

Fragmentation & Photo-Ops

*The Failures of Australian Skills
Policy Through COVID*

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Introduction & Summary

Strong vocational education and training (VET) systems are vital to the success of dynamic, innovative economies and inclusive labour markets. Australia's VET system once provided well-established and dependable education-to-jobs pathways, but a combination of policy vandalism and fiscal mismanagement plunged the VET system into a lasting and multidimensional crisis. During the pandemic, the federal government has pursued further VET restructuring through the implementation of several wage and training subsidy programs at the cost of several billion dollars. This has deepened the "contestable market" experiment unleashed in the 2000s, by subsidising further decentralisation of course content, delivery and student recruitment to unaccountable for-profit training providers. Meanwhile, more TAFE institutes have been closed and enrolments have continued to decline.

With a primary focus on boosting the number of apprentices and trainees on employers' books, the government's signature skills policy Boosting Apprenticeships Commencements has lifted headcounts but not truly repaired the system of training apprentices. In fact, the program design has incentivised apprentice "churn", wasting precious public investments and failing to halt the crisis in skills. Without obligations on employers receiving the subsidy to provide real employment, it is unsurprising that the program has failed to stop an almost decade-long decline in apprenticeship *completions*, which have fallen by 64% since 2013.

There is no evidence the skills pipeline has been either "protected" or replenished under current government VET policies. Short-form, piecemeal units of study have expanded, while accredited quality training has collapsed by over 500,000 enrolments since 2015. Shockingly, all VET enrolment growth over the last five years has been in non-accredited programs, which have grown by almost 70,000 enrolments since 2015.

The government has focused on lifting the number of workers contractually defined as "apprentices", but done little to guarantee genuine skills training is undertaken or completed. Meanwhile, apprenticeships and traineeships in the government's own priority areas have contracted. For example, in 2021 there were over 9,000 fewer human welfare services apprentices and trainees (covering training for the aged and disability care sectors) than at 2013 – a decline of 42%. Long-term contraction in feminised sector apprenticeships continued during 2021 (even under Boosting Apprenticeships), with men accounting for around 3 in 5 of all new apprentices in training in the year to June 2021. Once again, women's jobs and the demands of

feminised high-pressure industries have been deprioritised in favour of the optics of high-vis male tradies.

Australia's vocational education system was once the source of well-established and dependable education-to-jobs pathways through apprenticeship and traineeship programs. However, the system underwent dramatic restructuring after 2012, with funding cuts to the TAFE institutes, expanded scope for private training providers, and delivery of large public subsidies through individual students. The subsequent collapse of many private providers, combined with declining capacity in the TAFE system, and scandals involving the misallocation of public subsidies, have deeply damaged once-reliable vocational pathways. A recent index comparing education systems and labour market outcomes across 80 countries indicated that Australia's VET system, once the envy of the world, had fallen to 20th. For mid-level skills capability, the ranking was even lower: 38th (Lanvin & Monteivo, 2020).

Continued collapse in enrolments and eight years of declining apprenticeship completions make it very clear: Australia's domestic skills pipeline is in disarray. A broken skills system joins a growing list of worsening jobs, skills, wages and economic indicators that have accumulated in recent years. Since 2013, wages have grown at their slowest pace in the entire post-war era. The proportion of workers whose pay and conditions are determined by current collective agreements has dramatically declined, halving in the private sector from 22% in 2013 to only 11% in 2021. Business capital investment has also collapsed since 2012, falling to just 10.5% of GDP by 2021 (a post-war low), despite billions allocated by government in tax breaks and other measures to stimulate a "business-led recovery". Business investment in intellectual property also languishes at its lowest share of GDP this century, one-quarter below decade-earlier levels. In short, the deep failures of VET policy are just one major part of a broader failure of economic policy in Australia to motivate and encourage far-sighted investments of any kind in the economy: whether physical capital, innovation, or skills.

Australia desperately needs a more pro-active, hands-on approach to workforce training and planning. Revitalised TAFE institutes, as the most reliable anchors of vocational training, must lead the nation's skills reconstruction process. Despite chronic underfunding, the TAFE system continues to make a strong and disproportionate economic and social contribution to the Australian economy – underpinning over \$92 billion in economic benefits accruing to workers, businesses and governments every year. But TAFE is so much more than an economic powerhouse. It provides wide social benefits including greater participation and cohesion through the delivery of critical skills and education to lower socio-economic, indigenous and regional communities. All these features confirm that the TAFE system is critically important in addressing growing systemic inequality in Australia's economy

and society and building a broad-based, shared recovery from COVID. Revitalising the TAFE system to its full potential, as the central element of a broader strategy to rebuild a more coherent and effective VET system, is a vital prerequisite for Australia's full post-COVID recovery. Fulfilling its critical role as the leading provider of vocational education requires that a minimum 70% of total VET public funding be reallocated to TAFE institutes, rather than funnelled (directly or indirectly) to private providers.

In this report we present comprehensive evidence of the continued erosion of Australia's vocational education system, despite several high-profile announcements of new skills programs made during the COVID pandemic. The report catalogues several indicators of training quantity including plunging enrolments, but also measures of training *quality*, including growth in training by provider type (e.g., TAFE and private sector), training by remoteness/region and gender, whether training is formally regulated and accredited, and how many apprenticeships have progressed to genuine completion. The report confirms that key VET performance indicators have not only failed to improve in the pandemic era, but in many cases have worsened.

The structure of the report is as follows: First, we review key VET funding and enrolment trends driven by a legacy of failed market-based policies, underfunding and continue defunding of the TAFE system. Declining training in remote areas, and the expansion of non-accredited training since 2015 is documented. Second, severe erosion in the apprenticeship and traineeship skills pipeline is catalogued, including declining commencements, training rates, completions, and plunging apprenticeships in feminised care and education sectors targeted by the government's own Apprenticeships Incentives program. The third section reviews the two major VET-oriented programs introduced by the federal government during the pandemic: the JobTrainer Fund and the Boosting Apprenticeships Commencements program.

The next sections then discuss how VET policy failure has left the skills system poorly prepared to confront the unprecedented labour market challenges gathering momentum in the COVID era: including youth unemployment and dislocation, and skills shortages (particularly in feminised, COVID-exposed caring services). The conclusion discusses the broad economic and social benefits of the TAFE system to Australia's future economy, reaffirming TAFEs as the most reputable and experienced VET provider for Australia's urgently needed skills recovery.

Funding & Enrolment Trends

GOVERNMENT FUNDING

Figure 1 presents ABS annual data on government spending on vocational education for the financial years 2011–12 to 2019–20.¹ This includes total operating expenditures on vocational education and training by federal and state/territory governments, and expenditures of public entities (including government schools, TAFE institutes and public universities). All spending from public funds by private providers is also included.

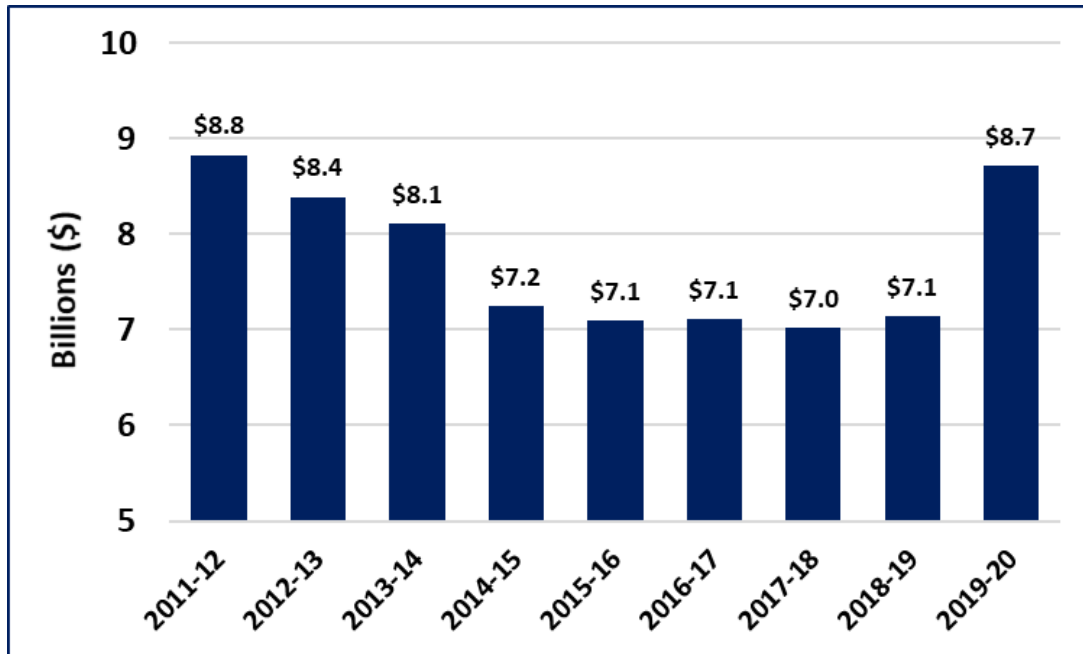
Before the COVID-19 pandemic hit in 2020, real government spending on vocational had fallen 22% in real terms to only \$7.1 billion total funding (in 2020 dollar terms). In the five consecutive years preceding the pandemic, the sector received an average \$1.5 billion less annual funding than under the previous federal government (which averaged \$8.6 billion per year in 2011-13). Reduced funding after 2012 was propelled by further expansion of the VET FEE-HELP regime, as restrictions on private providers eligible for Commonwealth student loans were lifted. States were required to subsidise training through private providers with uncapped fees, concurrently reducing direct support for the TAFE system. The combined effect of VET FEE-HELP was to expand loans as the rationale for reducing VET funding.

With the onset of the pandemic in March 2020, the federal government committed an unprecedented level of stimulus spending to support jobs and businesses, including new skills spending. In 2020, the federal government introduced the Boosting Apprenticeships wage subsidy, and increased transfer payments to the states under the National Agreement for Skills and Workforce Development to fund JobTrainer. These VET initiatives lifted real government VET funding by \$1.6 billion in 2019-20 from its five-year low, to a total of \$8.7 billion. However, despite increased VET

¹ Data for the last four financial years from ABS 5518.0.55.001 provide government expenditure figures under the following classifications: 'school', 'tertiary' and 'other education' only. The VET and university sectors are combined under 'tertiary education'. We calculate a proxy for VET expenditure from the 'Control n.f.d.' sector which represents expenditure on public universities (e.g. tertiary education – Control n.f.d = VET). However, this figure does not include state–Commonwealth consolidations. This may explain why our final funding figures are higher than those reported in other studies utilising the same ABS catalogue (e.g. Pilcher and Torii, 2017). In addition, we report figures in real 2019-20 (Australian) dollars. Nominal data have been converted to real terms using the ABS State and Local Government Final Consumption deflator.

funding, deep and long-standing problems with training have been not been resolved, as detailed below.

