



Evaluation of the VET Student Loans Program

Final Report

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Executive Summary

The VET Student Loans (VSL) program provides income contingent loans designed to reduce financial barriers faced by students wishing to undertake vocational education. VSL provides financial support to students to undertake high quality training for skills that are aligned to workplace needs at the diploma level and above, to be repaid by the student when their income exceeds the repayment threshold.¹

The program has been in operation for almost three years, and is now at a stage of maturity where intermediate outcomes are becoming apparent, and where the impact of the VSL program on various stakeholder groups may be seen. Analysis indicates the broader impact of the VSL program on economic growth, and provides insight into the extent to which the performance of the program is associated with confidence in the VET sector.

Overall, the program is operating well, mitigating key risks and receiving positive feedback and strong completion rates from students. The economic impacts of the program appear positive, with improved employment outcomes for students, and flow on effects for the broader economy. There is no evidence that the sector is subject to the fraud and misconduct seen in the VET FEE-HELP (VFH) program, which VSL has replaced, indicating that VSL is associated with confidence in the VET sector.

Participating providers have advised of a constrained market and high participation costs for VSL approved providers. Opportunities to increase participation rates of both students and providers are discussed, which could strengthen the impact of the VSL program, and its effectiveness in helping meet the skills needs of Australian industry.

Evaluating the VSL Program

The aim of this evaluation is to provide insights to the Department of Employment, Skills, Small and Family Business (the Department) to assist with future administration of the VSL program and to contribute to the evidence base to help inform future policy decisions. This evaluation has involved exploring the key objectives of the program through its direct outputs and the associated effects and changes of the VET market.

The evaluation focused on the following key objectives of the program:

- Fiscal sustainability and contribution to economic growth;
- Quality and affordability;
- Access and equity;
- Student centred;
- Industry need, employment outcomes and student choice; and
- Integrity and confidence.

The evaluation drew on program data, interviews and focus groups with education providers, computer assisted telephone interviews with VSL students, and interviews with stakeholders from government, industry and peak bodies. Through synthesising results from these diverse data sources, an overall effectiveness rating has been provided to assess each of the objectives of the VSL program. The ratings used in this evaluation were developed after the data collection phase, to assist in the interpretation of results and to provide insight into the strengths and areas of further focus for the program. The ratings are set out in Table 1 below.

¹ Studyassist.gov.au. (2019). *Loan repayment* | StudyAssist. retrieved from: <https://www.studyassist.gov.au/paying-back-your-loan/loan-repayment>.

Table 1: Merit determination for VSL

Merit Rating	Explanation
Excellent	Performance was clearly very strong in relation to the overarching question of the evaluation domain. No significant gaps or weaknesses were identified.
Very Good	Performance was generally strong in relation to the overarching question of the evaluation domain. Some minor gaps or weaknesses were identified.
Good	Performance was generally strong in some areas relating to the overarching question of the evaluation domain. Some gaps or weaknesses were evident.
Adequate	Performance demonstrated some weaknesses in relation to the overarching question of the evaluation domain, however minimum expectations and requirements were met.
Poor	Performance was weak in relation to the overarching question of the evaluation domain. Minimum expectations and requirements were not met.

Key Findings

Contribution to economic growth and fiscal sustainability

Contribution to Economic Growth

Economic analysis shows that:

- The VSL program makes a positive contribution to the Australian economy, given that it has only been in place for three years;
- Financial support attained as a result of the program plays a role in supporting Australians to obtain employment, earn higher wages and drive economic growth; and
- VSL delivers productivity benefits that enhance the productive capacity of Australian industries and increases employment prospects for the students they support.

Assessment

There is **some** evidence to suggest that the contribution of the VSL program to the economy is **Very Good**.

Fiscal Sustainability

Financial outlays for VSL are extremely low compared to VFH, and the program operates below its administered loan cap of \$2.07 billion. The loan cap was legislated as an additional risk management mechanism for the calendar years 2017, 2018 and 2019², derived from agreed estimates of the expected expenditure on the former VFH scheme³. This shows that VSL is not subject to the inflated spending associated with the VFH scheme, and indicates that VSL is viable from a fiscal standpoint.

At the same time, however, the design of the program means that the more loans that are administered by the program, the more fiscally sustainable it becomes due to the loan fee and state based contribution mechanisms included within the program. Findings from this review indicate that

² Australian Government, *VET Student Loans Rules 2016*, Division 2, Section 155

³ Anao.gov.au. (2019). *Design and Implementation of the VET Student Loans Program* | Australian National Audit Office. Available at: <https://www.anao.gov.au/work/performance-audit/design-and-implementation-the-vet-student-loans-program>

benefits to student outcomes, coverage of the skills needs of industry and fiscal sustainability can be realised through expanding the program, with an emphasis on maintaining integrity.

Assessment

There is **some** evidence to suggest that the fiscal sustainability of the VSL program is **Good**.

Quality and affordability

Affordability

On balance, VSL has generated a better overall outcome for students in the long-term compared to those under VFH, as they are now accruing less debt. Additionally, findings indicate that:

- Students under the program are paying lower tuition fees under VSL than VFH overall; and
- A majority of surveyed students accessing VSL do not consider out-of-pocket costs to be an issue.

At the same time, VSL is associated with higher out-of-pocket costs which may have impacted access for disadvantaged students (see also our discussion on Access and Equity below). These costs are associated with the introduction of loan caps in VSL, which in turn may be impacting the financial viability of some providers.

Assessment

There is **some** evidence to suggest that the VSL program is **Very Good** at ensuring that students receive affordable training.

Quality

Findings indicate that training quality in the loans segment of the VET sector has improved due to the removal of unscrupulous providers, however there is no evidence of a change in training quality at the individual RTO level due to the introduction of the VSL program.

Findings from consultation for this evaluation indicate that VSL students have a positive perception of training quality, but that providers find it harder to deliver quality under VSL, reporting increased administrative burden and financial stress driven by lower demand for courses as a result of course caps. However, data analysis indicates that VSL has a positive impact on employment outcomes, which may be driven by training quality. Overall, improved training quality under VSL may be attributed to the reduction in provider misconduct, or that courses included under the program are demanded by industry.

Assessment

There is **some** evidence to suggest that the quality of VSL courses is **Very Good**.

Access and equity

Disadvantaged cohorts

Program enrolment rates for disadvantaged cohorts overall have decreased compared with VFH, and this review has found that there are lower rates of enrolment and completion in VSL for students from most disadvantaged backgrounds (Indigenous, With Disability, Not in Employment, non-metro and Quintile one SES). It is possible that these groups may have been targeted by unscrupulous providers under VFH, over-inflating the data and exaggerating the true extent to which VFH assisted disadvantaged cohorts. There has also been a drop in the number of providers in non-metro areas, associated with an increased proportion of in-person courses offered.

The increased out of pocket costs for students associated with the course caps introduced under VSL may have inhibited enrolment from low income students. At the same time, the lack of online courses and low volume of available providers in non-metro areas may have reduced access for non-

metro students. It should be noted, however, that although enrolment rates dropped for disadvantaged groups in VSL compared to 2014-2015 VFH, this level is largely consistent with 2012-2013 VFH. Access for disadvantaged students appears to have returned to levels prior to when VFH may have falsely inflated its access rates.

Assessment

There is **some** evidence to suggest that the impact of VSL on disadvantaged cohorts is **Adequate**.

Student centred

Student enrolment and completion

The program is associated with improved unit completion rates compared to VFH, and lower enrolments compared to VFH between 2014-2016, indicating a reduced risk that students are accruing debts for courses which they will not finish or benefit from. Findings indicate that:

- VSL unit completion rates have reduced slightly between 2017 and 2018, but remain higher than VFH unit completion rates for all SES quintiles;
- Providers (those in the program and those that are not) stated that, for their students, course completion rates have not been affected by VSL; and
- Students stated that the VSL program made them more likely to complete their course, than if they had not enrolled in the program.

Assessment

There is **some** evidence to suggest that the impact of VSL on course completion is **Good**.

Provider exit

The number of VSL providers has dropped since the program commenced, however, this proportion is less than the overall VET market and there has been little negative impact on students. Findings indicate that providers may have exited due to:

- Failing to meet the program requirements of a VSL approved provider;
- The administrative burden of running the program; and
- The financial viability of running the program, driven by insufficient loan cap amounts to cover course costs and a reduction in student demand.

Findings from stakeholder interviews and provider surveys also suggest that some compliant providers may have exited the loans segment of the VET market due to the program requirements. However, there is no apparent evidence in VSL of the unscrupulous behaviour of providers which was apparent in the VFH scheme. This indicates that students are better off under the more stringent requirements placed on providers under VSL.

Assessment

There is **some** evidence to suggest that provider exit has had a **Good** impact on students.

Industry need, employment outcomes and student choice

Alignment to student demand

There are mixed sentiments across stakeholders regarding the program's alignment to student demand. Findings indicate that:

- Providers in the program stated that courses are well aligned to demand for students in the program; and

- Providers that are not in the program argue that the course list does not meet the demand of their students.

Assessment

There is **some** evidence to suggest that course alignment to student demand is **Good**.

Alignment to industry demand

Analysis suggests that courses included in the VSL program are well aligned to some areas of industry need, however, the skills needs of industry are not completely covered by the current VSL course list. Findings indicate that:

- Students in the program are primarily looking to further their employment prospects;
- The current course list is too narrow; and
- The process of adding courses to the course list is complex.

Assessment

There is **sufficient** evidence to suggest that course alignment to industry need is **Good to Adequate**.

Integrity and confidence

Confidence in the VET market

Although comparisons between the broader VET market and the VSL program may be of limited value, stakeholder perceptions indicate that overall confidence in the VET market has increased since the introduction of the VSL program. Findings also indicate that:

- VSL is better overall than its predecessor, VFH, in establishing confidence in the VET market; however
- The program places high administrative demands on compliant providers.

The review found that in comparison to VFH, VSL is associated with improved outcomes for VET students, and most stakeholders agreed that the program has improved confidence in the VET market.

Assessment

There is **weak** evidence to suggest that the program’s impact on the VET market is **Very Good**.

Provider misconduct

All stakeholder groups that commented on past provider misconduct issues (in VFH) stated that it has been largely addressed by the improved design of VSL. Additionally, students have reported high satisfaction rates, however, providers indicate that the focus on the reduction in misconduct has made it more burdensome for compliant providers to access the program. Providers stated that program mechanisms targeting provider fraud (Appendix 6) have negatively impacted some compliant providers.

Assessment

There is **some** evidence to suggest that the effect of the program on protecting students from provider misconduct is **Very Good**.

Program risk

Findings from the review indicate that VSL program settings focus on mitigating the program integrity risks faced by the former VFH. While this has been effective in preventing misconduct and bad debt for the program, it has placed further administrative burden on compliant providers and may have introduced had some unintended risks to outcomes for the program. These include:

Focus Area	Outcome Risk
Access for disadvantaged students	Gap fees may result in reduced access for low income students. Reduced numbers of providers and increased provision of face to face training may result in unmet need in regional and remote areas.
Provider participation	Increased administrative and compliance requirements might be taking focus away from quality and innovation for providers in the program and might be a disincentive for others to participate in the program.
Alignment to industry need	A smaller number of providers are able to offer the courses included in a narrow list of approved courses, reducing the program’s impact and alignment to skills needs of industry.

Assessment

There is **sufficient** evidence to suggest that the programs management of risk is **Good**.

Summary

The VSL program is largely effective in achieving its objectives. Findings indicate that VSL makes a positive contribution to the Australian economy, and students are incurring less fees and overall debt compared to VFH. Student satisfaction and training quality has increased, although the impact of the program on access rates for disadvantaged students has not been strong. Additionally, there may be unintended adverse impacts for current providers from program design changes, and there may be benefits in reducing administrative requirements for compliant providers.

Evidence suggests that there may be increased outcomes for students and industry if the course list was expanded, evidence also suggests that course fees should be reviewed to increase access for low income students. Despite these findings, the program is more financially sustainable and performing more effectively than VFH, although monitoring of the program should continue as it matures. On balance, the VSL program is accomplishing better outcomes for students compared to VFH, and should be expanded to increase impact, while maintaining program integrity.

