skilled Capital was only \$2.4m. This is a very small amount considering the February 2019 release of Skilled Capital alone offered approximately 3500 qualification places and a total financial spend in the vicinity of \$16.5m (if fully subscribed and one hundred percent of students complete).

The article states the ACT Government has allocated a further \$2.5m to Skilled Capital in this financial year. APTS is at a loss as to how a Government spokesperson could make such a claim given the harshness of the 2020 Skilled Capital funding cuts including the removal of approximately 2500 places, removal of approximately 80 qualifications or two-thirds of the available and most subscribed qualifications, and the reduction in funding for the remaining qualifications ranging from 14% - 40%.

Currently, the only explanation provided by Skills Canberra and the ACT Government is that demand across a range of areas under the User Choice and Skilled Capital programs has grown significantly. This year, the Government is returning the spend on subsidies delivered through User Choice and Skilled Capital to a sustainable rate of growth.

In recent days APTS has become aware of two factors that may have contributed to the oversubscription of Skilled Capital and blow-out in User Choice budgets. The first being increased demand for higher level qualifications leading to increased Government expenditure and the second relates to the removal of qualification caps for the first three days of each Skilled Capital release. Instead of directly addressing these causes through policy change, Skills Canberra has taken the 'axe' to funding subsidy amounts across the board for both Skilled Capital and User Choice funding initiatives including reductions in funding across all qualification levels, large scale removal of existing worker funding, defunding of numerous qualifications and removal of the three-day qualification cap exclusion period for Skilled Capital.

The severity and scale of the funding cuts alludes to the Government attempting to recoup all the alleged 'overspend' in 'one foul swoop' irrespective of the enormous harm this will do to students, employers/industry and training providers that operate in the ACT. It would appear the ACT VET sector is paying the price for Skills Canberra's mishandling of training funding.

APTS accepts that in the past Skills Canberra has warned training providers of the risk in relying too heavily on Government funding and the need to diversify to reduce risk of changes to funding levels and Government training priorities. Most training providers heeded the warnings and prepared their businesses, however, in many cases the magnitude and immediateness of the 2020 funding cuts is beyond the ability of many training providers to cope with.

Request for Information

In the interests of transparency, APTS is seeking the following information from Skills Canberra:

- total annual budgeted and actual spend amounts for Skilled Capital in 2017, 2018, 2019 and 2020 (budgeted only).
- total amount of user choice funding expended in 2017, 2018, 2019 and the budgeted User Choice expenditure for 2020.
- the amount of actual Skilled Capital qualification places taken for each qualification offered through Skilled Capital in 2017, 2018 and 2019 and the respective caps for each of these qualifications.

Recommendations

In response to the 2020 funding cuts, APTS recommends a more staged approach to reining in expenditure on each training initiative to lessen the impact of the current deep and across the board funding cuts. Specifically, APTS recommends the following:

- Return User Choice qualification subsidy amounts for all certificate III and IV level qualifications to 2019 levels and move towards more closely aligning User Choice subsidy amounts with NSW Smart and Skilled subsidy amounts;
- Reinstate Skilled Capital funding for qualifications from the Community Services sector e.g Certificate III in Individual Support, Certificate III in Early Childhood Education and Care, that were available in the 2019 releases;
- Notification on changes to all training initiatives (including individual qualification subsidy amounts) to be made at least 12 months prior to their implementation;
- Re-commencement of regular 'industry think tank' meetings or a suitable alternative to improve VET sector engagement;
- Review and overhaul of the industry consultation process used to gather information to inform Skills Canberra on the ACT Skills Needs List development.