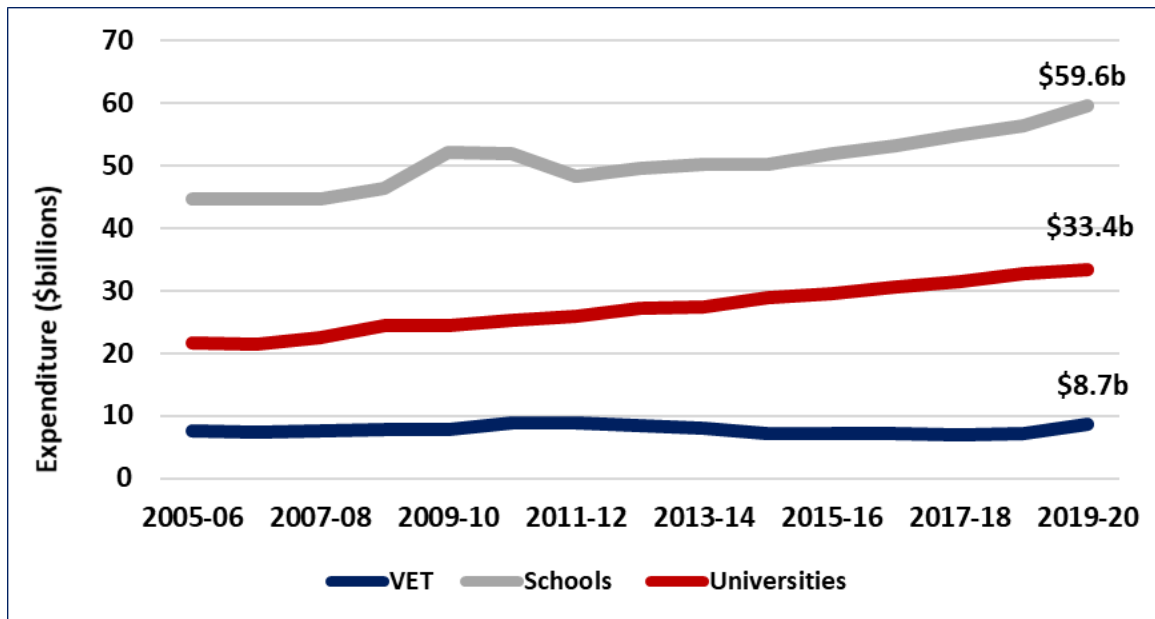
Figure 1. Real Government VET Funding (2011/12 to 2019/20).



Data: Author's calculations from ABS Catalogue 5518.055.001, Table 2. Figures adjusted to 2020 dollars.

VET has been severely underfunded compared to other education sectors for the past 15 years. Figure 2 compares real government spending on schools, universities and the VET sector for the financial years 2005-06 to 2019-20. It shows that government VET spending has languished far below funding for schools and universities, rising by only 15% in real terms since 2005-06. Over the same period, real spending on primary and secondary schools increased by 34% from \$44.6 billion to \$59.6 billion—reflecting both increasing student numbers and improved per capita spending. Government expenditure on universities increased the most, with a total \$33.4 billion spent in 2019-20 — 37% above 2005-06 levels (in real terms). These stark funding divergences between VET providers and universities reflect the failure of policy makers to create a more coherent and balanced post-secondary education system.

Figure 2. Real Government Funding by Sector (2005/6 to 2019/20).



Data: Author’s calculations from ABS Catalogue 5518.055.001, Table 2. Figures adjusted to 2020 dollars.

TAFE CUTS

The past decades of failed policy experimentation in publicly-funded “contestable markets” in VET has decimated the TAFE system. The introduction of the “User Choice” policy in 1998 marked the official emergence of a market system for VET (Toner, 2018), under which TAFE institutes were supposed to compete with private providers on the “same ground” for publicly subsidised student dollars. In 2008, Australian governments made all public VET funding contestable. New private VET providers received public funding, and a corresponding student loan system was introduced (VET FEE-HELP) to support growth in fee-for-service training. The Commonwealth extended VET FEE-HELP to training delivered by public providers, luring cash-strapped states into adopting a fully contestable VET market.² However, due to low take-up of the scheme (both new provider numbers and total loans), VET FEE-HELP was massively expanded through demand-driven arrangements in 2012 (Saccaro & Wright, 2018). Restrictions on eligible courses were lifted, VET provider conditions of entry weakened, and student fees uncapped.³ Poor-quality programs and providers proliferated, spurring unethical

² Some states restricted competitive funding in chosen VET programs and fields. For instance, NSW and Victoria restricted competitive funding in apprenticeship delivery.

³ VET FEE-Help was abolished in January 2017, with a total cost of \$7.5 billion between 2009 to 2016. The majority of these funds were allocated to private colleges (Tomazin, 2019).

and unproductive practices in the for-profit VET system. Fly-by-night operators disappeared, leaving students debt-burdened and without qualifications, with hundreds of millions in “inappropriate debt” removed through the government’s VET FEE-HELP redress scheme (Tomazin, 2019). While the rorts associated with uncapped pricing under the previous VET FEE-HELP system were stopped in 2017, public training funds continue to be allocated to private operators through tendering processes.

The contestable market game was always rigged against the TAFE system. After decades of delivering a full infrastructure of public vocational education, the TAFE system had ongoing fixed and operating costs that private providers simply did not incur, making them “uncompetitive” in tendering. Higher costs borne by the TAFE system include the delivery of low-demand and high-cost courses critical to workforce needs, providing education and training to outer-regional and remote regions, infrastructure, capital projects, and the maintenance of industry and schools partnerships. TAFE institutes were stranded, operating with increasingly insecure funding as the proportion of contestable funds grew year to year, and public resources flowed to private VET provision – often fly-by-night operations established with little capital or infrastructure. This forced the cash-strapped TAFE system to pare back offerings. The result of this effective privatisation of VET is that by 2020, less than half (49%) of all government-funded VET students were attending TAFE institutes, while 33% attended private RTOs. The remaining 18% of government-funded students attended universities and schools (12%) and community and enterprise education providers (6%).

Any VET activity undertaken through Commonwealth and state government funding is captured by NCVET’s *Government-funded students and courses* statistics. Government-funded training can be delivered by TAFE institutes, other government providers, private providers, community education, and other non-government providers. NCVET’s data does not include offshore training, or fee-for-service training.⁴ Government-funded training has been historically delivered by the TAFE system (a government provider), however VET’s effective privatisation has seen the private provider share of government-funded VET activity expand (discussed below). It has also dramatically expanded training activity in the domestic fee-for-service VET sector which represented 68% of all domestic VET students in 2020.⁵ Fee-for-service training

⁴ Both nationally recognised and non-nationally recognised training delivered by Australian training providers is included in NCVET’s *Government-funded students and courses* collection.

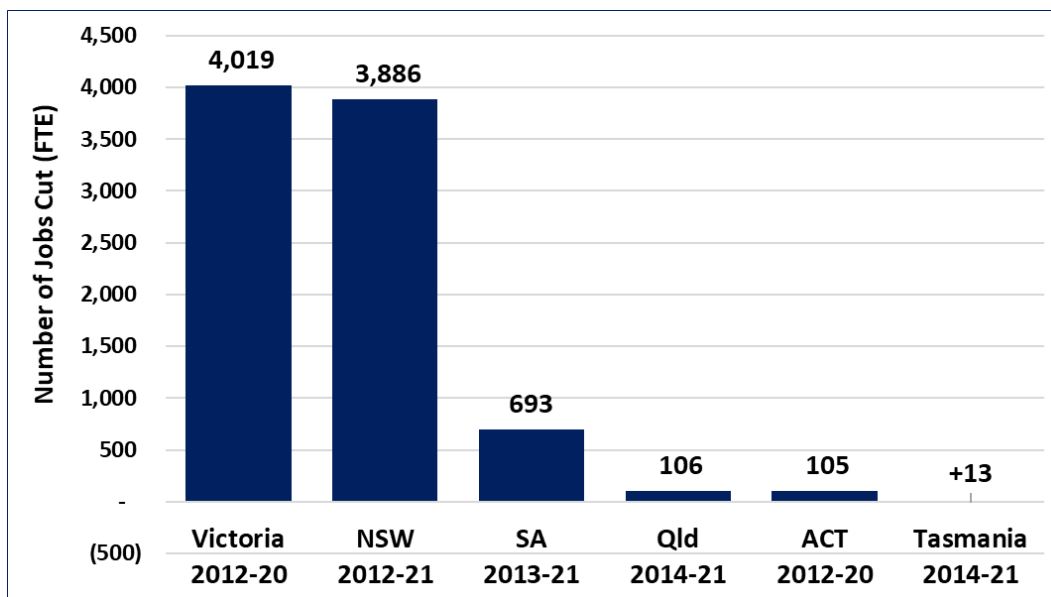
⁵ NCVET 2021, *Total VET students and courses 2020: students*. Provider type, Funding source by Year. There were around 2.4 million domestic fee-for-service students with private providers in 2020, and 4.3 million domestic VET students - both domestic fee-paying, and government-funded, across all provider types (TAFE, private, community, enterprise, schools and universities).

is delivered by all provider types (including TAFE institutes), however private providers represent the vast majority, with 81% of all domestic fee-for-service students enrolled.

The NCVER's broader *Total VET students and outcomes* statistics measure both government-funded and fee-for-service activity that has been nationally recognised (they do not capture training that is not nationally recognised). Fee-for-service activity is training paid for by students and/or their employers without government subsidy. Private short-form training includes micro-credentials and licencing for specific industry requirements (e.g., First Aid and Responsible Service of Alcohol certificates). Rapid growth in these programs has dramatically boosted the total number of fee-for-service students. Hence, in 2020 there were more than twice as many domestic fee-for-service students (2.8 million) as government-funded VET students (1.3 million). As a proportion of all domestic VET students (combining government-funded, and domestic fee-for-service), government-funded TAFE students represented just 16% (around 670,000) in 2020.

Alongside continued closures of TAFE institutes, funding cuts, and declining enrolments, staffing levels in the TAFE system have fallen sharply. As shown in Figure 3, over 8,800 full-time equivalent (FTE) TAFE positions have been cut since 2012 across five states and territories. This has occurred despite significant political resources and funding increases committed to the VET sector during the pandemic. The two largest TAFE systems—Victoria and NSW—have been the worst hit, with 7,905 FTE positions cut just from these states. Tasmania was the only jurisdiction (with available data) to increase its TAFE staffing levels – by just 13 FTE in 2020 compared with 2012.

Figure 3. Reductions in TAFE Staff Levels by State (FTE)



Source: Author’s compilation from TAFE annual reports and state education system workforce profiles. Due to restricted data availability, starting point for Tasmania and Qld is 2014, and 2013 for SA. All other jurisdictions from 2012. 2020 latest data available for Victoria & ACT. No state-wide data available for WA and NT.

ENROLMENTS DOWN

In response to numerous roting scandals under the previous VET FEE-HELP system, the government tightened provider eligibility criteria and oversight in 2015-16. But there was no commitment to resourcing genuine VET streams of training as alternatives to dodgy for-profit providers, and hence this only reinforced a long-run decline in enrolments.

NCVER’s *Total VET students and outcomes* collection reports data for the entire VET sector with data available for the period 2015-20. Table 1 presents program enrolments by provider type. Enrolments across the total VET sector have plunged, with around 445,000 fewer VET program enrolments in 2020 than at 2015. The decline has been highest for TAFE institutes with over 200,000 fewer enrolments, followed by private registered training organisations (RTOs) with around 175,000 fewer enrolments. Private RTOs are now the largest VET providers, with around 1.5 million program enrolments in 2020: almost double TAFEs’.