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Glossary

Acronym	Definition
ANAO	Australian National Audit Office
CALD	Culturally and Linguistically Diverse
CGE Model	Computerised General Equilibrium Model
eCAF	Electronic Commonwealth Assistance Form
EFTSL	Equivalent full-time student load
GDP	Gross Domestic Product
NCVER	National Centre for Vocational Education Research
PIR	Post-Implementation Review
SES	Socio-Economic Status
SOS	Student Outcomes Survey
VET	Vocational Education and Training
VFH	VET FEE-HELP
VSL	VET Student Loan

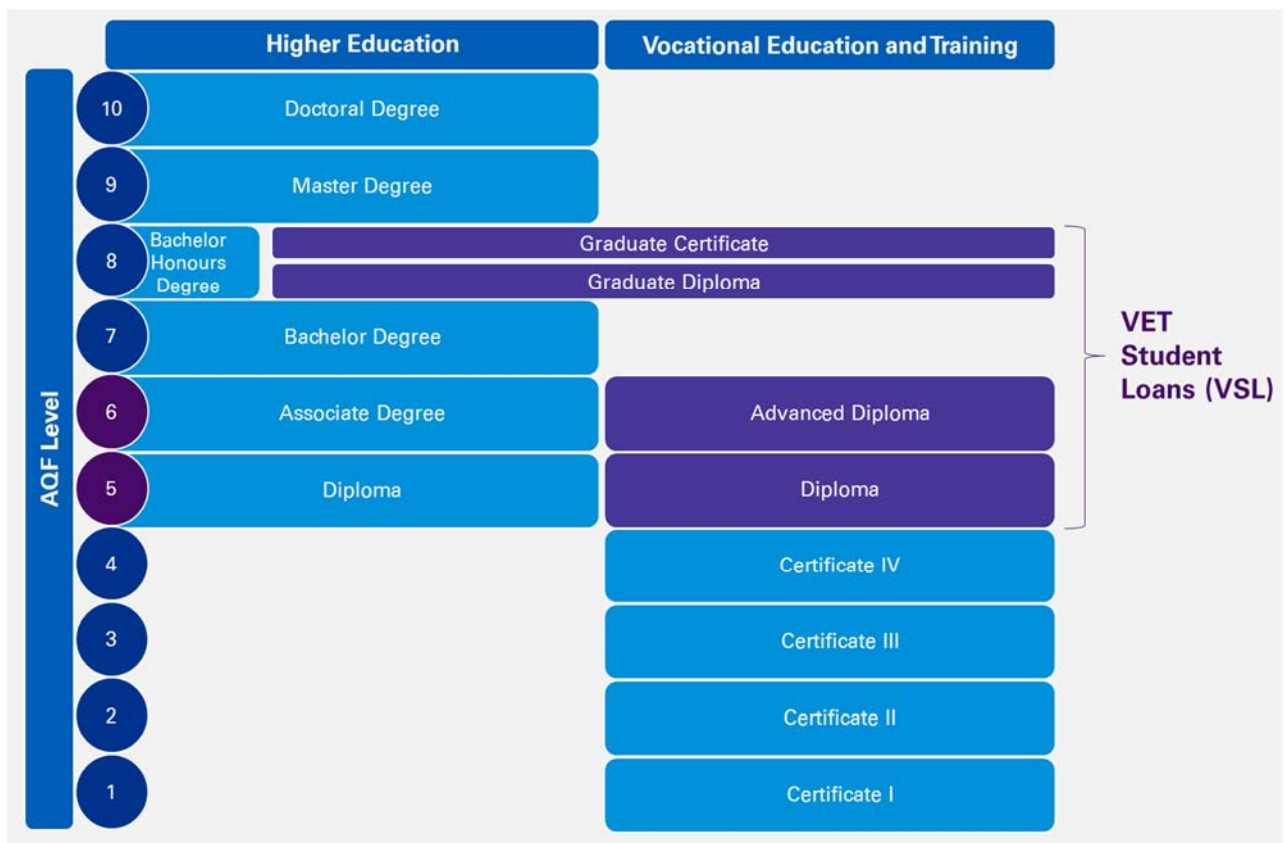
Introduction

Background

The Australian Government introduced the VET FEE-HELP (VFH) scheme in 2009, which provided income contingent loans to students studying higher level VET qualifications. Following changes which expanded the VFH scheme in 2012, there was a sharp increase in the number of students and the overall value of student loans issued. The rapid expansion of the VFH scheme coincided with the emergence of concerns regarding the integrity of VFH providers, including training providers targeting vulnerable cohorts, and questions about the ability of new students to repay their VFH loans.

Following the introduction of a number of reforms to address issues with VFH during 2015 and 2016, the then-Minister for Education and Training announced in October 2016 that VFH would cease on 31 December 2016 and be replaced by a new program, VET Student Loans (VSL), from 1 January 2017.

Figure 1: VSL in the Australian education sector⁴



VSL are income contingent loans designed to provide financial support to students to undertake high quality training for skills that are aligned to workplace needs at the diploma level and above. VSL are to be repaid by the student when their incomes exceed a pre-determined threshold.⁵

The principles underlying the VSL reforms are summarised in the following diagram. These principles have been used to inform the approach undertaken in this review.

⁴ KPMG

⁵ Studyassist.gov.au. (2019). *Loan repayment | StudyAssist*. retrieved from: <https://www.studyassist.gov.au/paying-back-your-loan/loan-repayment>.

Figure 2: VSL key objectives⁶



The object of the VSL Act 2016⁷ is defined somewhat more narrowly, as follows:

“The object of this Act is to provide for loans to students for vocational education and training, ensuring that loans are provided:

- a) to genuine students; and
- b) for education and training that meets workplace needs and improves employment outcomes.”

The key features of the VSL program and Government’s rationale are outlined in the table below.

Table 2: VSL Key Design Features and intended effect⁸

Key Design feature	Rationale
Course eligibility that aligns with industry needs and employment outcomes	<p>Aims to limit Government loans to courses that meet the needs of the economy and align with strong employment outcomes</p> <p>Aims to prevent large loan amounts being paid for courses that have limited public good</p>
Loan caps on eligible courses: \$5,000, \$10,000 and \$15,000 (based on cost of delivery)	<p>Aims to protect students from rapidly rising course costs, and put downward pressure on fees</p> <p>Does not prevent providers from setting tuition fees above the cap (allowing ‘gap’ fees), rather it sets a ceiling on the maximum loan amount the Government is willing to provide a student for a course</p>

⁶ Source: Department of Education and Training, 2016, Redesigning VET FEE-HELP: Discussion Paper. P.53. Accessed September 2017 at https://docs.education.gov.au/system/files/doc/other/redesigning_vet_fee-help_-_discussion_paper_0_0.pdf

⁷ VSL Act, 2016, Part 1 – Section 4

⁸ Source: Department of Education and Training, 2017, Review of the VSL Course List and Loan Cap Methodology, accessed September 2017 at <https://www.education.gov.au/vet-student-loans/VSLmethodology>, Department of Education and Training, 2016, VET FEE-HELP Redesign Regulation Impact Statement, accessed September 2017 at <http://ris.pmc.gov.au/sites/default/files/posts/2016/11/RIS-1.pdf>. KPMG analysis.

Key Design feature	Rationale
A student engagement requirement, where students must demonstrate their continued engagement in their course (through logging onto the online system at least twice per annum)	Aims to ensure that students undertaking training are genuine students who are actively engaged in and progressing through their course
A new outcomes-focused application process for providers to access the program, including time limited approvals	Aims to ensure that approved providers have traits aligned to program objectives, including links to industry, student outcomes, a track record of course delivery, financial performance and appropriate governance
A strengthened legislative, compliance and payment framework, including payment in arrears and the ability for the Government to impose loan caps on providers on a case by case basis	Aims to ensure that loans are only paid to providers for actual enrolments and census dates passed Ensures that providers have suitable business and cash-flow arrangements in place to support an arrears payment model and are not solely reliant on the new loan scheme to operate
Prohibiting providers from using brokers or directly soliciting prospective students, and limiting arrangements to subcontract training delivery to third parties	Aims to ensure enrolment processes and student engagement are the sole responsibility of approved providers and that students are better protected against misleading, inaccurate and inappropriate marketing Aims to ensure subcontracting arrangements are also subject to quality and regulatory scrutiny, and improve Government oversight and regulation of the scheme

Past reviews of the VSL Program and Context of this Evaluation

In 2017, the Department engaged KPMG to undertake a post-implementation review (PIR) to understand the initial impact and performance of the VSL program, including assessments of its appropriateness, efficiency and effectiveness.

The PIR found that the design of the VSL program had contributed to improved fiscal sustainability, with the significant expenditure of recent years substantially reduced since the introduction of the program. The PIR also found there was a consensus view amongst stakeholder groups and providers that the VSL program had largely addressed the presence of unscrupulous providers in the loans program, and was beginning to contribute to improving confidence in the VET market, noting that there was still a considerable amount of work required across the system to change the overall negative public perception of the VET sector.

The PIR identified several areas of potential concern or issues requiring further attention. These included concerns with respect to whether the VSL program was meeting its equity and access objectives with respect to low-SES, regional and remote students, and concerns whether the VSL program was encouraging more students to enrol in courses where there is a high industry need.

In November 2018, the Australian National Audit Office (ANAO) published its report on the Design and Implementation of the VET Student Loans Program.⁹ The objective of the audit was to assess the effectiveness of the department's design and implementation of the VSL program. The ANAO concluded that the Department's design and implementation of the VSL program was largely effective, that the Department executed an appropriate process for designing the VSL program, and

⁹ Australian National Audit Office, Design and Implementation of the VET Student Loans Program, November 2018 accessed at <https://www.anao.gov.au/work/performance-audit/design-and-implementation-vet-student-loans-program>

that it had established an effective performance management system for the program. The ANAO also commended the Department for developing an evaluation strategy for the program as well as the completion of a number of reviews of aspects of the program to note areas for further analysis and potential adjustments to the program's parameters

The ANAO recommended that the Department analyse maturing VSL program data to enable it to monitor progress of the program, analyse its impact on stakeholders and identify potential enhancements to the program and its administration.

After more than two full years of operation, the VSL program is now at a stage of maturity where intermediate outcomes will become apparent, and where the impact of the VSL program on various stakeholder groups may be seen. Analysis can also show the broader impact of the VSL program on economic growth, and the extent to which the performance of the program has improved confidence in the VET sector.

Approach

The aim of this evaluation is to provide insights to the Department of Employment, Skills, Small and Family Business (the Department) to assist with future administration of the VSL program and to contribute to the evidence base to help inform future policy decisions. This involved exploring the key objectives of the program through its direct outputs and the associated effects and changes of the VET market. The evaluation focused on the following key objectives of the program:

- Fiscal Sustainability and contribution to economic growth;
- Quality and affordability;
- Access and equity;
- Student Centred;
- Industry need, employment outcomes and student choice; and
- Integrity and Confidence.

These areas were mapped to the following data sources to form the basis of this review and structure of findings:

- Economic modelling (summarised at Appendix 1)
- Interviews with a range of stakeholders (the list of consulted organisations is at Appendix 2), including representatives from Industry, Regulators and Provider peak bodies.
- An online survey and focus group interview with providers (full results are at Appendix 3);
- Program data analysis (summarised at Appendix 4); and
- Telephone surveys with students (full results are at Appendix 5).

Challenges and contextual issues

In undertaking this evaluation, there are a range of sector challenges and contextual issues that were taken into account:

- The VET sector is complex, with a number of different actors and stakeholders, including students, providers, industry groups, regulators and governments. This results in a number of different perspectives, incentives and behaviours that need to be carefully considered and reflected in the evaluation.
- The translation of training into employment outcomes is a broader expected outcome, where for the benefit to be realised, the investment in training for both government and the student must result in a job or in improved earning capacity and opportunities.
- Investment in the VET sector by both Commonwealth and state and territory governments, in addition to the VSL program, aims to support access and equity of opportunities for those who may be experiencing difficulties or disadvantages. The VET sector also has an important role to play as a pathway to higher education.
- The reputation of the VET sector has been impacted by a number of factors, including unscrupulous providers and some potential misalignment of training to industry needs and job outcomes. The reputation and standing of the sector within the community have improved and it is hoped that over time this will encourage uptake and further skilling of Australia's current and future workforce.

Methodology

Strength of evidence

The review has applied the following guide in assessing the strength of evidence in determining the findings for each area of the review:

- **Sufficient evidence:** where the evidence is sufficient to draw a largely unqualified conclusion regarding the evaluation question because either there is a single source of quality data or multiple sources of data with no major quality issues and which consistently point to the conclusion reached;
- **Some evidence:** where the evidence suggests the observation is true but there are data limitations, such that the finding is qualified and further and/or different data (which may have been unavailable to this evaluation) would need to be sourced to be more confident in the conclusion reached;
- **Weak evidence:** where the evidence is indicative of a finding but there are major shortcomings in the data such that limited confidence can be placed on the conclusion; and
- **No evidence:** where no data exists upon which to make any finding.

Merit Determination

Merit ratings have been developed to provide a standard assessment framework on which to evaluate the performance of each domain. Through synthesising results from diverse data sources, an overall effectiveness rating has been provided to assess each of the objectives of the VSL program. The ratings used in this evaluation were developed after the data collection phase, to assist in the interpretation of results and to provide insight into the strengths and areas of further focus for the program. The ratings are set out in Table 3 below:

Table 3: Merit determination

Merit	Explanation
Excellent	Performance was clearly very strong in relation to the overarching question of the evaluation domain. No significant gaps or weaknesses were identified.
Very Good	Performance was generally strong in relation to the overarching question of the evaluation domain. Some minor gaps or weaknesses were identified.
Good	Performance was generally strong in some areas relating to the overarching question of the evaluation domain. Some gaps or weaknesses were evident.
Adequate	Performance demonstrated some weaknesses in relation to the overarching question of the evaluation domain, however minimum expectations or requirements were met.
Poor	Performance was weak in relation to the overarching question of the evaluation domain. Minimum expectations or requirements were not met.

Observations and Findings

The following section of this report sets out the observations and findings relevant to each evaluation question, as they relate to each of the objectives of the VSL program.

Contribution to Economic Growth and fiscal Sustainability

Q1. To what extent does the program contribute to national economic growth?

To address this evaluation question, consideration was given to evidence of whether:

- Students are more likely to be employed after completion of a VSL supported course than if they had not been able to access the course; and
- The Australian labour force is more productive due to an enhancement of human skills and capabilities following the completion of education supported by VSL.

Sources of evidence included:

- Quantitative assessment of the economy-wide benefits (contribution of VSL to Australia’s GDP) using Computerised General Equilibrium (CGE) modelling. Inputs to the modelling, drawn from program data, include:
 - marginal labour force outcomes (at the industry level) following completion of courses supported by VSL (i.e. an increase in employment rate post-study); and
 - change in the overall productivity of the Australian labour force due to training supported by VSL.