As a proportion of all enrolments by provider since 2015, the TAFE system has experienced the greatest losses. The TAFE enrolment share declined by 2 percentage points to only 30% of all enrolments in 2020. TAFEs’ lost share has shifted to private

RTOs, which increased their share of total VET enrolments by 2 percentage points, representing 56% of all program enrolments in 2020. Enrolment shares for other smaller VET providers (including universities community and enterprise providers, and schools) have remained largely stable.

| | 2015 | 2020 | Change 2015-20 | % of all enrolments 2015 | % of all enrolments 2020 |
|--------------------------------------------------------------------------------------------|------------------|------------------|---------------------------|-----------------------------------------|-----------------------------------------|
| Private training providers | 1,654,179 | 1,480,154 | -174,025 | 54% | 56% |
| TAFE institutes | 988,936 | 782,135 | -206,801 | 32% | 30% |
| Schools | 176,242 | 149,279 | -26,963 | 6% | 6% |
| Community education providers | 99,990 | 82,557 | -17,433 | 3% | 3% |
| Universities | 74,750 | 72,278 | -2,472 | 2% | 3% |
| Enterprise providers | 85,869 | 69,927 | -15,942 | 3% | 3% |
| Total | 3,079,966 | 2,636,330 | -443,636 | 100% | 100% |
| Data: NCVET VOCSTATS. Total program enrolments. Rounding impacts total percentage figures. | | | | | |

Despite an increase in government VET spending in 2020, enrolments did not increase that year. Instead, \$1.6 billion in additional real spending in the financial year to 2019-20 was accompanied by another decline of 82,000 enrolments in the same year. Further, those enrolment losses were overwhelmingly experienced by TAFE institutes, which lost around 58,000 program enrolments in 2019-20 — 72% of total program enrolment losses that year. TAFE enrolment losses continued through the first nine months of 2021 (to 30 September), with NCVET’s latest government funded VET data showing a 3% decline in students studying with TAFE (a loss of 18,600) compared to the same period in 2020, while private RTOs received an additional 75,700 students in 2021 – a 25% increase.⁶

⁶ NCVET. *Government-funded students and courses, January to September 2021*. Table 7.

The COVID-19 pandemic struck in March 2020, with the introduction of numerous health measures including international border closures. A border closure with China was introduced one month earlier in February, with widely reported (and ongoing) devastating impacts on the university sector (Littleton & Stanford, 2021). Australia's VET sector has a small, but not insignificant, international student market. Hence, border closures in 2020 could have been expected to reduce program enrolments that year. However, there is no evidence of any real decline in VET international student enrolments. In 2020, compared with 2019, the number of international fee-for-service students decreased by only 1.2%. Measured by full-time equivalent students, the number of international students actually increased by 1% in 2020.

Closure of several additional TAFE institutes since 2015 has reduced VET availability for many Australians, particularly in regional and non-metropolitan locations.⁷ Meanwhile, increased government VET spending in 2019-20 has flowed primarily to private RTOs, with no aggregate increase in program enrolments to show for it. While increased public investment in the skills and earning capabilities of Australians is indeed critical to our post-pandemic recovery, these statistics clearly demonstrate that *where* resources are invested is critical for measuring the success of funding.

ENROLMENTS BY FIELD OF EDUCATION

The federal government introduced several skills measures to encourage VET training and apprenticeship employment from 2020 in response to the COVID pandemic and resulting recession. High-priority occupations identified by the federal government for increased training levels through its Apprenticeships Incentives scheme include aged and disability carers, early childhood educators and enrolled nurses. Priority training areas subsidised through the joint federal-state JobTrainer program are determined in conjunction with states, and have a similar focus on lifting training in high-demand growing care services.

Despite VET funding intended to lift training in high-demand sectors like aged care, enrolment results have been mixed. Table 2 compares total government-funded program enrolments over the first nine months (to 30 September) of 2020 and 2021, by field of education. Measured by program enrolments, the three fastest-growing fields were natural and physical sciences (+33%), health (+17.5%), and architecture and building (+15.3%). There were around 120,000 more enrolments over the first nine

⁷ TAFE campus closures since 2018 include Scone in the Hunter Valley, NSW. Tea Tree Gully, Parafield, and Port Adelaide in South Australia. The NSW government have identified 19 TAFE campuses across NSW for sale, including many regional campuses (see Patty, 2021).

months of 2021 in training subjects where the field of education was recorded with NCVET, compared with the previous year. As a proportion of that enrolment growth, society and culture (22.4% of total growth), architecture and building (12.6%), and engineering (10.6%) made the biggest contributions to enrolment growth. “Society and culture” encompasses a broad array of social sciences fields. NCVET’s more detailed VOCSTATS data provides more granular information on the composition of enrolments by broad education fields. “Human welfare studies” (including courses in care for the aged, disabled and youth work) represents the vast majority (83%) of all total society and culture enrolments. By field of education, program enrolments in government-funded VET courses are highest in society and culture (18.2% of all enrolments), engineering and related technologies (16.8% of all), and management and commerce (12.8%).

Table 2.
Program Enrolments in Government-Funded VET Courses by Field
(Jan-Sep 2020-21)

| | Jan - Sep 2020 | Jan - Sep 2021 | Proportion of all Enrolments Jan-Sep 2021 | Change Jan-Sep 2020-21 | Percentage change Jan-Sep 2020-21 | Percentage of Total Growth |
|------------------------------------------------|------------------|------------------|-------------------------------------------|------------------------|-----------------------------------|----------------------------|
| Mixed field programs | 143,170 | 156,012 | 13.3 | 12,842 | 9.0 | 10.5 |
| Food, hospitality and personal services | 74,443 | 81,601 | 7.0 | 7,158 | 9.6 | 5.9 |
| Creative arts | 22,172 | 24,509 | 2.1 | 2,337 | 10.5 | 1.9 |
| Society and culture | 185,235 | 212,614 | 18.2 | 27,379 | 14.8 | 22.4 |
| Management and commerce | 137,538 | 149,581 | 12.8 | 12,043 | 8.8 | 9.8 |
| Education | 72,199 | 82,277 | 7.0 | 10,078 | 14.0 | 8.2 |
| Agriculture, environmental and related studies | 33,466 | 38,534 | 3.3 | 5,068 | 15.1 | 4.1 |
| Health | 62,940 | 73,937 | 6.3 | 10,997 | 17.5 | 9.0 |
| Architecture and building | 101,276 | 116,722 | 10.0 | 15,446 | 15.3 | 12.6 |
| Natural and physical sciences | 7,923 | 10,534 | 0.9 | 2,611 | 33.0 | 2.1 |
| Information technology | 24,018 | 27,424 | 2.3 | 3,406 | 14.2 | 2.8 |
| Engineering and related technologies | 184,069 | 197,051 | 16.8 | 12,982 | 7.1 | 10.6 |
| Total by Field of Education | 1,048,449 | 1,170,796 | 100.0 | 122,347 | 11.7 | 100.0 |

| | | | | | | |
|-----------------------|-----------|-----------|--|---------|-------|--|
| No field of education | 183,422 | 149,589 | | -33,833 | -18.4 | |
| Total | 1,231,871 | 1,320,385 | | | | |

Data: NCVER VOCSTATS, Government-funded students and courses, VET program enrolments Jan-Sep 2020-21. Entries with no field of education recorded were removed from coded total.

Table 3 provides more detail on program enrolments within priority fields of education in 2021. Nursing enrolments increased by around 8% over the first nine months of 2021. Enrolments in the broad human welfare studies and services sector (covering aged and disabled care) and teacher education (covering early childhood teaching) both increased by a healthier 18%.

| Table 3. Enrolments in Federal Government Priority Fields of Education (Jan-Sep 2015-21) | | | |
|---------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------|
| | Total Enrolments Jan-Sep 2021 | Change Jan-Sep 2020- 21 | Percentage Change Jan-Sep 2020-21 |
| Nursing* | 24,223 | 1,881 | 8.4% |
| Human welfare studies & services** | 176,406 | 27,198 | 18.2% |
| Teacher education*** | 10,953 | 1,664 | 17.9% |
| Total program enrolments | 1,320,380 | 30,743 | 17.0% |

Data: NCVER VOCSTATS, Government-funded students and courses, VET program enrolments Jan-Sep 2020-21.

* includes enrolments in general nursing; midwifery; mental health nursing; community nursing; critical care nursing; aged care nursing; palliative care nursing; mothercraft; nursing and family and child health nursing.

** includes enrolments in social work; youth work; children's services; care for the aged; care for the disabled; residential client care; counselling; welfare studies.

*** includes enrolments in early childhood; primary; secondary; VET; higher education; teacher-librarianship; English as second language, special education; nursing education; curriculum & education studies.

REMOTE AUSTRALIA LEFT BEHIND

By region, enrolments have declined in remote Australia since 2015. Table 4 presents VET enrolments by remoteness from January to September 2015-21. Program enrolments rose 21% in major cities, but by only 6-8% in inner and outer regional areas. Worryingly, the number of enrolments in remote Australia has contracted since 2015 by 2-6%. TAFE funding cuts have clearly contributed to this outcome, with TAFE

historically delivering most training and education in non-urban “thin markets”. TAFE funding cuts have accounted for all remote enrolment losses by provider, with over 2,600 fewer TAFE enrolments in remote and very remote regions over the same period.

| Table 4. | | | |
|-----------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-------------------------|
| VET Program Enrolments by Remoteness | | | |
| (Jan-Sep 2015-21) | | | |
| | Jan - Sep 2021 | Change 2015-21 | % Change 2015-21 |
| Major cities | 873,078 | +153,165 | +21.3% |
| Inner regional | 272,608 | +14,525 | +5.6% |
| Outer regional | 130,933 | +9,497 | +7.8% |
| Remote | 22,429 | -1,384 | -5.8% |
| Very remote | 14,663 | -365 | -2.4% |
| Offshore or not known | 6,663 | -4,305 | -39.3% |
| Total | 1,320,380 | 171,144 | +14.9% |
| Data: NEVER VOCSTATS. <i>Government-funded students & courses. VET Program Enrolments. Jan-Sep 2015-21.</i> | | | |

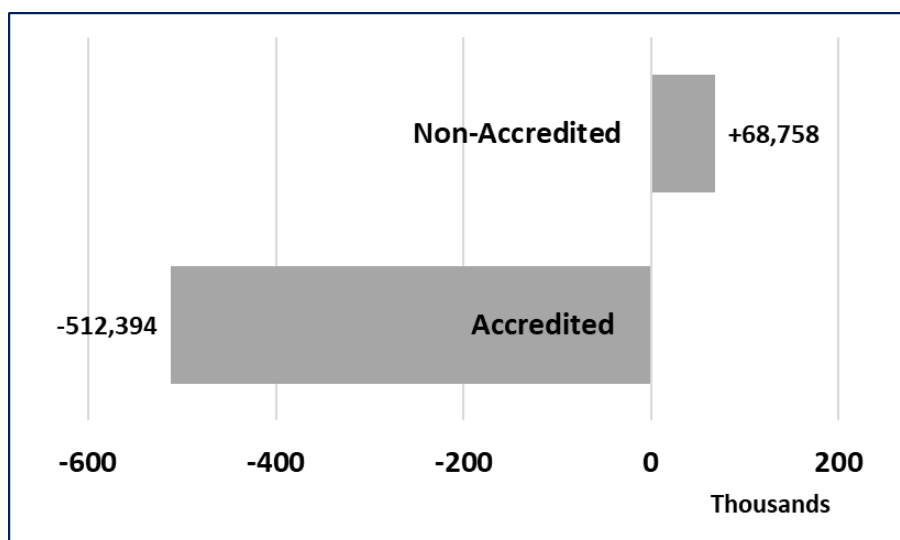
THE WORRYING RISE IN NON-ACCREDITED TRAINING

Formal accreditation ensures training courses meet industry standards, and are managed through state and territory bodies. One consequence of defunding the TAFE system, and under-resourcing government skills planning and regulation more generally, has been the lengthening of training accreditation timelines. This has been invoked by business lobby groups and the federal government to claim the VET system is “too bureaucratic” and “unresponsive to industry needs” (Coorey & Bolton, 2019). By slowing down the accreditation process, the federal government has created new market space for private actors (such as large consulting firms) to create non-accredited unregulated training offerings through their affiliated registered-training-organisation networks. For instance, in 2020 the national authority that sets skills training standards, the Australian Industry Skills Commission (AISC), attempted to remove workplace practice from trade apprenticeship qualifications. Private RTOs wanted to expand course offerings and cut apprenticeship administration costs (Patty, 2020). AISC acted despite minimum on-the-job training hours in manufacturing and engineering apprenticeship qualifications agreed between industry parties delivering apprenticeships (mainly AiG and the Australian Manufacturing Workers’ Union) for

over three years. Competency standards with embedded minimum workplace practice requirements were finally approved by state skills ministers and then Minister for Employment, Skills, Small and Family Business Michaelia Cash by end-2020.

NCVER reports enrolment data by qualification, including Certificate I/II/III/IV, Diploma or higher, and non-AQF courses. “Non-AQF” is a code assigned to training that does not deliver any credentials recognised under the nationally consistent Australian Qualifications Framework (AQF). Hence, non-AQF courses are not nationally accredited. Figure 4 shows the total change in the number of program enrolments for accredited and non-accredited training between 2015 and 2020. Shockingly, all VET enrolment growth has been in non-accredited programs, which grew by almost 70,000 over the five years. Meanwhile, enrolments in accredited, properly regulated programs plunged by over 500,000. Moreover, measuring growth in the non-accredited training phenomenon through program enrolment data alone significantly underestimates the full scale of “micro credentialing”. In 2020, there were 5.8 million enrolments in subjects not delivered as part of a nationally recognised program – 22% of all subject enrolments, and an increase of four percentage-points from 2018.

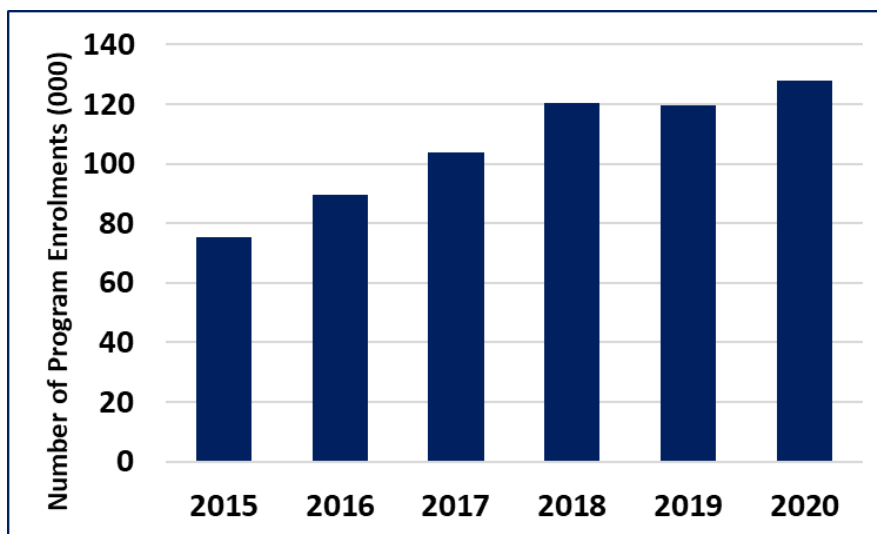
Figure 4. Change in Enrolments for Accredited and Non-Accredited Courses 2015-20



Data: NCVER. Total VET Students. 2020.

It’s also very clear who benefits from this worrying increase in unregulated, non-accredited training. Non-accredited training enrolments have steadily climbed among private providers between 2015 and 2020 (see Figure 5). Private providers accounted for 76% of total growth in non-accredited program enrolments over the period 2015–20.

Figure 5. Number of Private Provider Enrolments in Non-Accredited Training



Data: NCVET. Total VET Students. 2020. Program Enrolments. Private providers only.

Rising levels of non-accredited training represent the continued privatisation of the VET system, consistent with the federal government’s stated goal of increasing business control over vocational education course content (Locke, 2020). 97,000 accredited program enrolments were lost just in 2020 – the same year that government VET funding increased by \$1.6 billion. Meanwhile, non-accredited enrolments grew by more than 15,000 enrolments. Hence, the boost in VET funding announced during the pandemic in fact represents a significant subsidy to the private skills sector. It also represents further weakening of government skills planning capacity, contributing to an increasingly uncoordinated and fragmented VET skills system. The government’s failure to establish formal systems of accreditation for learning is a ticking time bomb, with increased economic risks to both workers and businesses. Workers face growing risks from undertaking training outside formal systems of regulation, as their skills become unrecognisable to future employers, with income lost from course fees and time out of the workforce. Meanwhile, businesses lose trust in the quality and availability of adequately-skilled workers, and lose access to neutral public forums for coordinating cross-sector skills standards.

SHORT-FORM TRAINING GROWS

The federal government has encouraged growth in short-form credentials like micro-credentialing and skill sets combining smaller blocks of learning, as a more flexible pathway to gaining qualifications compared with full accredited qualifications (Department of the Prime Minister and Cabinet, 2019). However, investigating recent

data on VET training funded by government shows disproportionate growth in short-form, piecemeal training offerings, rather than full job-qualifying courses.

NCVER provide data on the number of government-funded students by type of training undertaken. Some government-funded subjects contribute to a nationally recognised program, while others (including non-nationally recognised and stand-alone programs, or those delivered by non-registered providers) do not. A nationally recognised program need only be comprised of at least one nationally recognised subject, and be delivered by a registered training organisation. Nationally recognised programs represent 90% of all government-funded students. Nationally recognised programs are comprised of training accredited by VET regulators (accredited training), and “training packages” developed by external Service Skills Organisations. These private and non-government skills coordinators have emerged since the sector’s privatisation, alongside the steady defunding of the government-regulated training accreditation system.

Most government-funded VET students are engaged in training package qualifications: 88% of all students over the period January to September 2021 (NCVER, 2022). A small but growing group of students (3% of all) are engaged in packages termed “skill sets,” which constitute training organised around separate units of competency, and are designed to be “stacked”. Skill sets are short-form training arrangements designed to meet upskilling, compliance and licensing requirements, and defined industry needs. Pointedly, the number of government-funded students engaged in skill sets increased faster than any other type of training over the first nine months to September 2021 – up 46% compared with the same January to September period in 2020, and more than four times the growth in accredited qualifications. Since 2018, the number of students in skill sets has more than quadrupled: from 9,500 to 31,600. There are now almost as many students in short-form skill sets training (31,600) as in accredited courses (32,800). Further, while almost 10,000 more students were enrolled in skill sets, the number of subjects students were enrolled in declined by 1.3%.⁸ All this suggests that increased government funding in VET training (through programs like JobTrainer) is resulting in more students undertaking a smaller number of subjects, rather than skill sets being undertaken through the combination of units or “stacking” to create full qualifications, as was originally envisaged (Department of Education, Skills and Employment, 2021b).

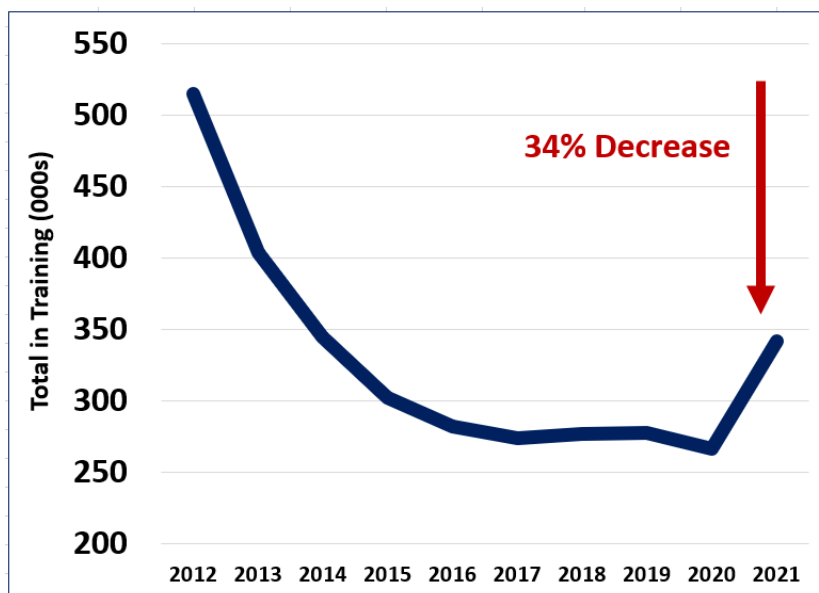
⁸ NCVER. Government funded students and courses Jan-Sep 2021. Table 17.

Apprenticeship Pipeline Broken

Apprenticeship positions have been another casualty of the crisis in Australia’s VET system—falling dramatically since 2012. Under increased pressure to act on the collapsing skills pipeline, the federal government introduced several wage subsidies to incentivise employers to engage and retain apprentices and trainees, including the Boosting Apprenticeships Commencements program. NCVER’s latest apprenticeships data for the June quarter 2021 allows for an assessment of the outcomes of the significant additional VET spending targeted at boosting apprenticeships and traineeships.

Figure 6 shows that the number of apprentices and trainees in training plunged by almost half after 2012, to just 267,000 in 2020. That trend was partially reversed in 2021, with 341,000 in-training at end-June 2021: an increase of around 74,000 on the previous year. The recent increase returns the in-training stock to the same levels as 2014. However, despite this recent uptick, Australia still has 173,000 fewer apprentices and trainees in training than in 2012 — 34% lower.

Figure 6. Total Apprentices and Trainees in Training, 2012-21.

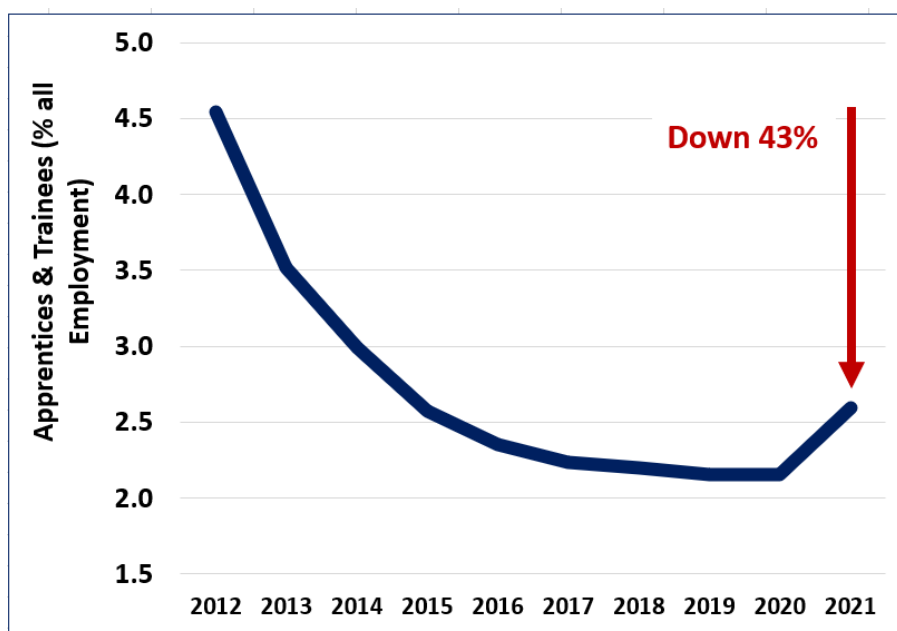


Data: NCVER, *Apprentices and Trainees* (June 2021). Number in training at 30 June each year.

Expressed as a share of total employment, the decline in apprentices and trainees in training has been even more severe. Figure 7 illustrates the decline in the overall rate

of vocational education undertaken across the Australian economy from 2012 to 2021. For several years before the pandemic struck, total participation in apprenticeships and traineeships represented 2.2% of Australian employment—just half the 2012 rate. Increasing commencements associated with pandemic-era VET policies like Boosting Apprenticeships has increased the apprentice and trainee training rate to 2.6% of all employment. However, the rate still languishes 43% below 2012.