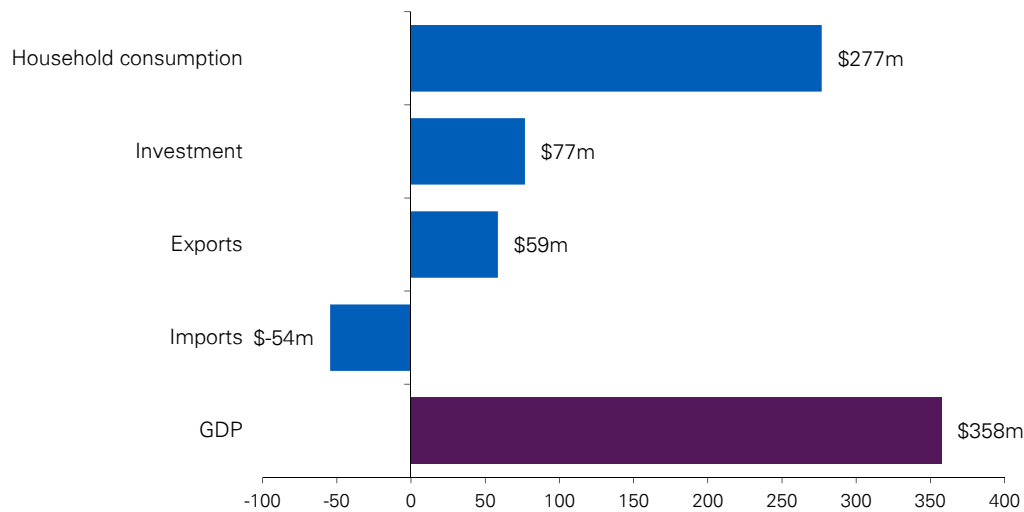
Observations

Economic impact analysis

KPMG’s economic analysis found that the VSL program makes a positive contribution to the Australian economy, given that it has only been in place for three years. Findings indicate that the VSL program provides the means for students to enter the labour force, up-skill, increase productivity and achieve higher wages. As a result, Australian businesses, and the Australian economy as a whole, benefit from a more productive workforce. By providing financial support to students, the program improves their employment opportunities and advances the capabilities of the Australian workforce.

The headline aggregate result of KPMG’s modelling of these economic impacts is that in 2017, the education of students accessing the VSL program contributed \$358 million to Australia’s Gross Domestic Product (GDP). Figure 3 shows the increase in the size of the Australian economy.

Figure 3: Dollar change in components of real GDP¹⁰



Note: $GDP = Household\ Consumption + Government\ Expenditure + Investment + (Exports - Imports)$

The increase in the size of the Australian economy occurs as follows:

- The largest contributor to higher GDP is household consumption of \$277 million. This additional consumption relates to higher household income, due to a more productive workforce (i.e. higher participation and higher employment) and higher household wages.
- Higher investment contributes another \$77 million to GDP, which includes higher investment by other industries as a result of higher output.
- Higher international trade contributes an additional \$5 million to GDP, with higher net exports of goods and services. A more productive workforce lowers production costs for Australian industries relative to overseas competitors, which increases exports. While imports are also higher (as they support the additional exports and domestic sales), imports have a negative impact on GDP and are thus illustrated as a negative in the chart.

The estimated economic benefits assumes that all students in the program who attain employment following training would not have otherwise undertaken training without access to a loan. There is currently no specific data to validate this assumption although the majority of students (93 per cent) surveyed as part of this review stated that the program had assisted them in affording VET training (Source: response to student survey question: "Did the VET Student Loans program enable you to enrol in training that you could not otherwise afford?")

For further detail regarding the economic modelling methodology, refer to Appendix 1.

Labour force benefits

Education plays a key role in supporting Australians to obtain employment, earn higher wages and drive economic growth. Labour market outcomes, resulting from additional education and training, provide an indication of the economic benefits of the VSL program to individuals and the economy.

As outlined in Table 4, there are differences in the employment status of VSL supported students, before and after their training. These differences reveal the beneficial employment impact attributable to the VSL program, for the cohort of students completing study.¹¹

¹⁰ Source: KPMG-CGE simulation.

¹¹ NCVER VET Student Outcomes 2018.

Table 4: Labour force outcomes, pre- and post-training, 2017¹²

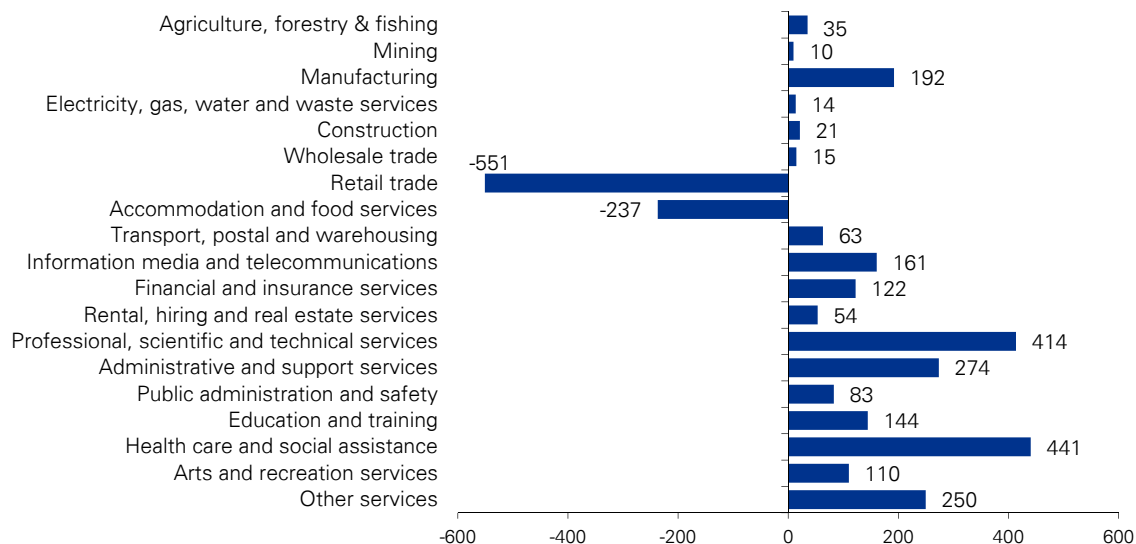
Labour Force Status	Before training	After training
Employed	9,438	11,003
Employed full-time	2,786	3,810
Employed part-time	6,645	7,188
Employed (hours not stated)	7	5
Not employed	5,670	4,973
Not in labour force	2,349	1,933
Unemployed	3,316	3,037
Not employed	4	2
Not Stated	1,017	150
Total	16,125	16,125

Note: Students who did not state their labour force status were excluded from the analysis.

An additional 1,565 persons became employed after completion of study; increasing the share of those employed in the total student cohort from 62.5 per cent prior to training to 68.9 per cent after training.

KPMG estimates that, as a result of the education of students accessing the VSL program, a further 50 people became employed indirectly, across all industries. As workers up-skill, re-train or enter the workforce for the first time, there is a movement across employment industries. Figure 4 displays the industry-level results, where Retail trade and Accommodation and food services experience a fall in the number of workers, whilst all other industries experience an increase in workers.

Figure 4: Industry-wide employment results, 2017 (persons)¹³



¹² Source: NCVET VET Student Outcomes 2018.

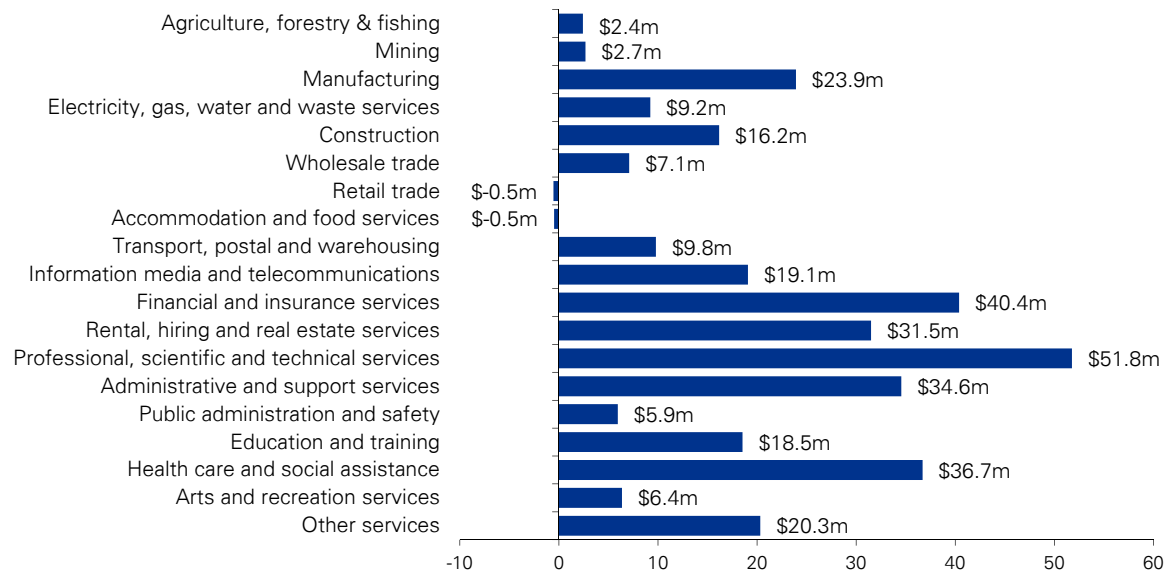
¹³ Source: KPMG-CGE simulation.

Productive capacity

The VSL program delivers productivity benefits that enhance the productive capacity of Australian industries and increases employment prospects for the students they support. Students receiving VSL support may gain higher level skills and better employment opportunities, than would otherwise be the case. This increase in the support of skilled labour benefits Australian industries.

KPMG estimates that in 2017, productivity benefits and benefits from a larger workforce, as a result of the education of students accessing the VSL program, supported \$335 million of value-added in the Australian economy.¹⁴ Figure 5 displays the industry-level results, where a more productive and skilled workforce is beneficial to most industries.

Figure 5: Industry-wide value-add results, 2017¹⁵



Since the VFH loan scheme has been phased out, and the VSL program is now the only option for students looking to take a loan to pursue VET education, it appears that there may be no suitable comparator against which to assess the economic impact of the VSL program. Comparison against a similar loans program was outside the scope of this review.

Summary: Contribution to Economic Growth

Economic analysis shows that:

- The VSL program makes a positive contribution to the Australian economy, given that it has only been in place for three years;
- Financial support attained as a result of the program plays a role in supporting Australians to obtain employment, earn higher wages and drive economic growth; and
- VSL delivers productivity benefits that enhance the productive capacity of Australian industries and increases employment prospects for the students they support.

Assessment

There is **some** evidence to suggest that the contribution of the VSL program to the economy is **Very Good**.

¹⁴ Note that the GDP impact includes the impact on value-added across industries plus indirect taxes.

¹⁵ Source: KPMG-CGE simulation.

Q2. How fiscally sustainable is the VSL program compared with its predecessor?

To address this evaluation question, consideration was given to evidence of whether:

- Outlays on VET Student Loans were within fiscal parameters determined by government at program inception.

Sources of evidence included:

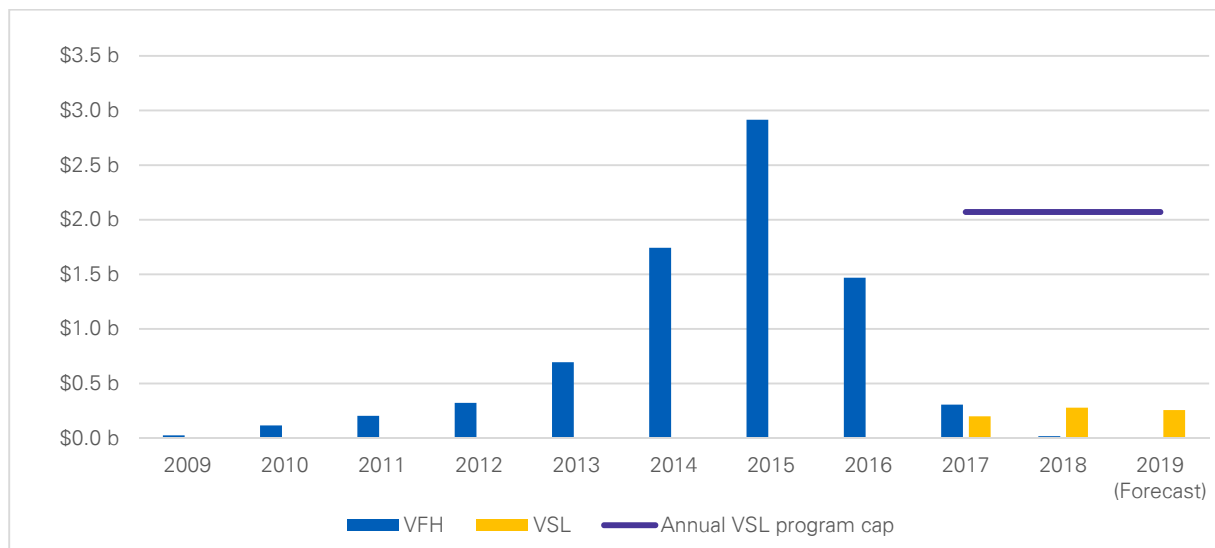
- Program data on the total value of VSL loans per annum and over time;
- Program data on numbers of students attracting loans over time; and
- Program data on the total value of VFH loans per annum and over time.