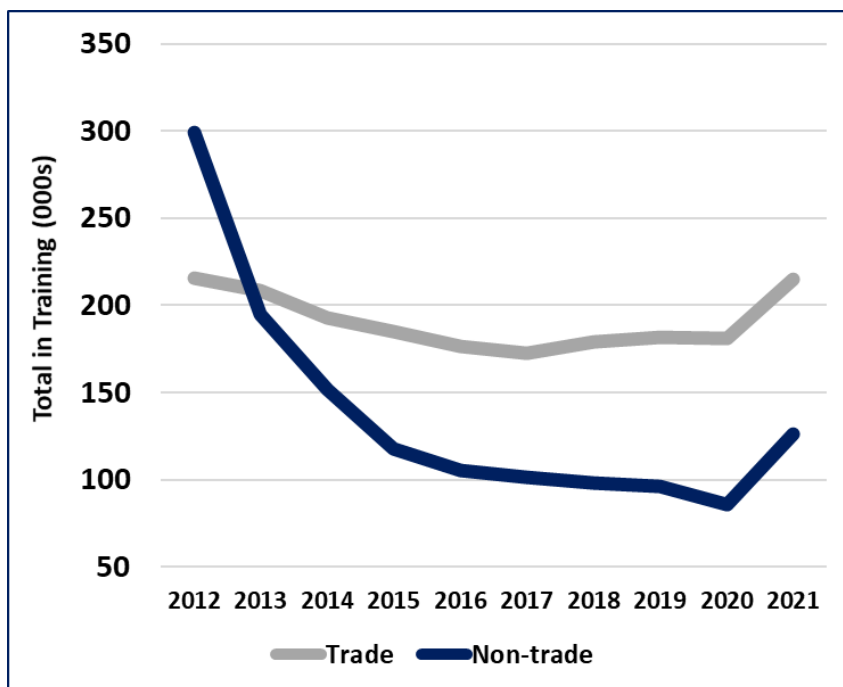
Figure 7. Apprentice and Trainee Training Rate, 2012-21



Data: Author’s calculations from NCVER, *Apprentices and Trainees* (June 2021) and ABS Catalogue 6202.0. June monthly figures. Seasonally adjusted. Number in training at 30 June each year.

By trade status, plunging apprenticeships and traineeships have been concentrated in often feminised non-trades occupations (including clerical and administration, community and personal service, labourers, sales, machinery operators and drivers, managers and professionals). Those non-trades occupations represent 87% of the total decline from 2012 to 2020 (see Figure 8). The stock of trades apprentices in training declined more gradually compared with non-trades from 2012, then recovering over the three-year period 2017 to 2020. The increase in the number of apprentices and trainees in training in 2021 was divided roughly equally between trades (increasing by 34,000) and non-trades (rising by 41,000). However, this recent stimulus-funded uptick is not all it seems: the number of apprenticeship and traineeship completions continues its long-run decline, and training is also declining in priority areas like caring services occupations.

Figure 8. Total Apprentices and Trainees in Training by Trade & Non-Trade, 2012-21.



Data: NCVER, *Apprentices and Trainees* (June 2021). Number in training at 30 June each year.

APPRENTICESHIPS DECLINING IN PRIORITY AREAS

The federal government provides incentive payments to employers who engage an apprentice or trainee within priority occupations under its Apprenticeships Incentives program. Eligible priority occupations include aged care, child care, disability care workers and enrolled nurses. Employers engaging an apprentice or trainee in these priority feminised healthcare and education occupations can receive payments of \$1,500 on commencement, \$750 for recommencement, and up to \$3,000 for completion. Data providing course-level detail for training in the government’s priority areas is unavailable, however NCVER’s detailed VOCSTATS data tool provides broad field of education information, allowing us to report trends for all priority occupations.

Enrolled nurses are Diploma-qualified professionals working across a broad range of healthcare services.⁹ This priority occupation is a close fit with the NCVER data. The “teacher education” field covers VET qualifications across all levels of education

⁹ NCVER’s “nursing” field includes general nursing; midwifery; mental health nursing; community nursing; critical care nursing; aged care nursing; palliative care nursing; mothercraft; nursing and family and child health nursing.

including early childhood, primary, secondary and VET education.¹⁰ “Human welfare studies and services” captures both aged and disability care work – the two remaining priority occupations identified by the government’s training incentives.

NCVER data shows the number of apprentice and trainee nurses in training fell from 425 in June 2013 to only 47 in 2021. The collapse is similar for teachers, with numbers almost halving to only 260 over the same period. These are very low enrolments, considering that these two huge sectors train tens of thousands of new workers each year; this reflects that apprenticeships and traineeships are not the main workforce development channel in these professions. Apprentice and trainee participation has also likely been impacted by higher entry qualification requirements (for example, Bachelor degrees have increased in importance within both nursing and education, compared with Certificate and Diploma-level qualifications). Nevertheless, the Apprenticeship Incentives program highlighted these sectors, indicating that the government considers these programs should play a bigger role in meeting workforce skills needs. But the data shows they are clearly not.

Another sector where the Apprenticeship Incentives program is abjectly failing to lift training in high-priority areas is human welfare studies. Despite huge shortages of skilled workers reported by employers, the human welfare studies and services category (including both aged and disability care) experienced significant decline in training, with over 9,000 fewer apprentices and trainees in training over the period from 2013 through 2021 (a 42% decline; see Table 5). Long-term contraction in feminised sector apprenticeships continued during the first six months of 2021 (the Boosting Apprenticeships era), with men accounting for around 3 in 5 of all new apprentices in-training in the year to end-June 2021.

¹⁰ NCVER’s “teacher education” category includes early childhood; primary; secondary; VET; higher education; teacher-librarianship; English as second language, special education; nursing education; curriculum & education studies.

**Table 5.
Apprentices & Trainees in Training in Priority Fields (June 2013-21)**

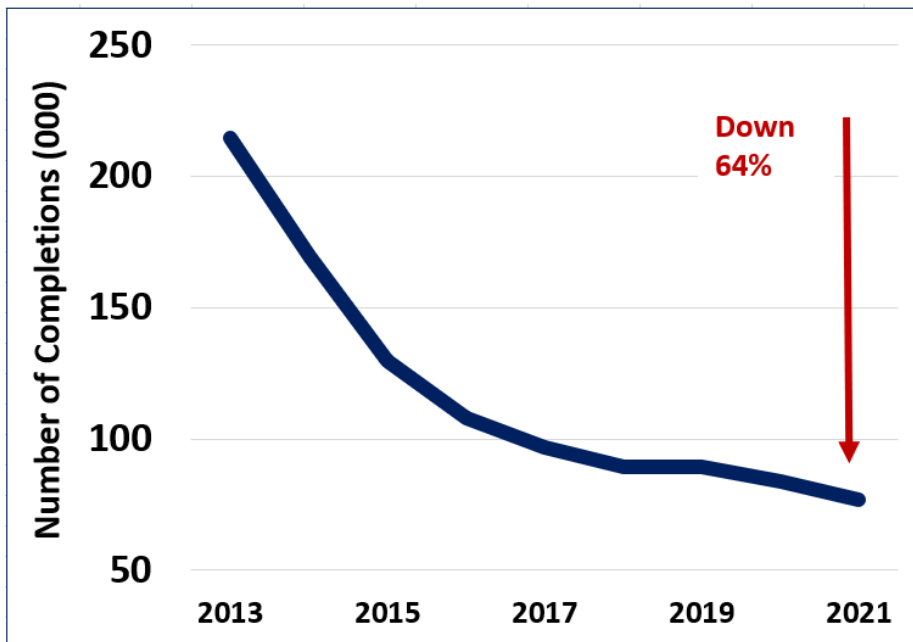
| | June 2013 | June 2021 | % Change |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|-----------------|
| Human welfare studies & services* | 22,938 | 13,207 | -42% |
| <small>NCVER: VOCSTATS. Apprentices and trainees, in training. At 30 June 2013 and 2021. * includes social work; youth work; children’s services; care for the aged; care for the disabled; residential client care; counselling; welfare studies.</small> | | | |

DECLINING COMPLETION RATES

Apprenticeships are not just about assigning workers to employers. There must exist adequate public funding and regulation of both training and employment components to generate genuine relationships between all contractual parties – employer, employee, and training provider. At a minimum, policy must ensure there is accessible quality off-site training, employer commitment to resourcing real on-site instruction over multiple years, and employee compensation at legal rates. An employer should also intend to retain the apprentice once they are qualified in their chosen field.

One clear indication that the system for qualifying apprenticeships is broken, is the dramatic decline in the number of completions. Figure 9 shows the number of apprenticeship and traineeship completions has fallen by 64% since 2013. Only 77,000 apprentices and trainees completed training in the year to June 2021, compared with 215,000 completions at the same time in 2013. As yet, despite numerous announcements of new government policies, there has been no turnaround in completions at all: instead, the decline in completions continues.

Figure 9. Number of Apprenticeship & Traineeship Completions (2013-21)



Data: NCVER, *Apprentices and trainees – Completions in 12 months ending 30 June 2013–21*.

NCVER surveys suggest that poor working conditions are by far the most commonly cited reason for not completing training – and this problem pre-dates the pandemic. For instance, between 2015 and 2019 completion rates in Victoria fell by 27 percentage points to only 20.5%, with 73% of apprentices citing employment-related problems as their main reason for leaving. Apprentice labour advocates report widespread exploitation and mistreatment of apprentices, including bullying, refusal to pay training fees, wage theft, and poor safety conditions (Marozzi, 2021). The contractual binding of apprentices to a given employer means apprentices risk losing their existing qualified skills if they leave one employer and cannot find another. This leaves apprentices especially vulnerable to employer exploitation and abuse.

The increase in the number of apprenticeship commencements over the first 6 months of 2021 is certainly positive, but unless these systemic problems with apprenticeship training and employment are repaired, commencements will not fully translate into completions – which is the more critical outcome in increasing the supply of skilled workers. High rates of apprentice exploitation and drop-outs existed before the introduction of the under-regulated Boosting Apprenticeships wage subsidy program during the COVID-19 pandemic. Increasing the number of workers contractually defined as “apprentices” makes for easy media announcements, but it does not guarantee that genuine training is undertaken.

RISING CANCELLATIONS

An increase in the number of cancellations is another symptom of the significant weakening of Australia's apprentice and trainee training system. In the 12 months to end-June 2021, cancellations and withdrawals increased by 9%. By trade status, cancellations were higher in non-trades sectors (up 14%) compared with trades (5%). The number of women who cancelled or withdrew from apprenticeships and traineeships rose 19% in the year to June 2021, compared to an increase of 5% for men. Pressure to leave training commitments is consistent with women's declining economic and physical security experienced since the pandemic struck, including disproportionate losses of employment and hours of work, a higher unpaid care work burden falling unequally on their shoulders, and workplace sexual harassment.

Larger flows of apprentices and trainees are required to replenish Australia's decimated skills pipeline. However, there is significant cause for scepticism about what the recent uptick in apprenticeship numbers represents for the future of completions, qualifications and tangible job opportunities for apprentices and trainees. Completion rates have steadily declined over the last nine years. Moreover, weak regulation under the Boosting Apprenticeships Commencements program may be leading to underreporting of withdrawals, hence inflating the in-training figures. Both issues are discussed later in this report.

Further, there are wider implications of government's longstanding retreat from VET provision visible in increasing employer risks (and costs) of workforce training and skills, and a lack of encouragement for long-term investment and workforce planning. These long-standing problems are unlikely to be ameliorated under current policies. Businesses are experiencing higher levels of financial stress, and there is an abundant supply of underutilised labour available. Failure to require employers receiving federal government wage subsidies to generate real jobs for apprentices and trainees upon completion of their training will only reinforce these long-run workforce skills pressures.