Observations

As illustrated in Figure 6 below, the fiscal outlay for VSL represents a fraction of the annual program cap for the program. The \$2.07 billion annual loan cap was legislated by the Government for the calendar years 2017, 2018 and 2019¹⁶, as an additional risk management mechanism to help ensure VSL does not expand excessively like its predecessor. The cap was derived from the department’s established Higher Education Loan Program (HELP) costing model based on agreed estimates of the expected expenditure on the former VFH scheme¹⁷.

Figure 6 also shows that the total value of loans provided through the VSL program equals approximately \$200 million in 2017 and \$279 million in 2018.¹⁸ This equates to 9.7 per cent and 13.4 per cent respectively of the \$2.07 billion annual VSL loan cap, and is a significant decrease from the \$2.9 billion peak in loans provided under VFH during 2015.¹⁹

Figure 6: Total VFH/VSL Loans 2009-2019 (Forecast)²⁰



This trend has continued in the 2019 calendar year, where in the first quarter, total loans were approximately \$64 million.²¹ When extrapolated for a full year student intake, total 2019 student loans equal approximately \$257 million, 12.4 per cent of the annual VSL loan cap. During the peak year of

¹⁶ Australian Government, *VET Student Loans Rules 2016*, Division 2, Section 155

¹⁷ Anao.gov.au. (2019). *Design and Implementation of the VET Student Loans Program | Australian National Audit Office*. Available at: <https://www.anao.gov.au/work/performance-audit/design-and-implementation-the-vet-student-loans-program>

¹⁸ Department of Education and Training (July 2019), *VFH/VSL Program Data and Statistical Reports*

¹⁹ Ibid.

²⁰ Department of Education and Training (July 2019), *VFH/VSL Program Data and Statistical Reports*

²¹ Ibid.

VFH loans in 2015, 272,026 students accessed the scheme. In comparison, 57,874 students accessed the VSL program in 2018, representing a 79 per cent decrease from 2015 levels.

These findings show that VSL is not subject to the inflated spending associated with the VFH scheme, and indicates that VSL is viable from a fiscal standpoint. Furthermore, the design of the program facilitates fiscal sustainability. As more loans are administered by the program, the more fiscally sustainable it becomes. This is due to the loan fee and state based contribution mechanisms included within the program. However, the significant decrease in loans in Figure 6 show that there is comparatively low uptake of the program. This has the effect of potentially reducing the fiscal sustainability of the program, as well as its overall impact on students and industry.

Given that the repayment threshold for VSL has decreased since its inception (\$5,874 in 2017-18, \$51,957 in 2018-19 and \$45,881 in 2019-20)²², students are more likely to pay back their loans under VSL than VFH. In addition, new VSL debts will be separated from HELP debts from 1 July 2019²³, providing the Government with improved monitoring of the financial sustainability of the program.

Additionally, survey and interview data indicates that expenditure is potentially reduced by course caps and the approved course list, while program data shows a substantial reduction in both the number of loan recipients and average loan amounts. Further, the VSL program is characterised by restrained spending in key areas of provider numbers, eligible courses and the amount of study time funded for students. For instance:

- the number of approved providers has reduced from 261 under VFH in 2015, to 169 under VSL in 2019²⁴;
- the number of courses attracting a VFH loan in 2015 were 833, whereas there are 400 approved VSL courses in 2019;
- total study time funded under the program has reduced from 196,108 Equivalent Full-time Student Loads (EFTSL) under VFH in 2015 to 36,559 EFTSL under VSL 2018²⁵; and
- the average per-student, per study year (EFTSL) loan reduced from \$12,774 under the VFH scheme in 2016 to \$7,624 under the VSL program in 2018.²⁶

As mentioned under ‘*Industry Need, Employment Outcomes and Student Choice*’, the current VSL course list covers 23 per cent of the skills needs required by industry. These findings suggest expanding the VSL program to benefit both student and industry stakeholders could improve the potential for the program to positively impact the skills needs of Australian industries (refer to Table 8, **recommendation 1**) without compromising the program’s fiscal sustainability. Caution should be used, however, to ensure that any expansion does not compromise program integrity.

Summary: Fiscal Sustainability

Financial outlays for VSL are extremely low compared to VFH, and the program operates well below its administered loan cap of \$2.07 billion. This shows that VSL is not subject to the inflated spending associated with the VFH scheme, and indicates that VSL is viable from a fiscal standpoint.

Other results show:

- There is a low uptake of the program compared to VFH and 77 per cent the skills required by the program are not covered by the VSL course list. As such, contribution to skills required by industry are limited in the program; and

²² Studyassist.gov.au. (2019). *Loan repayment* | StudyAssist. retrieved from: <https://www.studyassist.gov.au/paying-back-your-loan/loan-repayment>.

²³ VSL Debt Separation Bill (2018)

²⁴ Department of Education and Training (July 2019), *Provider Enrolments 2009-18: Approved VSL providers as at 1/1/19*

²⁵ Department of Education and Training (July 2019), *VFH/VSL Program Data and Statistical Reports*

²⁶ Ibid.

- This may reflect low take up of the program, potentially reducing overall effectiveness and sustainability in the long-term.

At the same time, however, the design of the program means that the more loans that are administered by the program, the more fiscally sustainable it becomes due to the loan fee and state based contribution mechanisms included within the program. Findings from this review indicate that benefits to student outcomes, coverage of the skills needs of industry and fiscal sustainability can be realised through expanding the program, with an emphasis on maintaining integrity.

Assessment

There is **some** evidence to suggest that the fiscal sustainability of the VSL program is **Good**.

Quality and Affordability

Q3. How well does the program ensure that students receive affordable training?

To address this evaluation question, consideration was given to evidence of whether:

- Out of pocket costs met by students are comparable or lower for courses which attract VSL and those that do not; and
- Average out of pocket costs are proportionate to the average tuition fee (i.e. less than 10 per cent of the total tuition fee).

Sources of evidence:

- Legislation and program guidelines designed to prevent students incurring debts for inflated fees, such as course caps;
- Student survey results indicating student satisfaction with out-of-pocket costs; and
- Data on average 'gap' fees (whole-of-program and for specific courses) to quantify total out-of-pocket expenses for students.

Observations

Findings from the review indicate that the VSL program has achieved a better overall outcome through lower tuition fees and less student debt compared to VFH, however, average out-of-pocket payments have increased. In 2017, average tuition fees for students decreased by \$4,917 (Figure 7), and average out-of-pocket costs increased to \$505 (Figure 8) in 2017 VSL. The increase in out-of-pocket costs was caused by the introduction of course loan caps under VSL, resulting in students paying a gap fee. Given that the VFH program did not include loan caps, the out-of-pocket costs faced by students relates to factors such as students reaching the total FEE-HELP loan limit, or being willing and able to pay part of their VFH tuition fees upfront. Average tuition fees have stabilised between 2017 and 2018 under VSL, to a level similar to 2012 under VFH.

Stakeholders suggested that loan caps implemented by the VSL program are increasing out-of-pocket costs for students. However, this is a small proportion of overall total fees, which have greatly reduced, resulting in a better overall outcome for students in the long-term. This represents a favourable rebalancing, as the debt incurred by students in VSL in 2017 is 13 per cent less than that incurred by those in VFH in 2012, and 38 per cent less than those in VFH in 2016. These findings

indicate that the program is a more effective mechanism to assist students to access affordable training.

Figure 7: Average tuition fees per EFTSL²⁷

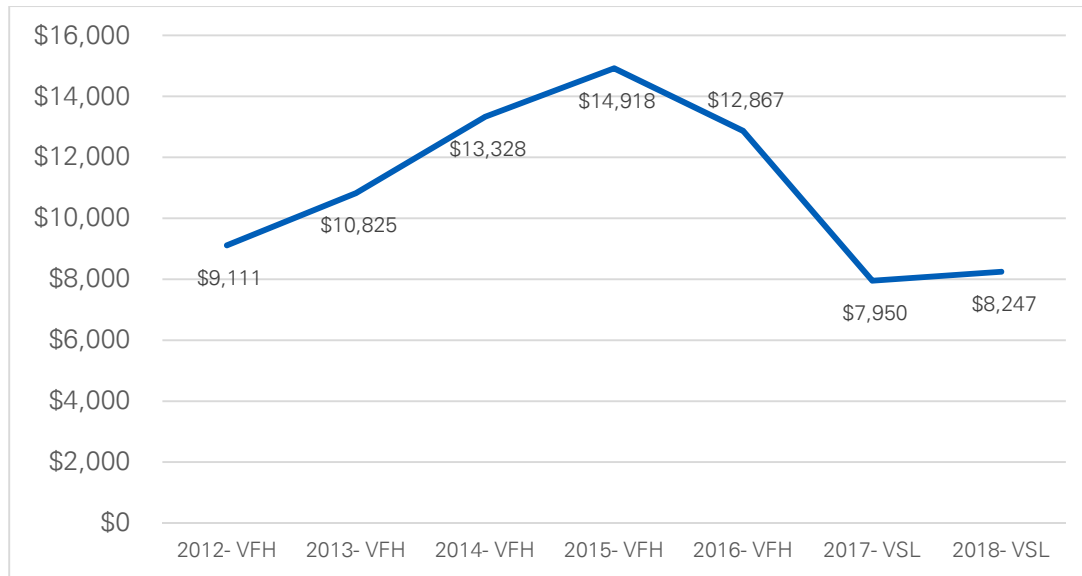
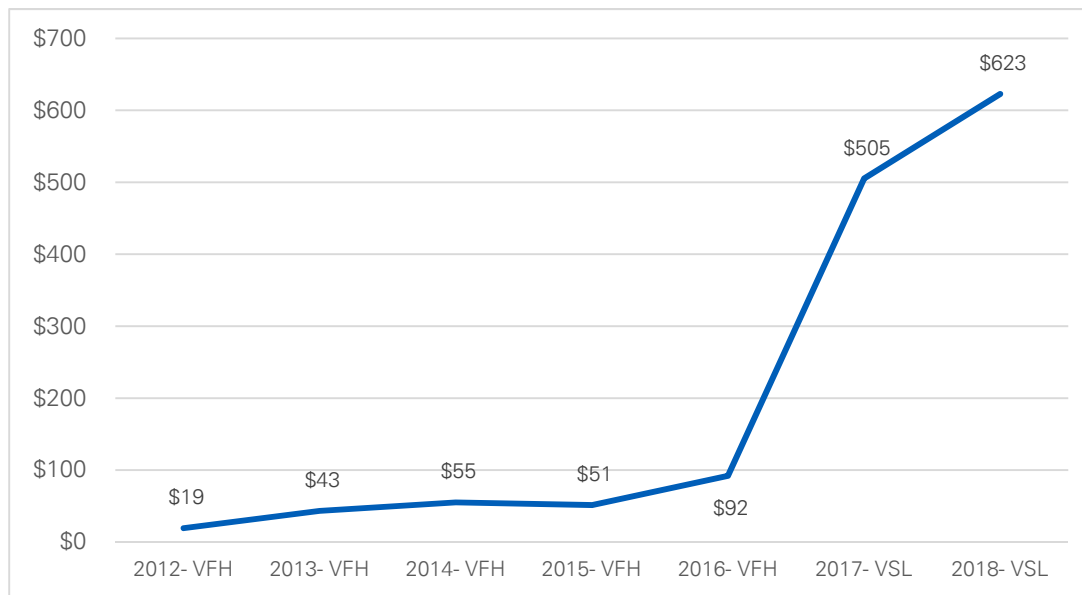


Figure 8: Average out-of-pocket costs per EFTSL²⁸



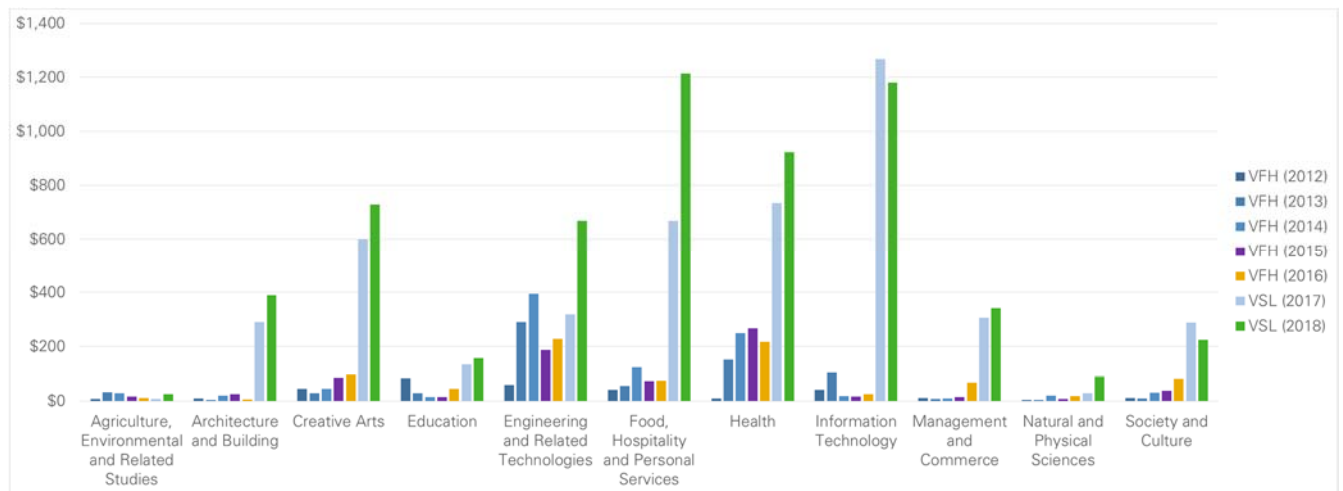
Additionally, program data shows that a lower amount of students are accessing the program than VFH between 2013 and 2016 (see Q6. *What has been the impact on student enrolments and unit and course completion?*). VSL providers stated that they believe this to be due to both the gap fee and provider exit, which discourage students from enrolling, decreasing the amount of students in the program overall. It should be noted, however, that VSL enrolment levels are consistent with that of the VFH program in 2012, prior to provider rorting under VFH (refer to Figure 30).

²⁷ Department of Education and Training (July 2019), VSL Program Data and Statistical Reports
²⁸ Ibid.

In survey responses, providers indicated that they have not altered their course fees as a result of the VSL program, and so the reduction in average course fees may be due to the exit of unscrupulous providers, where a common characteristic included charging inflated course fees.

At the same time, out-of-pocket costs have not only increased at a program level, but also at a course level. Figure 9 shows the change in average gap fee by field of education under VSL from 2012 to 2018. The Food, Hospitality and Personal Services field experienced the greatest increase in average fee gap per EFTSL, approximately double the 2017 level. Overall, findings indicate that all fields of education experienced an increase in out-of-pocket costs under VSL when compared with VFH; aside from the Agriculture, Environmental and Related Studies field, which remained constant over the period relative to other fields.

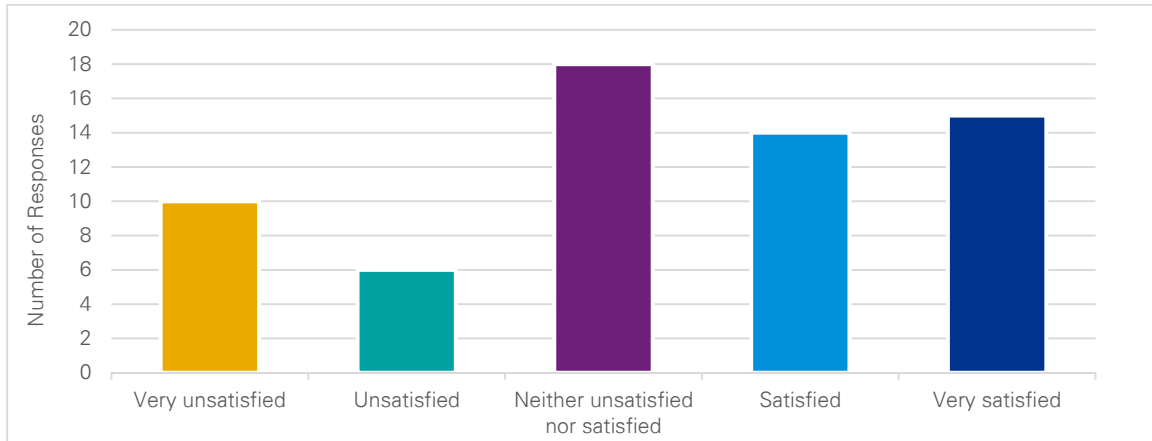
Figure 9: Average out-of-pocket costs per EFTSL by Field of Education



As part of this review, a telephone survey of a sample VSL students was undertaken, exploring their perceptions of various features of the program. During surveys with students, respondents were asked how satisfied they were with their out-of-pocket expense (Figure 10). Of the 63 VSL students who paid gap fees, the majority (approximately 75 per cent) did not consider this to be an issue. This indicates that for students who were accessing the program, out-of-pocket costs had not negatively impacted their perception of VSL.

However, it should be noted that telephone surveys did not include non-VSL students. Gap fees resulting from the course loan caps may be a barrier preventing access to VSL for these students. Nevertheless, it may be deduced from these findings that most students accessing the program faced little to no difficulty in paying their out-of-pockets costs.

Figure 10: Satisfaction with out-of-pocket expenses (Student Telephone Survey)²⁹



To fully understand the impact of the program on student access and affordability, a survey of students who were unable to access VSL would be required, exploring their perceptions of the affordability of the VSL program. Online provider responses indicate that student interest levels have reduced due to the out-of-pocket cost caused by the fee gap, and the low number of courses and VET qualification levels covered by the program compared to industry need. This indicates that the findings in Figure 10 would potentially be more skewed toward 'unsatisfied' if non-VSL students were included in the survey.

Summary: Affordability

On balance, evidence suggests VSL is associated with a better overall outcome for students in the long-term compared to VFH. Findings indicate that:

- Students under the program are paying lower tuition fees under VSL than VFH overall; and
- A majority of surveyed students accessing VSL do not consider out-of-pocket costs to be an issue.

At the same time, VSL is associated with higher out-of-pocket costs which may have negatively impacted access for disadvantaged students (see also our discussion on Access and Equity below). These costs are associated with the introduction of loan caps in VSL, which in turn may be impacting the financial viability of some providers.

Assessment

There is **some** evidence to suggest that the VSL program is **Very Good** at ensuring that students receive affordable training.

²⁹ Ipsos student telephone survey

Q4. To what extent is training under the program of high quality?

To address this evaluation question, consideration was given to evidence of whether:

- Satisfaction levels are high in SOS and eCAF surveys for VSL courses over time;
- A substantial proportion of students interviewed think they are receiving high quality training;
- Survey results indicate providers have strong feedback mechanisms and take action to continuously improve the quality of their training;
- Provider groups share evidence of improved satisfaction under VSL and believe quality of their training has improved under VSL;
- Regulators interviewed describe evidence they have observed that training under VSL is of high quality overall;
- Proportion of complaints to VET Ombudsman for VSL eligible courses at or below benchmark relative to complaints for all courses;
- Program settings contain stronger protections against poor quality courses, such as requirements in provider applications which preclude providers that have poor history of quality; and
- Complaints to the Minister regarding VSL rarely, if ever, relate to quality of courses.

Sources of evidence included:

- Satisfaction levels as measured through NCVET SOS survey and eCAF survey results.
- Interviews with students exploring:
 - their perceptions of the quality of their training.
- Survey and interviews with providers exploring:
 - the feedback they receive from students on the quality of their training, and how they respond; and
 - their perceptions of how satisfaction with quality has changed under VSL.
- Interviews with regulators exploring:
 - their perceptions of the quality of training attracting VSL.
- Proportion of complaints to VET Ombudsman for VSL eligible courses.

Observations

Student perception of VSL Course Quality

Student satisfaction rates have remained high since the establishment of the VSL program. eCAF progression survey data shows that the VSL student satisfaction rate was above 80 per cent between Q3 2017 and Q4 2018 (Figure 11). In 2017 quarters three and four, the average student satisfaction rating was 4.2 out of five. This slightly decreased to 4.1 out of five in 2018.

Figure 11: VSL Student satisfaction rate (eCAF)³⁰

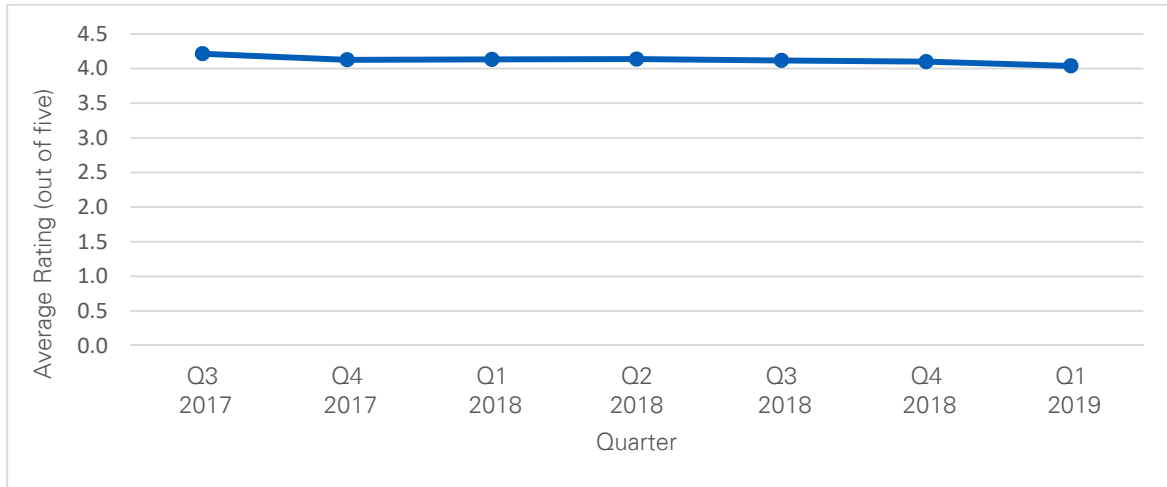
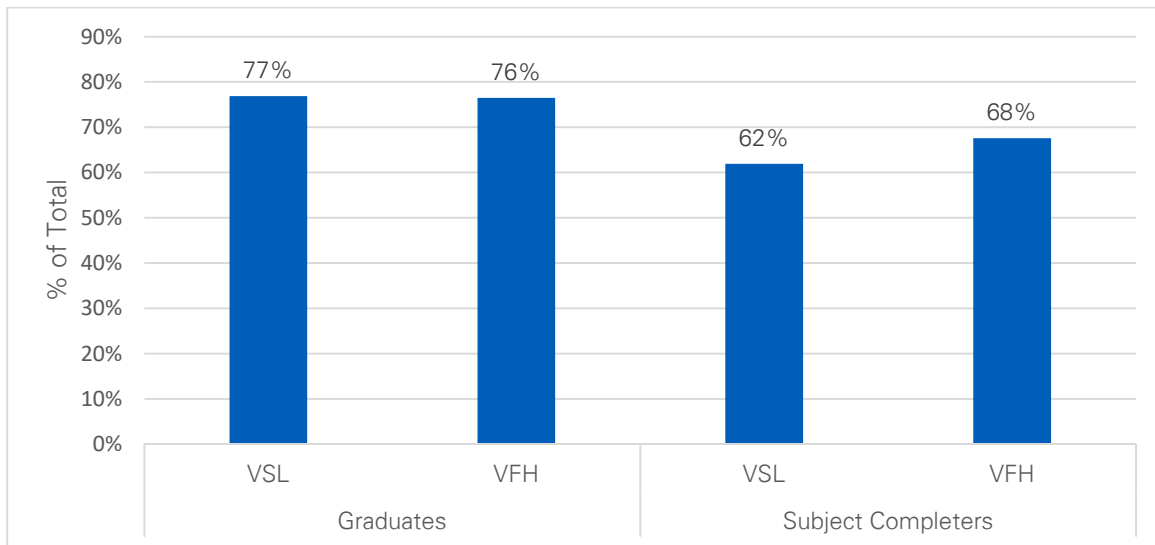


Figure 12 below indicates that NCVER Student Outcomes Survey data also shows high satisfaction rates among students. NCVER data also indicates that there is no significant difference in training quality satisfaction between VSL students (approximately 77 per cent) and non-VSL students (approximately 79 per cent) in 2018.

Figure 12: Overall Satisfaction in 2018 (NCVER)³¹



In comparison to VFH, minimal VSL related complaints were received in 2018 by the Commonwealth Ombudsman (Figure 13).³² In 2018, there were 4,516 students in the VFH scheme and 57,874 students in the VSL program.³³ Despite this, the proportion of VSL related complaints remained significantly lower throughout the duration of the year. Overall, findings from the review indicate that student satisfaction regarding the VSL program is high.