Federal VET Policy Under COVID

Since being elected in 2013, the federal government has made multiple attempts to restructure the VET sector. The government implemented reforms to the VET sector in 2016 supposedly to close rorting loopholes created by the VET FEE-HELP regime, and to make VET more responsive to industry needs (Department of Education and Training, 2016). But failure to repair severe damage from earlier privatisation of the sector (including rebuilding streams of high-quality VET training through the TAFE system) saw enrolments continue to plunge. In fact, real funding on average in the three consecutive years following the government's review (2016-17 to 2018-19, inclusive) was \$1.5 billion per year lower than when the government took office.

Meanwhile, a supposed commitment to high-vis "tradies" jobs has featured prominently on television screens since the pandemic. In March 2020, the National COVID-19 Coordination Commission was established to advise government on economic recovery; it initially promised to focus on a plan for a manufacturing-led recovery. But any hope of revitalising Australia's manufacturing capacity (including expanding our capacity to produce critical medical goods) and rebuilding a high-quality VET skills system was short-lived: in May that year, the Commission's principal plans were released to reduce gas prices, and subsidise costs and investment for gas companies (in a so-called "gas-led manufacturing recovery"; Long, 2020).

Collapsing enrolments and eight years of declining apprenticeship completions amid pressing skills demands makes it very clear: even with recently boosted apprenticeship and traineeship commencements, the domestic skills pipeline is in disarray. A broken skills system joins a growing list of worsening jobs, skills, wages and economic indicators that have accumulated in recent years. Wages have grown at their slowest sustained pace since 2013. The proportion of workers whose pay and conditions are determined by current collective agreements has dramatically declined, halving in the private sector from 22% in 2013 to only 11% in 2021. Business investment has collapsed since 2012, reaching a post-war low of 10.5% of GDP in 2021 despite government's focus on a "business-led recovery".

The government has made numerous confusing and overlapping announcements about skills under the banners "JobTrainer" and "JobMaker" since 2020. For clarity, this section reviews the two major VET-oriented programs introduced by the federal government during the pandemic: the JobTrainer Fund and the Boosting Apprenticeships Commencements program.

JOBTRAINER FUND

The JobTrainer Fund was announced in July 2020 to support 340,000 unemployed and young people to study high-demand courses for free or at low fee. The first phase of the program cost \$1 billion, with \$500 million provided by the Commonwealth and \$500 million matched by states and territory governments. An additional \$1 billion was committed through the same matched funding arrangement when the program was extended to December 2022 in the 2020-21 Budget (Robert, 2021).¹¹ JobTrainer is available for both short courses and full qualifications from a list of study areas agreed between the National Skills Commission and state and territory governments. Training package “skill sets” are also eligible, which are only unit components of full qualifications. While supporting pathways into new industries rather than full qualifications, they do not represent “job-ready” training. State governments have paired the JobTrainer program with delivery through TAFE, though not-for-profit and private training organisations are also eligible to apply for funding to provide courses.

The government has released numerous figures on the number of training positions supported by the JobTrainer fund. When the Fund was extended mid-last year, it was reported to support an additional 163,000 training places, including 33,800 reserved to support training in aged care and 10,000 in digital skills (Robert, 2021), with a combined total of over 500,000 places subsidised across the two-year program. The federal government reports more than 270,000 courses had been subsidised under JobTrainer at November 2021 (Department of Education, Skills and Employment, 2021a). However, the multi-billion-dollar program does not appear to have facilitated a marked increase in new enrolments since its implementation in September 2020. There were only 67,800 more students in government-funded VET over the first nine months to 30 September 2021 compared with the year-earlier period – an increase of just 6.4%. The annualised 2021 figure – assuming student numbers increase at the same rate over the last quarter of 2021 – would result in approximately 90,000 additional government-funded students over the year to 2021.

Moreover, the total number of government-funded VET students includes apprenticeships and traineeships which have received additional funding supports through other stimulus programs like Boosting Apprenticeships Commencements (discussed below). Annualising the first-nine months to September 2021, we estimate around 56,000 – almost two-thirds – of the annual growth in government-funded students in 2020-21 are apprentices and trainees. Subtracting apprenticeship students

¹¹ Note: The federal government has referred to the JobTrainer fund as “The Morrison Government’s \$2 billion fund”. However, the Commonwealth’s contribution is only half the total (\$1 billion), with the remaining half contributed by states.

from the total government-funded figure results in approximately 34,000 additional students over the year to 2021. This is considerably short of the federal government's JobTrainer media released figures, confirming the program is underwriting existing training trends more than it is supporting new training growth. Further, since a student can be both eligible for subsidised or free tuition under JobTrainer, and their employer qualify for the Boosting Apprenticeship Commencements wage subsidy, these statistics may double-count the number of students impacted by both programs.

BOOSTING APPRENTICESHIPS WAGE SUBSIDY

In October 2020, the federal government introduced the \$3.9 billion Boosting Apprentice Commencements wage subsidy. Any employer engaging a commencing apprentice or trainee is eligible for a wage subsidy valued at up to 50% of the apprentice's gross wage paid. The maximum wage subsidy available is \$7,000 per quarter, per apprentice, for wages paid over 12 months (\$28,000 per year). The program reached its target of 100,000 apprenticeships five months into implementation, at a cost of \$1.2 billion. The program was extended to end-March 2022, with an additional \$2.7 billion allocated under the 2021-22 Budget measure *Building Skills for the Future – Boosting Apprenticeship Commencements subsidy – expansion* (\$3.9 billion in total). An additional 70,000 new apprentices and trainees were funded under the extended program (Morrison & Cash, 2021). Based on publicly announced figures, the average value of the subsidy per apprentice or trainee is \$14,100.

The government has released no publicly available data to assess the program. Without more information, it is not clear how many apprentices or trainees are engaged, if those workers are aware they have been enrolled in training, and which employers and industries receive the subsidy. Further, total administration of Boosting Apprenticeship Commencements has been contracted by the Department of Education, Skill and Employment to private training organisations called "Australian Apprenticeship Support Network providers" (AASN). AASN providers include unemployment services firms like Sarina Russo's Job Active and are responsible for establishing formal training contracts, and assessing employer eligibility for payments under the scheme. It is not clear what regulatory oversight has been established to review the work of these private AASN providers.

Moreover, the program makes no distinction between traineeships and apprenticeships. Traineeships, which have grown concurrently with service sectors like hospitality and retail, are typically 12-18 months in duration and have expanded with growth in the private VET market since the 2000s. Apprenticeships are historically

delivered by the TAFE system and offer a more rigorous, structured training over 3-4 years, where the apprentice obtains targeted vocational training and wages incrementally rise over the program's duration. The defunding of TAFE as the major provider of apprenticeship off-site training increases the likelihood that high volumes of traineeships have been subsidised rather than higher-quality apprenticeships.

Despite reports of full subscription under the program, by October 2021 the program had fallen below allocated spending. High numbers of apprentice withdrawals and cancellations could partially explain this, which is consistent with insufficient regulation of both employment and training conditions, and the absence of any obligation on employers to provide continuing employment after training completion. However, NCVET data shows only a small increase of 7,000 cancellations and withdrawals over the year to June 2021 (84,500 in total). The puzzle is at least partially solved by a 2021-22 MYEFO announcement by the federal government that \$716 million would be allocated under a new wage subsidy called "Completing Apprenticeships Commencements" (CAC) (Liberal Party of Australia, 2021). The CAC provides incentives for employers to retain apprentices beyond the first year, with 10% of wages subsidised for the second year (up to maximum of \$1,500 per quarter, per apprentice), and 5% for the third year (maximum \$750 per quarter, per apprentice).

The introduction of CAC supports the contention that Boosting Apprenticeships Commencements is generating significant apprentice churn. While official data indicates an uptick in the stock of apprenticeships and trainees in the year to June 2021, more sensitive flow data on a month-by-month basis is not available. Underreporting by employers on the actual contractual status of apprentices in order to receive the subsidy may also be inflating training figures.

With a primary focus on boosting the number of apprentices and trainees on employers' books, the multi-billion-dollar program has not repaired the apprentice system, including by ensuring provision of quality off- and on-the-job training. No obligations have been placed on employers receiving the subsidy to provide real employment after 12 months. Unsurprisingly, Boosting Apprenticeships has failed to stop an almost decade-long decline in apprenticeship completions, which have fallen by 64% since 2013. Moreover, with new subsidies targeting completions set at only 10% and 5% of total wages for second and third years, respectively, employers have little incentive to retain apprentices and stronger incentives to terminate the contract after 12 months – and then hire another first year subsidised at the higher 50% rate. In sum, there is no evidence the skills pipeline has been either "protected" or replenished by the Boosting Apprenticeships program.

Worse still, Boosting Apprenticeships may be generating wider negative effects on the quality and stability of nationally recognised training providers and courses. As noted above, total enrolment growth in the period 2019-20 was experienced only by providers of non-accredited training. Among providers of government-funded apprenticeships and traineeships, between January and June 2021 private providers increased their enrolments by 4 percentage points compared with the year prior, reaching 38% of all apprentices; meanwhile, the TAFE system's share of government-funded apprentices and trainees fell to less than half for the first time in history, at only 49% (compared with 54% the year prior).¹² The decline of TAFEs' role in apprenticeship training and education – the longest-standing and most experienced provider of apprenticeship training in Australia – is a particularly worrying development. While Boosting Apprenticeships may have temporarily lifted the stock of apprentices in training, its cessation will reveal longstanding weaknesses in Australia's apprenticeship training system once employers are no longer paid to engage workers.

The continued abandonment of government's critical role in vocational education undermines the formation of genuine contractual commitments between employers and apprentices. Meanwhile, the enforcement of private market principles for VET delivery have increased costs of education for both individuals (many who cannot afford new fees), and employers who risk sunk investments. This has reinforced limited-horizon, more apprehensive attitudes among employers, who now invest less in workforce training and skills—particularly given the context of increased competition for labour. When the Boosting Apprenticeships “hot air” has passed, a stumbling apprenticeship training system will remain.

As discussed above, total enrolments within high-shortage feminised care sectors have grown since 2020, but apprenticeships and traineeships in these same sectors —the government's own identified apprenticeship priority occupations — have continued their long-term decline. Meanwhile, significant volumes of COVID spending have been committed under the poorly designed multi-billion-dollar apprenticeship wage subsidy. Paying half the wages bill for employers without any requirement to provide continuing employment has only marginally increased the number of apprentices in training, and done nothing to halt the eight-year collapse in completion rates. The result is Australia still has 173,000 fewer apprentices and trainees in training than it had in 2012. In addition, 3 in 5 of the additional apprentices and trainees in training over the year to June 2021 were men. Once again, women's jobs and demands of

¹² NCVER, Government-funded students and courses January to June 2021: program enrolments.

feminised high-pressured industries have been deprioritised in favour of the optics of high-vis photo-ops.

Youth Unemployment and Dislocation

The collapse in VET enrolments is mirrored in negative labour market outcomes for Australia's youth. Youth have been disproportionately impacted by COVID, losing jobs faster and in larger numbers than older workers. During the first 2020 lockdowns (between March and May 2020), 38% of all jobs lost were held by 15-24-year-olds. During the second Delta lockdowns, job losses for youth were even worse: from June to September 2021, 55% of all jobs lost were held by 15-24-year-olds.

But employment outcomes had already been worsening for young workers since the GFC. In 2020, around 715,000 young people aged between 15 and 29 were not in any employment, training or work (14.2% of all 15-29-year-olds).¹³ Australia's youth are "tapping out" of participation in work and training at a rate that surpasses the OECD average of 13.4%, and much higher than comparable industrialised countries like the US, UK and New Zealand.