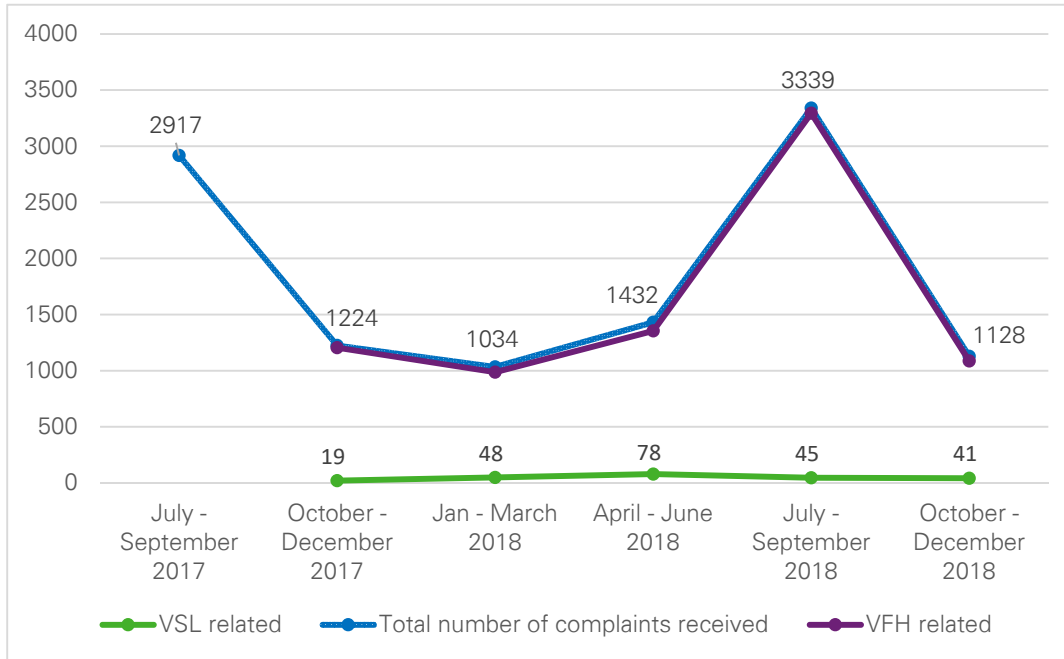
³⁰ Department of Education and Training (July 2019), VSL Program Data and Statistical Reports

³¹ Department of Education and Training (July 2019), NCVER Program Data

³² 2019 HELP and VSL Provider Workshop

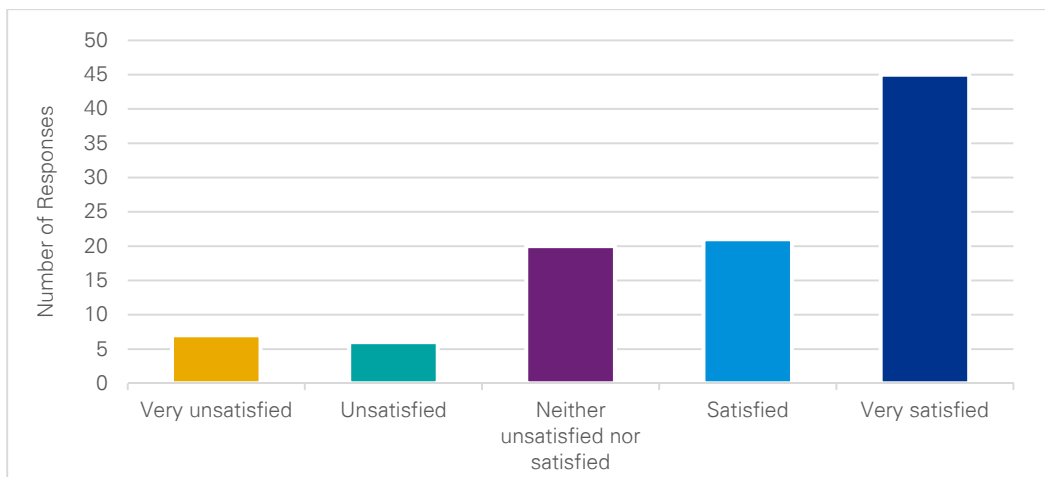
³³ Department of Education and Training (July 2019), NCVER Program Data

Figure 13: Number of complaints received by the Commonwealth Ombudsman³⁴



The issue of satisfaction with training quality was also explored with students during telephone surveys. Information received from respondents was consistent with the satisfaction and complaints data discussed above. Approximately 45 per cent of respondents stated that they were “very satisfied” with the training quality of their VSL courses, and a further 21 per cent of respondents stated that they were “satisfied” (Figure 14). Additionally, only 13 per cent stated that they were either “unsatisfied” or “very unsatisfied” with training quality. This further indicates that training quality is higher under VSL than VFH, and complements the findings of improved student satisfaction.

Figure 14: Training Satisfaction Rate (Student Telephone Survey)³⁵



Stakeholder perception of VSL Course Quality

Stakeholders have mixed perceptions of the VSL program’s impact on training quality. Certain aspects of VSL were specifically designed to address issues of provider misconduct, and in doing so, improve

³⁴ 2019 HELP and VSL Provider Workshop
³⁵ Ipsos student telephone survey

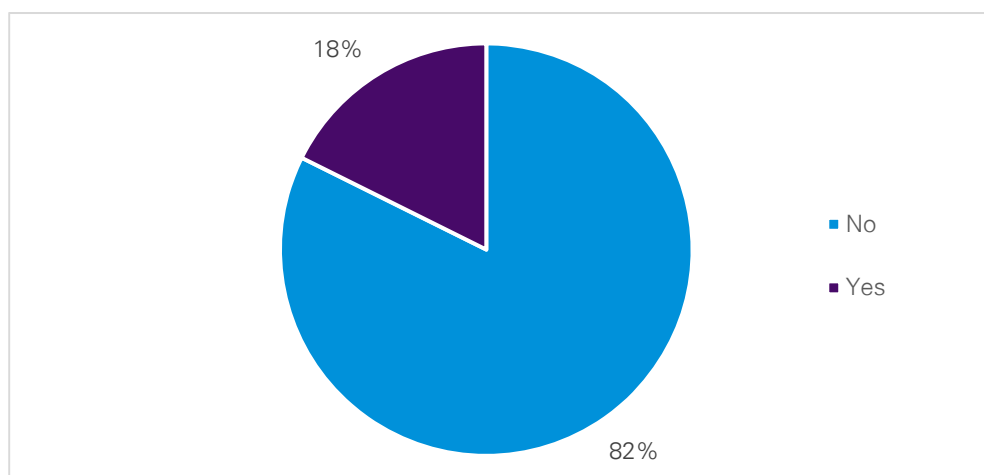
the provision of quality training. In particular, to mitigate provider misconduct, and the consequential impacts on students, the following changes were introduced:

- Loan caps, to address the significant debts some students incurred under VFH and historical adverse tuition fee charging behaviours;
- A changed provider application process, which considers track record and performance, as part of a strengthened quality assurance focus;
- A focus on providing loans for face-to-face rather than online training;
- A strengthened legislative, compliance and payment framework; and
- Changes to limit third party and subcontracting arrangements, and the prohibition of brokers and marketing.³⁶

In answer to the direct question in the survey, providers indicated that the VSL program has had no impact on training quality overall (Figure 15). However, certain aspects of the program are thought to have increased training quality, while other aspects appear to have had a negative effect³⁷:

- Stakeholders noted that the VSL program has reduced the amount of unscrupulous providers, which has had a positive effect on training quality.
- The introduction of course caps and the high levels of administration are thought by providers to inhibit the quality of training, for example:
 - *“VSL-approved courses with the bottom loan cap are prone to high volume delivery model, with negative impacts to quality expected” (source: provider interviews)*
- Seven out of 18 stakeholders also agreed that the course loan cap band of \$5,000 is insufficient for providers to provide quality courses and encourages training delivery which rations delivery contact hours.
- A market regulator representative stated that the program has increased training quality by lifting the requirements on providers to access student loans funding, resulting in less provider misconduct and ensuring that only high quality providers provide training.
- Other stakeholders argued that these restrictions have also unintentionally caused high quality providers to exit from the student loans segment of the VET market.

Figure 15: Online Provider Survey Responses: ‘Has VSL impacted quality of training?’³⁸



³⁶ Department of Education and Training (21 May 2017), Update on key features of VSL

³⁷ KPMG online provider survey

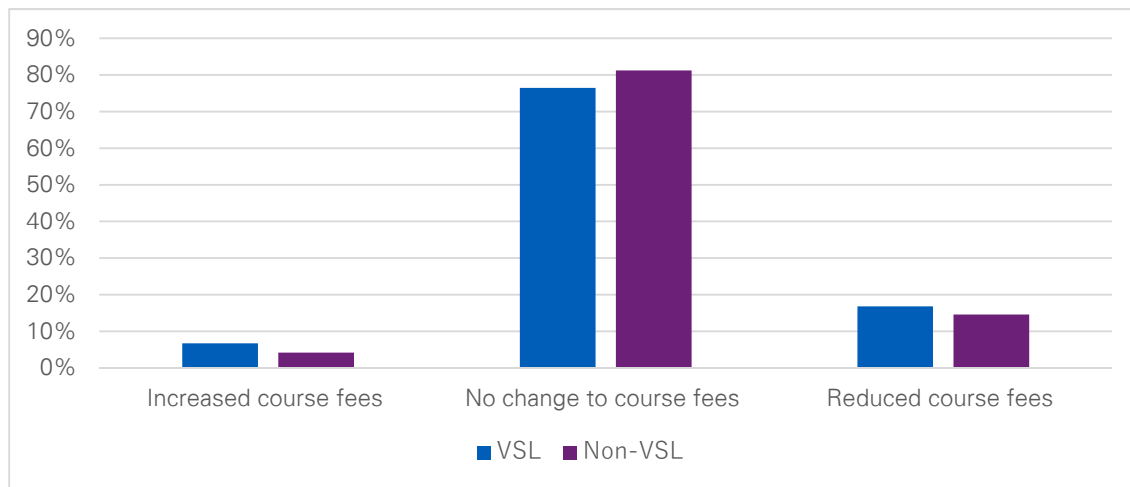
³⁸ KPMG online survey of providers

KPMG conducted provider focus group interviews to explore some of the findings from the online survey. Provider focus group findings were consistent with survey responses on the issue of training quality:

- Three providers stated that the program placed increased administrative burden on staff which outweighed the benefits of the program. One provider indicated:
 - *" We have student services more involved with administrative duties going over quality assurance on a daily basis because of the duplication of paper work that is required. Less time spent on a quality service to our students based on a one on one service we used to provide and one students deserve."*
- Another provider stated that the increased administrative requirements had positive implications:
 - *" Reporting requirements have encouraged us to change the way we enrol students (from rolling intake to semester intake) which has led to faster completion timeframes... semester enrolments encourages students to complete units in a timely manner to enrol in the next unit."*

A common issue raised by providers was that course fees have increased for students, resulting primarily from the costs borne by providers. However, in response to the question 'Has your RTO changed its course fees as a result of the VET Student Loans program?', 'No change to course fees' was selected as the most common answer (Figure 16). Seventeen per cent of VSL providers indicated that course fees had reduced, and seven per cent indicated that course fees had increased.

Figure 16: 'Has your RTO changed its course fees as a result of the VET Student Loans program?' (Online Provider Survey)³⁹



This issue was also explored in focus groups with providers, which stated that RTOs are reluctant to reduce prices due to the resulting impact on course training quality. This finding is consistent with provider responses indicating that training quality has not been impacted with the implementation of the VSL program. Despite pressure on providers to reduce fees, responses indicate that providers may have elected not to succumb to these pressures and to instead maintain training quality. This would require providers to bear the financial impact of lower student demand. As discussed under 'Q3. How well does the program ensure that students receive affordable training?' average tuition fees have reduced for students overall. These findings indicate that providers that have exited the VET market were potentially charging inflated tuition fees, and that the program may have been successful in reducing the amount of unscrupulous providers. As such, there is little evidence that the quality of VET courses has changed under VSL, once the impact of removing unscrupulous providers is taken into account.

³⁹ Ibid

Program Data Analysis

Employment outcome data indicates VET student participation and employment rates are slightly higher (one to two per cent) for VSL students than for VET students not receiving VSL. Table 5 and Table 6 show participation and employment rates for VET students before and after VET training for VSL, VFH and non-loan students. Findings indicate that although the labour force participation rate and employment rate of VSL students increased by four per cent after completion of study, the participation rate and employment rate for VFH students increased by seven per cent and five per cent respectively.

These results show that the annual labour force and employment outcomes associated with VSL are greater than those of VET training without a loan, but lower than VET training with VFH assistance. However, these findings relate to 2017 employment outcomes, for all three groups. For VFH students, greater time has passed since their training. These results do not control for differences in the employability of these groups over time, as they gain greater maturity and life experience.

Table 5: Participation rate before and after VET training, 2017⁴⁰

	Before Training	After Training	Difference
No VET Loan	90%	92%	2%
VSL	84%	88%	4%
VFH	83%	90%	7%

Note: Participation rate is calculated as the amount of VET students in the labour force as a proportion of the total amount of VET students

Table 6: Employment rate before and after VET training, 2017⁴¹

	Before Training	After Training	Difference
No VET Loan	88%	91%	3%
VSL	74%	78%	4%
VFH	77%	82%	5%

Note: Employment rate is calculated as the amount of VET students employed as a proportion of the total amount of students in the VET labour force

Program data also indicates there has been a redistribution of workers away from industries such as *Retail trade* and *Accommodation and food services* towards industries requiring particular skillsets or higher levels of education such as *Health care and social assistance* (49 per cent increase) and *Professional, scientific and technical services* (76 per cent increase). This redistribution is greater than that of the non-loan student cohort, where students in the *Health care and social assistance* and *Professional, scientific and technical services* industries increased by 26 per cent and 12 per cent after training respectively (Appendix 1).

These findings indicate that employment outcomes are positive under the VSL program. This may be attributed to removal of unscrupulous providers under the VSL program, or that courses included under the program are demanded by industry. Ideally, to measure the extent to which the VSL program has increased training quality, an analysis of job performance for VSL and non-VSL students should also be undertaken. Perceptions of industry stakeholders regarding on-the-job performance of

⁴⁰ Source: NCVET Student Outcomes 2018.

⁴¹ Ibid.

graduating students should also be taken into account. Given the program has only been in place from 2017, it is too early to undertake such analysis. Opportunities to collect outcome related data should be explored to assess the relationship between VSL courses and performance in relevant industries (refer to Table 8, **recommendation 2**).

Summary: Quality

While training quality for individual RTOs has not been impacted by the introduction of the VSL program, findings indicate that overall training quality in the loans segment of the VET sector has improved due to the removal of unscrupulous providers. Findings also indicate that:

- VSL students have a positive perception of training quality,
- Certain program mechanisms may have had a negative effect, with increased administrative burden and financial stress on providers; and
- Program data indicates that VSL has a positive impact on employment outcomes, which may be driven by training quality.

Assessment

There is **some** evidence to suggest that the quality of VSL courses is **Very Good**.

Access and Equity

Q5. How well is the program supporting students from disadvantaged cohorts to access higher level VET?

To address this evaluation question, consideration was given to evidence of whether:

- Growth in VSL student volumes has been at reasonable and sustainable levels over time;
- Growth in provider registrations for VSL has been at reasonable and sustainable levels over time; and
- Courses on offer under VSL are available across geographies, and delivered by a range of providers.

Sources of evidence:

- Program data on student enrolments (including in metropolitan, regional and remote areas);
- Interviews with provider peak bodies exploring their perceptions of the impact of VSL on provider participation in the VET market;
- Survey of providers exploring their perceptions of the impact of VSL on provider participation in the VET market;
- Interviews with government agencies and regulators exploring their perceptions of the impact of VSL on provider participation in the VET market;
- Demographics and other information on the cohort of students accessing the VSL program; and
- Survey and Interviews with provider groups exploring:
 - their perceptions of the accessibility of their training for disadvantaged cohorts; and
 - their perceptions of how VSL participation affects their service offering to disadvantaged cohorts.

Observations

Metropolitan/Non-Metropolitan Student Access

Data analysis indicates that the VSL program primarily assists students in major cities. From 2016 under VFH to 2017 under VSL, there was an overall decrease in enrolments from 29 per cent to 22 per cent for student loans respectively in non-metro areas (Figure 17). Figure 17 also shows that from 2012 under VFH to 2017 under VSL, there was an overall increase in enrolments from 19 per cent to 22 per cent respectively for student loans in non-metro areas. Additionally, student enrolment from metro areas increased by seven per cent from 2016 under VFH to 2017 under VSL, and decreased three per cent from 2012 under VFH to 2017 under VSL. Both metro and non-metro student VSL enrolments have remained consistent between 2017 and 2018.⁴²

Figure 17: Proportion of Metro/Non-Metro Enrolments⁴³

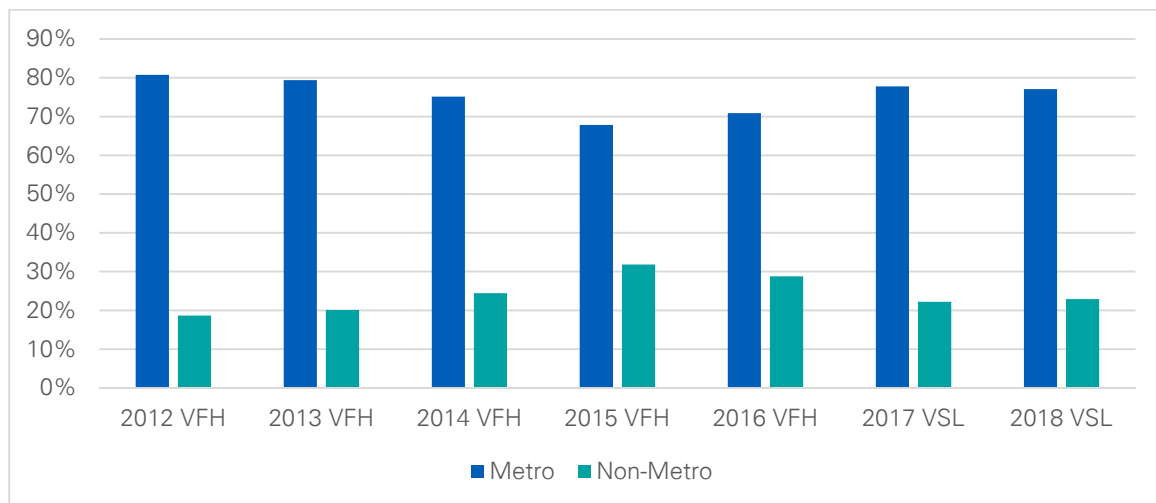
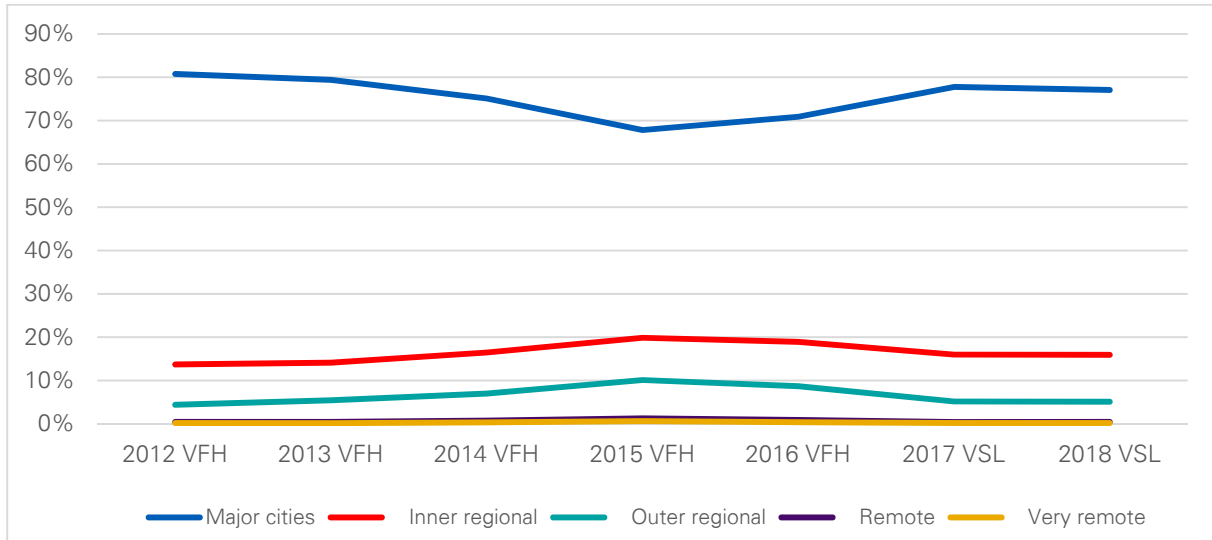


Figure 18 shows that student enrolment rates from all non-metro areas (i.e. inner regional, outer regional, remote and very remote) decreased since the introduction of the VSL program. Further, student enrolment from metro areas (i.e. major cities) increased over the same period. Enrolments from students in remote and very remote areas decreased from approximately 1.8 per cent in 2015 under VFH, to approximately 0.6 per cent in 2018 under VSL (consistent with the 2012 VFH level). Over the same period, metro enrolments increased by nine per cent to 77 per cent under VSL; whereas from 2012 under VFH to 2019 under VSL, metro enrolments decreased by four per cent. There are lower rates of enrolment in student loans for students from non-metro regions in VSL than VFH in 2015. This may be as a result of unscrupulous providers in the VFH program in 2015, which targeted disadvantaged and vulnerable cohorts. As such, a lower rate of enrolment of students in 2018 from non-metro areas may be a favourable shift, signifying less providers targeting vulnerable cohorts.

⁴²Department of Education and Training (July 2019), VFH/VSL Program Data and Statistical Reports

⁴³ Department of Education and Training (July 2019), VSL Program Data and Statistical Reports

Figure 18: Time Series of Metro/Non-Metro Enrolments⁴⁴



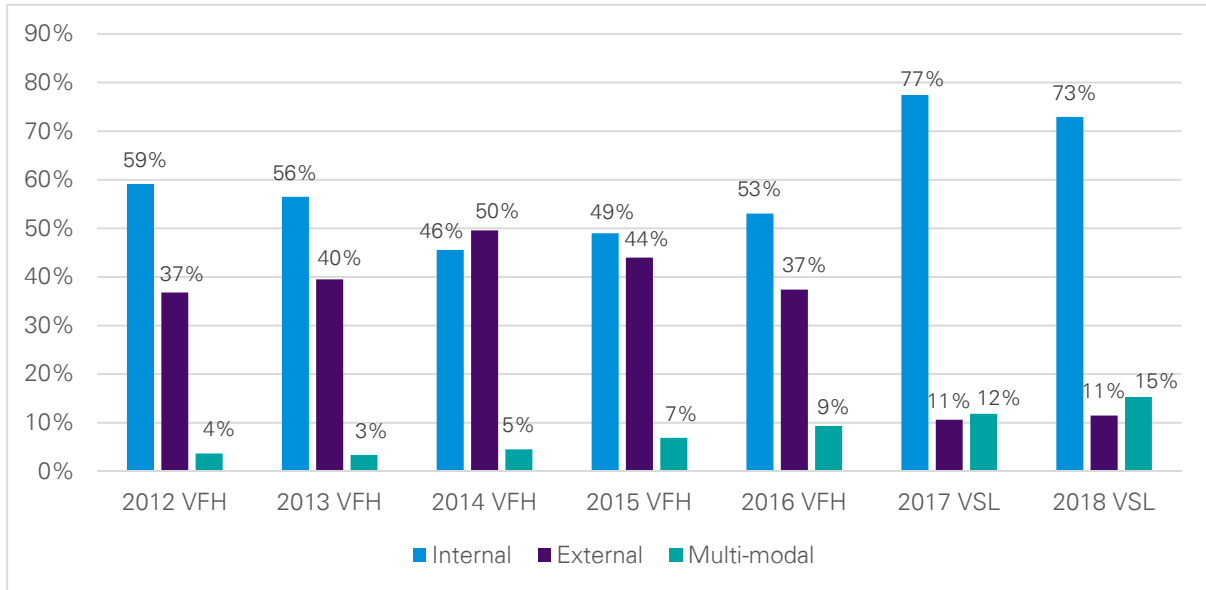
Alongside and potentially linked to this reduction in assistance to non-metro students, is an increased emphasis on face-to-face training by VSL providers (Figure 19). As outlined in Figure 19, while online course delivery ('external' delivery) was relatively high during VFH, the introduction of VSL has resulted in an increase in in-classroom attendance ('internal' delivery). As suggested in the PIR report, this trend indicates that higher rates of online delivery may have been a function of the preferred business model of unscrupulous providers, as opposed to genuine innovation in moving towards online course delivery.

At the same time, increasing the proportion of in-person training on offer may have an adverse effect on VSL training access for students in remote areas, noting that increasing online course offerings may not address this issue if internet coverage is not adequate in these remote areas. Mode of attendance data by non-VSL providers or AQF levels was unavailable for this review. This data would be useful in understanding whether the trend observed in Figure 19 is specific to VSL providers or across the sector for providers of relevant level qualifications.

Findings from Figures 18 and 19 suggest that the proportion of providers offering courses in metro regions has increased, given that a greater amount of courses are being offered face-to-face and a large proportion of students are located in metro regions. To accurately gauge the effect of the VSL program, mapping this data to the above findings of student access from metro and non-metro areas would assist in explaining the relationship between student access and the VSL program. Data pertaining to the location of all VSL provider campuses across metro and non-metro regions of Australia would need to be acquired to analyse this more rigorously.

⁴⁴ Ibid

Figure 19: EFTSL by mode of attendance⁴⁵



While evidence suggests there are no differences in training quality for face-to-face and online courses, the selected method for training should be appropriate for the content of the course. Academic studies comparing the quality of education provided through online and face-to-face learning methods have indicated that there is no significant difference in learning outcomes between the two methods.⁴⁶ However, studies also revealed that students in face-to-face courses hold slightly more positive perceptions about the instructor and overall course quality.⁴⁷ This finding is consistent with the NCVER and eCAF student satisfaction results discussed under 'Q4. To what extent is training under the program of high quality?'. Further, studies show that students prefer face-to-face learning to online learning under certain conditions, such as when the subject matter being acquired relies on the application of the student's knowledge.⁴⁸

Provider focus groups indicated that online courses are not feasible for skills developed through procedural training (e.g. hospitality). Given that under VSL, attendance composition has changed, with an increased proportion of in-person courses offered, it is possible that this may be a consequence of the nature of skills being attained during training as opposed to specific program mechanisms.

Telephone surveys also explored the issue of access to training with VSL students. Survey results indicated that most students (approximately 92 per cent) did not experience any difficulties in accessing VSL (Figure 20). Of the eight students who stated they had experienced difficulties, seven experienced difficulties with administrative processes (Figure 21). This finding is consistent with responses from those providers that did not apply for the VSL program, with the majority stating they did not apply due to the administrative burden of the program. However, it can be concluded from Figure 20 that program access is not an issue for a large majority of VSL students surveyed.

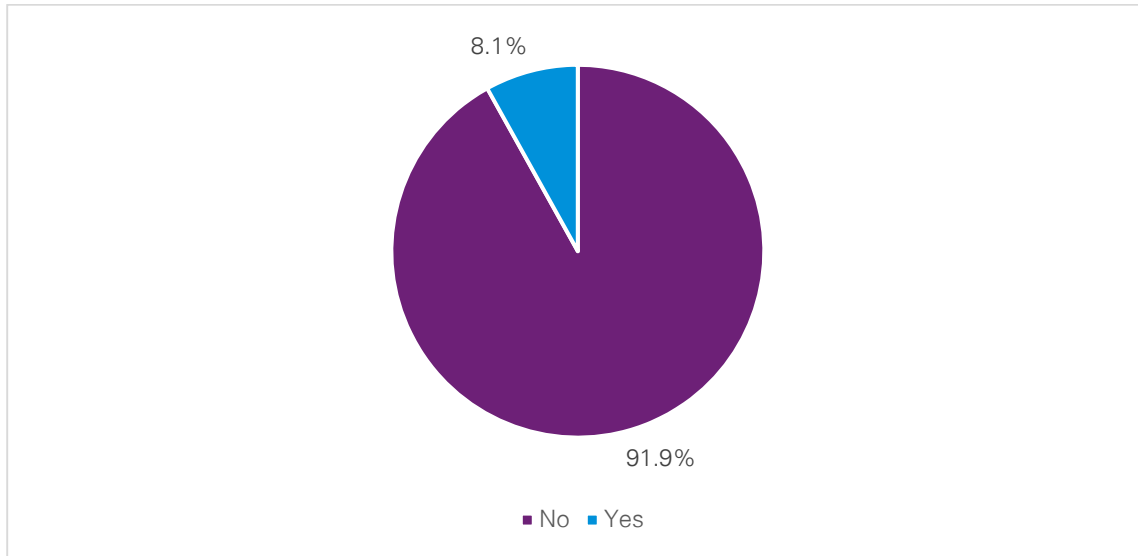
⁴⁵ Department of Education and Training (July 2019), VFH/VSL Program Data and Statistical Reports

⁴⁶ Johnson, S., Aragon, S. and Shaik, N. (2019). Comparative Analysis of Learner Satisfaction and Learning Outcomes in Online and Face-to-Face Learning Environments. *Journal of Interactive Learning Research*, 11(1).