As the last cohort to enter the workforce, young people always face greater employment losses during economic downturns. Without targeted support measures to re-engage them in education and work, they face long-term negative economic, social and psychological outcomes. The labour market might bounce back, but the long-term consequences of this "scarring", visible in lower earnings and career commencement, follow young workers throughout their lives. Young workers who must re-climb the employment ladder may eventually shift to higher-paying jobs over time – but years of initial low pay negatively affects their earnings and opportunities over their lifetimes. For instance, US data indicate that young people graduating during a recession experience a wage penalty that can last for up to 10 years (Heisz et al. 2012).

The concentration of the collapse in VET enrolment within TAFE institutes (171,000 fewer enrolments between 2015 and 2020, 63% of the total decline) will likely exacerbate rates of youth social and economic dislocation. This is because TAFE program completers are more likely to represent the bottom two quintiles for socio-economic disadvantage. TAFE completers are also more likely to be of Aboriginal or

¹³ ABS Labour Force & OECD, *Youth not in employment, education or training (NEET)*, 2021.

Torres Strait Island descent, or to identify as having a disability, compared with students of private VET providers (NCVER, 2020).

The TAFE system does not just supply high-quality job-ready vocational training. Unlike for-profit providers, TAFE institutes operate under public charters requiring commitment to access and equity in training, and to maximising the all-round social benefits of their offerings. The TAFE system provides “bridging” access to further education and jobs pathways for disadvantaged groups who would otherwise face significant hurdles to entering vocations – such as young women traditionally excluded from male-dominated VET-qualified vocations. By offering comprehensive education and pastoral care to young people from all backgrounds, it promotes social inclusion and economic participation.

The TAFE system also ensures there is breadth and range in offerings which for-profit providers regularly jettison, including lower-demand or capital-intensive courses, and in regional and remote areas (which regularly experience higher youth unemployment rates). Indeed, despite heavy subsidies to private providers to establish ‘markets’ for VET, TAFE institutes are still the main provider of training in regional areas, due to the infeasibility of private models in smaller population centres. TAFE’s attention to lower socio-economic and non-city populations makes the enrolment decline in TAFE institutes outside major cities particularly worrying. Table 6 shows TAFE enrolments have declined by 4% in outer regional Australia and by 16% in remote areas since 2015. There were almost 2,700 fewer TAFE enrolments in remote Australia in the nine months to 30 September 2021, compared with the same time in 2015.

| Table 6. | | |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------|
| Change in TAFE Program Enrolments (Jan-Sep 2015-21) | | |
| | Change in enrolments Jan-Sep 2015-21 | % Change |
| Major cities | +139,192 | +39% |
| Inner regional | +14,401 | +11% |
| Outer regional | -3,077 | -4% |
| Remote | -2,698 | -16% |
| Very remote | +94 | +1% |
| Offshore or Not Known | -5,395 | -63% |
| Total | +142,517 | +24% |
| Data: NCVER VOCSTATS. <i>Government-funded students & courses.</i> VET program enrolments. Jan-Sep 2015-2021. | | |

Future Skills Demands

The VET system is critical to supporting millions of Australians to access training (especially youth), facilitating crisis-accelerated employment transitions, and meeting skills shortages. Established by the federal government in 2020 to assess national skills needs and coordinate state VET sectors, the National Skills Commission has identified current shortages by occupation and skill level in its recent Skills Priority List (NSC, 2021).¹⁴ In 2021, 153 occupations were identified as experiencing skill shortages. By occupation grouping, shortages of technicians and trades workers were the most acute, with 42% of all occupations in the category facing shortages -- including electricians, carpenters, chefs and fitters. In 2020-21, employers trying to fill technicians and trades roles were able to fill only 54% of all vacancies.

While technicians and trades fields experienced the greatest number of occupational shortages, large feminised healthcare and services industries present the greatest skills demands measured by volume of workers. Using employment growth rates published by the federal Treasury and ABS Labour Force data, the NSC has produced employment forecasts for the five years from November 2020 to November 2025. Of almost one million new jobs generated in the next five years, the NSC projects the highest jobs growth will occur in Health Care and Social Assistance (increasing by 249,500 jobs), Accommodation and Food Services (139,900 jobs), Professional, Scientific and Technical Services (131,100), Education and Training (118,600), and Construction (80,700) (see Table 7). Three of the top four industries expected to experience high employment growth are highly feminised, with women representing 50% or higher of total employment. (ABS, 2022).¹⁵

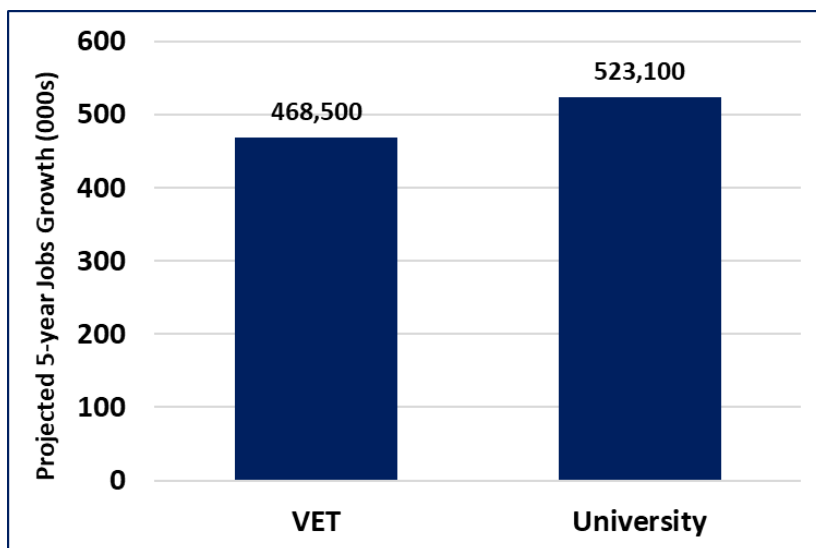
¹⁴ The method NSC's uses for identifying shortages combines labour market analysis, comprehensive employer surveys, and consultation with industry bodies and state and federal government agencies.

¹⁵ The third-highest jobs growth industry Professional, Scientific and Technical Services has around 44% female employment.

| Table 7. Projected Highest Job Growth Industries (November 2020-25) | |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Industry | Projected New Jobs 5 Years to 2025 (000) |
| Health Care and Social Assistance | 249.5 |
| Accommodation and Food Services | 139.9 |
| Professional, Scientific and Technical Services | 131.1 |
| Education and Training | 118.6 |
| Construction | 80.7 |
| Data: Authors' calculations from National Skills Commission employment projections from November 2020 to November 2025. | |

Figure 10 presents the number of new jobs projected to be created in the five years to 2025, grouped according to relevant post-secondary provider (VET or universities). Almost 470,000 new jobs will require qualifications from a VET provider by end-2025, including Diploma, Advanced Diploma, and Certificate I/II/III/IV courses. That equates to around 94,000 new VET-qualified jobs every year. Around 520,000 jobs projected to be created in the next five years will require a Bachelor Degree of Higher obtained from a university institution. So VET qualifications are expected to be required for almost as many new jobs as university degrees – yet the VET system receives a fraction of the resources and policy attention of universities.

Figure 10. Projected 5-Year Jobs Growth by Skills /Sector



Data: Authors' calculations from National Skills Commission employment projections from November 2020 to November 2025.

By occupation and skill level, the NSC projects employment growth to 2025 to occur in 254 different occupations. 147 or 58% of all those growing occupations will require skills delivered through the VET system. VET-qualified occupations projected to experience the fastest jobs growth from 2020 to 2025 are aged and disabled carers (25% increase), electricians (+18%), chefs (+19%), ICT support (+19%), and education aides (+18%) (see Appendix).

While Australia's VET system faces growing challenges delivering the sheer volume of graduates required to meet staffing needs in growing high-demand industries, funding cuts and continued deregulation of course offerings are undermining the quality of those graduates. For instance, the early childhood care and education (ECEC) sector's peak standards authority – Australian Children's Education and Care Quality Authority (ACECQA, 2022) – has identified the critical demand for more and better-skilled graduates. ECEC providers nationally report that many vocationally trained educators lack fundamental skills due to qualifications of unsuitably short duration, low-quality training, and insufficient knowledge of the sector's regulations and standards.

Australia will not produce high-quality graduates in high-demand growth sectors like early childhood care and education unless it plans for it now. But low VET sector funding, declining enrolments, plunging apprenticeship completions, and the loss of the TAFE system's decades-old network of skills planning and coordination does not bode well for the future domestic skills system. Meanwhile, proposals to aggressively expand the migration program (as proposed by business representatives and the NSW

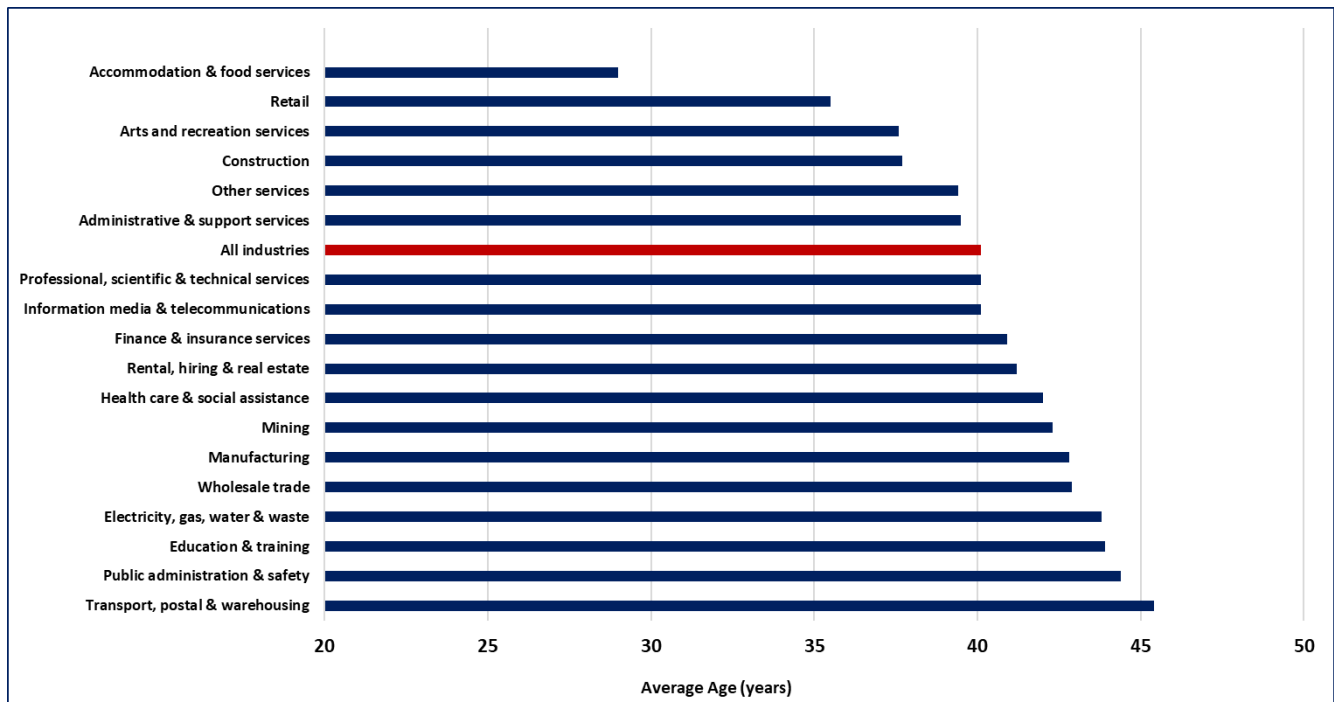
state government¹⁶) without repairing the VET system will only make matters worse. Increased private sector control over content and delivery with poor regulation, oversight or planning will create a more uncoordinated, fragmented VET system. Some businesses will have the resources to establish training programs with for-profit providers, but many more (especially small businesses) simply will not. Further, increased training costs for employers and workers continue to undermine the level of workforce skilling across the whole economy, with negative consequences for productivity and growth.

RISKS ON HORIZON: COVID WORKFORCE IMPACTS

Compounding Australia's skills challenges generated by a crumbling VET system, the ageing population, and chronic healthcare and social services underfunding are the impacts of the COVID pandemic on Australia's workforce. Many of today's experienced essential workers are approaching retirement age. For instance, the average age of the education and training workforce was 44 years in 2021 — almost four years older than the average for the entire workforce (see Figure 11). The average healthcare worker is 42 years old, two years older than the average. Other VET-qualified, essential sectors with relatively older workforces include transportation and utilities. Intense and prolonged health risks associated with work in COVID-exposed environments (especially for older workers) will hasten job departures and early retirements. Even in sectors which have experienced a decline in total employment (such as manufacturing and wholesale trade), demographic transition and COVID exposure could still create significant problems for the maintenance of an adequately skilled workforce as these retirements occur.

16 For instance, the Australian Chamber of Commerce and Industry (2021) called for a near doubling of the skilled migration, to around 200,000 per year over the next five years.

Figure 11. Average Age of Employees by Industry 2021



Data: ABS Catalogue 6306.0, Table 4. May 2021.

The imminent retirement of many older workers presents a looming skills crisis if labour force renewal and skills development is not adequate. There are already clear signs high COVID-19 exposure is contributing to skills shortages. In November 2021, healthcare, accommodation and food services, and administration had the highest number of job vacancies (ABS, 2021). The highest job vacancy sectors are all feminised (with 50% or higher women’s employment), and in the bottom half of industries by average weekly earnings. They are also, not coincidentally, among the sectors most at risk from COVID exposure in the workplace.

The aged care workforce crisis requires particular urgency to improve staff pay and conditions in order to retain existing workers, and enhance the pipeline of future skilled personnel. The ANMF (2022) recently reported that one in five aged care workers are intending to quit their job within the next 12 months. Over one-third (37%) of nurses and aged care workers plan to leave their job within one to five years.

Rebuilding The House that TAFE Built

While billions in government stimulus supported the economy during COVID, by end-2021 the withdrawal of stimulus exposed an economy almost entirely dependent on workers' post-lockdown consumption spending to keep it afloat (Jericho, 2022).

Declining government and business investment, combined with stagnant real wages (which obviously limit workers' capacity to keep spending) suggest future economic headwinds, without new and targeted government investment to boost other sources of aggregate demand. The federal government allocated billions to skills programs from its total \$291 billion COVID stimulus spending,¹⁷ but failed to channel that investment into repairing the badly-damaged VET system. This has exacerbated the long-term erosion of that system, and further undermined the long-run drivers of productivity and growth.

Australia needs a lasting commitment to repairing its badly-damaged VET system. This includes expanded access to VET education, and stronger a focus in VET programming on comprehensive, accredited trade qualifications with pathways to genuine employment opportunities, rather than short-term fragments of training (such as non-accredited streams and micro-credentials). To achieve this, the majority share of public VET funding (both federal and state) should be reallocated through the TAFE system, which is most capable of providing high-quality comprehensive training; at least 70% of all public VET funding should be channelled through TAFEs.

Despite years of significant funding pressure and policy confusion, the TAFE system continues to make a strong and disproportionate economic and social contribution to the Australian economy. The economic and social benefits arising from the direct activity of TAFE institutes, and the skilled, higher-earning workforce that the system has helped develop, are substantial.

In 2020, the Centre for Future Work published *An Investment in Productivity and Inclusion* (Pennington, 2020), a detailed study measuring the wide economic and social benefits of the TAFE system resulting from Australia's historic investments in public vocational education. It found Australia's historic investment in the TAFE system continues to generate an enormous and ongoing dividend to the Australian economy –

¹⁷ This is the reported total of COVID spending to May 2021; see Australian Government Treasury (2022).

valued at over \$92 billion in economic benefits every year. This is comprised of over \$6 billion and 48,000 jobs generated by the direct continuing operation of TAFE institutes and the TAFE supply-chain. Through its accumulated contribution to the employability and skills of Australians, the TAFE system generates another flow of benefits worth \$84.9 billion per year in higher incomes and productivity. Those benefits are shared by workers in higher incomes, firms in higher profits, and federal and state governments – which receive \$25 billion per year in extra tax revenues. Finally, another \$1.5 billion in fiscal savings are enjoyed by governments through reduced costs for health and welfare benefits for TAFE graduates. Altogether, the TAFE system drives \$92.5 billion in benefits per year – equal to almost 5% of Australia’s GDP. Table 8 provides a summary of the annual impacts of the TAFE system across these key categories below.

| Table 8. TAFE Annual Economic Impact | |
|--------------------------------------------------------------------|----------------------------------|
| TAFE Economic Footprint | \$6.1 billion |
| Higher Earnings and Productivity (Includes Higher Tax Revenues) | \$84.9 billion (\$25 billion) |
| Fiscal Savings (Social Benefits) | \$1.5 billion |
| Total Benefit | \$92.5 billion |
| Total Annual Costs | \$5.7 billion |
| Source: Pennington (2020). | |

The substantial economic benefits supported by the TAFE system do not tell the whole story of Australia’s “jewel in the crown”. The TAFE system also underpins a wide range of broader social benefits, including providing a “bridge” to access further education and jobs pathways for special and at-risk groups of young Australians. Operating in communities unserved by for-profit private providers, TAFE institutes promote stronger economic participation and inclusion in regional and remote areas, and more comprehensive education support for students from the lowest quintile of society according to socio-economic disadvantage. All these features confirm that the TAFE system is critically important in addressing growing systemic inequality in Australia’s economy and society.

A fitting analogy can be drawn to other long-term investments that deliver an ongoing flow of benefits – but which must be adequately maintained if that flow of benefits is to continue. Imagine a well-built house: it generates value each year that someone lives in it. But if the house is not maintained, and its structural integrity assured, then that flow of benefits will quickly erode. Australia’s economy today is reaping an enormous flow of economic benefits from a ‘house’ that was built by our TAFE system:

\$92.5 billion in annual productivity, income, tax, and social benefits. But the TAFE system today has been structurally damaged by neglect and outright policy vandalism. If we want to continue reaping those benefits of a superior and productive TAFE-trained workforce, we must repair that damage – and quickly.

Australia desperately needs a more pro-active, hands-on approach to workforce training and planning. Revitalised TAFE institutes, as the most reliable anchors of vocational training, can lead the nation's skills reconstruction process. After the Second World War, Australia launched a coordinated national training strategy, as a key part of a National Reconstruction Plan aimed at ensuring returning soldiers would have productive employment opportunities – and making sure the economy did not slip back into a stubborn depression. We need a similarly comprehensive national strategy for skills and training today, starting with the urgent restoration of public funds to the most experienced, reliable and high-quality, national-level, vocational training provider in Australia: the TAFE system.

Conclusion

This comprehensive review of vocational education and training (VET) programs in Australia confirms that Australia's VET system shows growing signs of erosion, fragmentation and dysfunction. Several high-profile government announcements during the COVID pandemic designed to address shortages of skilled labour have not altered the VET system's worrying trajectory.

VET system underfunding, declining enrolments, and dramatic falls in apprenticeship and traineeship completions paint a grim picture of a VET system starved of consistent funding or focus, fragmenting into scattered offerings of non-accredited 'micro-credential' courses, mostly provided by private for-profit training companies. New enrolments since 2015 have been entirely concentrated in unregulated, non-accredited, mostly private-run training. Enrolments in programs outside of the formal accreditation system grew by almost 70,000 participants from 2015 through 2020 – while enrolments in accredited programs plunged by 500,000.

Apprenticeship numbers showed a partial rebound in 2020-21 after several years of marked decline – but remain over one-third below 2012 levels. The 2020-21 growth was spurred by rich subsidies (up to \$28,000 per apprentice per year through the Boosting Apprenticeship Commencements program) for employers to take on new apprentices. But those new commencements are not being matched by a corresponding rise in completions. In fact, the number of apprenticeship and traineeship completions fell to a new low in the year ending June 2021, with just 77,000 completions – down almost two-thirds from 2013.

The low rate of completions has prodded the government to introduce a companion program, Completing Apprenticeship Commencements, to try to lift completion rates. But that program's subsidy rate (just 5% or 10%) is much less than the subsidy for taking on new apprentices. With no requirements on employers to ensure apprentices finish their programs, let alone place them in jobs after completion, the government has created a strong incentive for employers to recycle heavily subsidised short-term apprentices.

This 'churn' effect has been experienced with other short-term government subsidy programs announced during the pandemic, including the JobMaker program for young workers. There, too, employers were encouraged to hire young workers for short periods of time, but without lasting employment, and in many cases replacing previous (unsubsidized) workers.

Meanwhile, industries with the most pressing labour shortages continue to see weak participation in accredited programs, traineeships, and apprenticeships. For example, three key feminised sectors facing huge shortages of qualified labour (nursing, education, and welfare programs) have all seen continued decline in numbers of apprentices – even as political leaders in hi-vis vests hold news conferences to announce support for VET programs in traditionally male trades.

Australia's TAFE institutes, which traditionally formed the core of the national VET system and provide the most comprehensive and inclusive training programs, continue to be sidestepped by most of the federal programs. The share of total VET enrolments received by the TAFE institutes declined further to a new low in 2020: just 30% of all VET program enrolments. TAFE staffing and funding have also eroded further, as federal VET subsidies are diverted in favour of private for-profit providers. Without renewed investment in TAFE programs, the significant annual economic benefits generated by the stock of TAFE-trained skilled workers in the labour force (estimated at \$92.5 billion per year) will decay.

Australia needs a more pro-active, hands-on approach to workforce training and planning. Comprehensive, quality, accredited qualifications are needed, rather than short-term fragments of training (such as non-accredited streams and micro-credentials). Revitalised TAFE institutes, as the most reliable anchors of vocational training, must lead the nation's skills reconstruction process. Fulfilling its critical role as the leading provider of vocational education requires that a minimum 70% of total VET public funding be reallocated to TAFE institutes, rather than funnelled (directly or indirectly) to private providers. Australia must commit to rebuilding the TAFE system's leading role in reliable vocational education – the national skills policy infrastructure that can restore Australia's long-term investment vision in its people, skills, and innovative sustainable industries.

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Appendix

| Table A1. Selected VET-Qualified Occupations with Highest Jobs Growth Projected to 2025 | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------|--------------------------------------|
| | Projected Employment Level Nov. 2025 (000) | Number of Jobs Projected to Increase in 5 Yrs. to 2025 (000) | % Employment Increase 2020-25 |
| Aged and Disabled Carers | 276 | 55 | 25% |
| Waiters | 142 | 42 | 42% |
| General Clerks | 342 | 33 | 11% |
| Cafe and Restaurant Managers | 82 | 21 | 35% |
| Electricians | 187 | 18 | 11% |
| Chefs | 113 | 18 | 19% |
| ICT Support Technicians | 101 | 16 | 19% |
| Education Aides | 114 | 14 | 15% |
| Commercial Cleaners | 187 | 13 | 8% |
| Child Carers | 144 | 13 | 10% |
| Truck Drivers | 209 | 13 | 7% |
| Office Managers | 170 | 12 | 7% |
| Sales Assistants (General) | 536 | 11 | 2% |
| Welfare Support Workers | 73 | 11 | 18% |
| Contract, Program and Project Administrators | 131 | 11 | 9% |
| Bar Attendants and Baristas | 111 | 10 | 10% |
| Carpenters and Joiners | 137 | 10 | 8% |
| Data: Authors' calculations from National Skills Commission employment projections from November 2020 to November 2025. ANZSCO second-digit occupational level. *shading indicates trades occupations. | | | |