⁴⁷ Ibid.

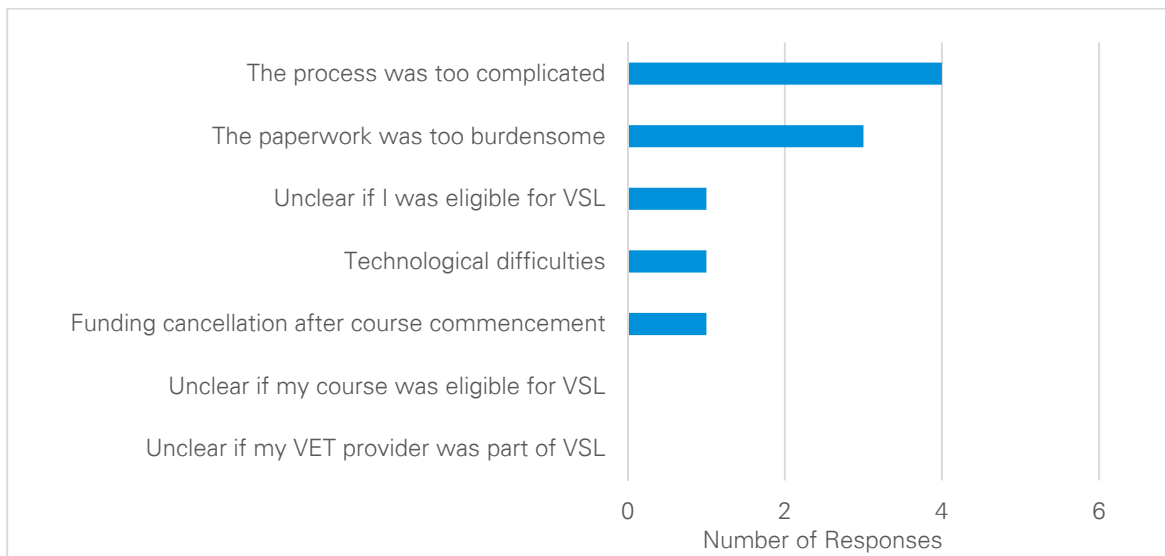
⁴⁸ Paechter, M. and Maier, B. (2010). Online or face-to-face? Students' experiences and preferences in e-learning. *The Internet and Higher Education*, 13(4).

Figure 20: Did you experience any difficulties in accessing VSL? (Student Telephone Survey)⁴⁹



Although the majority of VSL students stated that they did not experience any difficulties when accessing the VSL program, findings exploring access from the non-VSL student cohort would be valuable in understanding the true extent to which the program restricts access to students. Students who are not in the program may have chosen not to join due to difficulties accessing the program.

Figure 21: If yes, what were the difficulties that you experienced in accessing VSL? (Student Telephone Survey)⁵⁰



Access for low-SES students

Findings from the review show that enrolment and course completion⁵¹ levels (Figure 22 and 23) for low-SES students have reduced under VSL relative to other SES quintiles. However, program data analysis indicates that enrolments throughout the various SES quintiles have become more equitable relative to VFH in 2015 as a result of the VSL program (Figure 23). It should be noted that course completion levels in Figure 23 are represented as a proportion of the total student cohort. As such, the number of enrolments for each quintile influences the number of course completions completed

⁴⁹ Ipsos student telephone survey

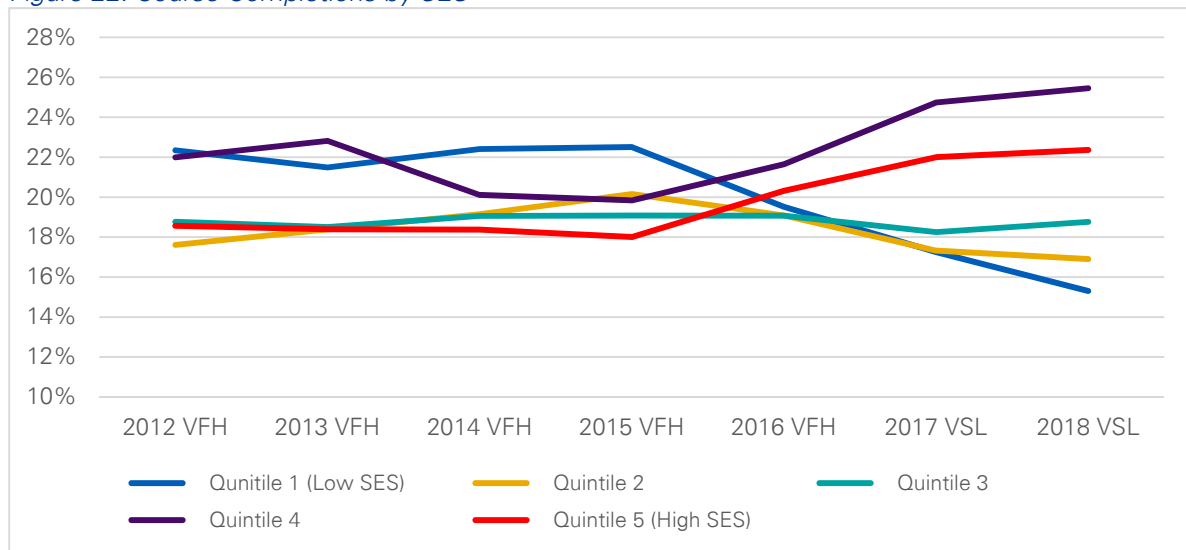
⁵⁰ Ibid

⁵¹ See note under Figure 22

by the quintile. This explains the similarity between Figures 22 and 23, where if a quintile experienced a decrease (or increase) in enrolment rates over time, that quintile also experienced a similar decrease (or increase) in course completion rates.

Enrolment rates for SES quintiles one and two have reduced since the inception of the VSL program. A comparison between Figure 22: Course Completions by SES and Figure 23 also indicates that under VSL, students from SES quintiles four and five (high-SES) have higher enrolment and completion rates relative to other SES quintiles than under VFH. Although enrolment and completion levels have remained consistent between 2017 and 2018, this appears to represent an unfavourable shift for low-SES student access from 2015 VFH. However, given that under VFH, unscrupulous providers targeted low-SES students, enrolment rates for all SES quintiles under 2018 VSL appear to be more consistent with 2012 VFH, while completion levels appear to have converged under VSL when compared to VFH between 2012 and 2016.

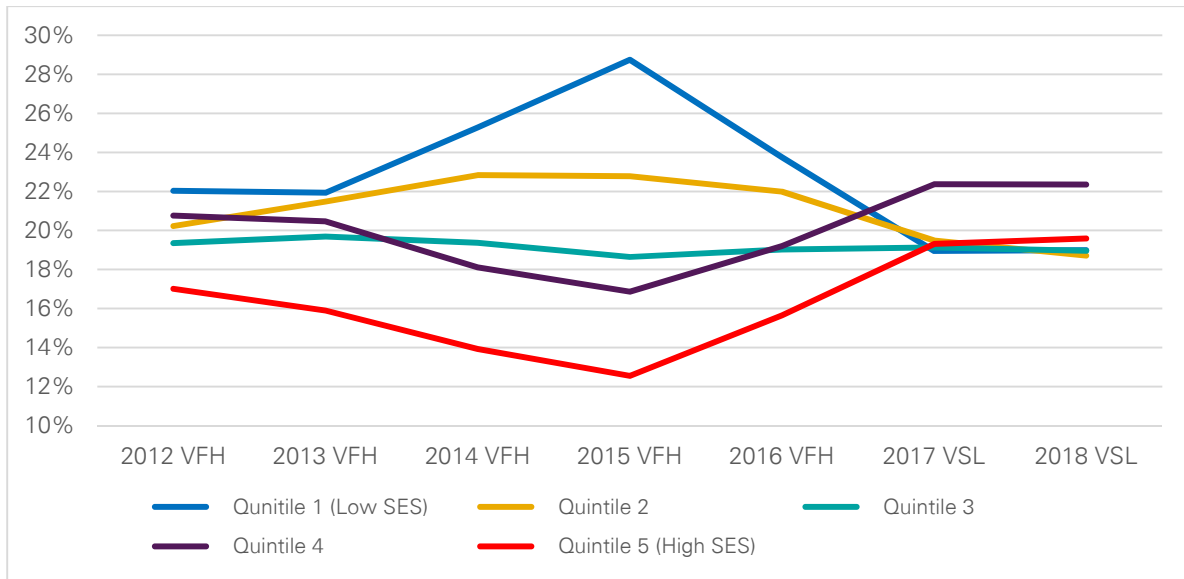
Figure 22: Course Completions by SES⁵²



Note: Figures 22, 23, 25 and 26 represent the breakdown of SES quintiles that completed/enrolled within a given year. It does not represent the course completion/enrolment rate for the cohort overall. For example, year 2018 in Figure 22 shows that of all students who completed a VSL course in that year, 25 per cent were from quintile four, 22 per cent were from quintile five etc. Due to the maturity of the program, overall VSL course completion rates have not yet been published.

⁵²Department of Education and Training (July 2019), VSL/VFH Program Data and Statistical Reports

Figure 23: Enrolments by SES⁵³

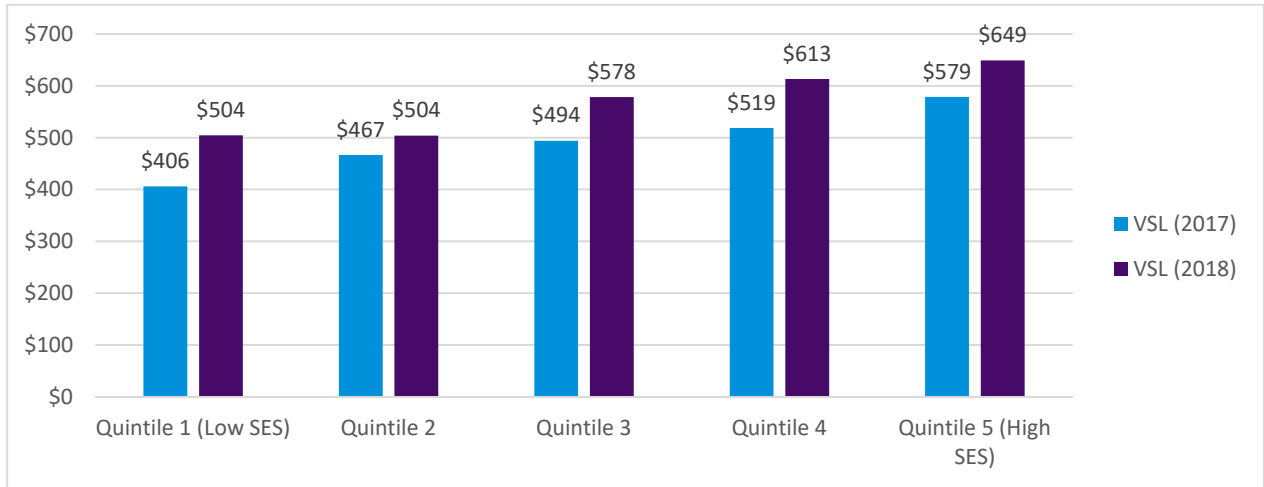


As stated in the previous PIR report, analysis of enrolment and completion rates between SES quintiles allows for an assessment of whether the course caps are having an impact on decision making across SES groups. Figure 24: Average gap fee per EFTSL by Social Economic Status (SES) Average gap fee per EFTSL by Social Economic Status (SES) shows that under the VSL program, the payment gap for high-SES students was approximately 29 per cent greater than for low-SES students in 2018 and 43 per cent greater in 2017. This potentially suggests that some low-SES students may not have the financial capacity to enrol in courses with higher payment gaps, which is driving down the average payment gap for this group.

Courses with high enrolment gaps may exclude low-SES students, and the gap fees incurred by students have potentially contributed to low access rates. The unfavourable shift for low-SES students shown in Figure 22: Course Completions by SES and Figure 23 may be in part due to the course loan cap amounts introduced under VSL. Additionally, as stated under 'Q4. To what extent is training under the program of high quality?' providers believe that course loan caps may be inhibiting the quality of courses. This indicates that government should consider reviewing whether current course loan cap levels are appropriate (refer to Table 8, **recommendation 3**).

⁵³ Ibid.

Figure 24: Average gap fee per EFTSL by Social Economic Status (SES)⁵⁴



This theme was discussed with stakeholder groups and resulted in similar findings. When interviewed, nine stakeholders were in broad agreement that several elements of the VSL program design may be having the unintended consequence of discouraging uptake of VET and pushing students towards higher education and HECS-HELP loans. This includes the:

- Course list;
- 20 per cent loan fee; and
- Out-of-pocket costs caused by the course loan cap.

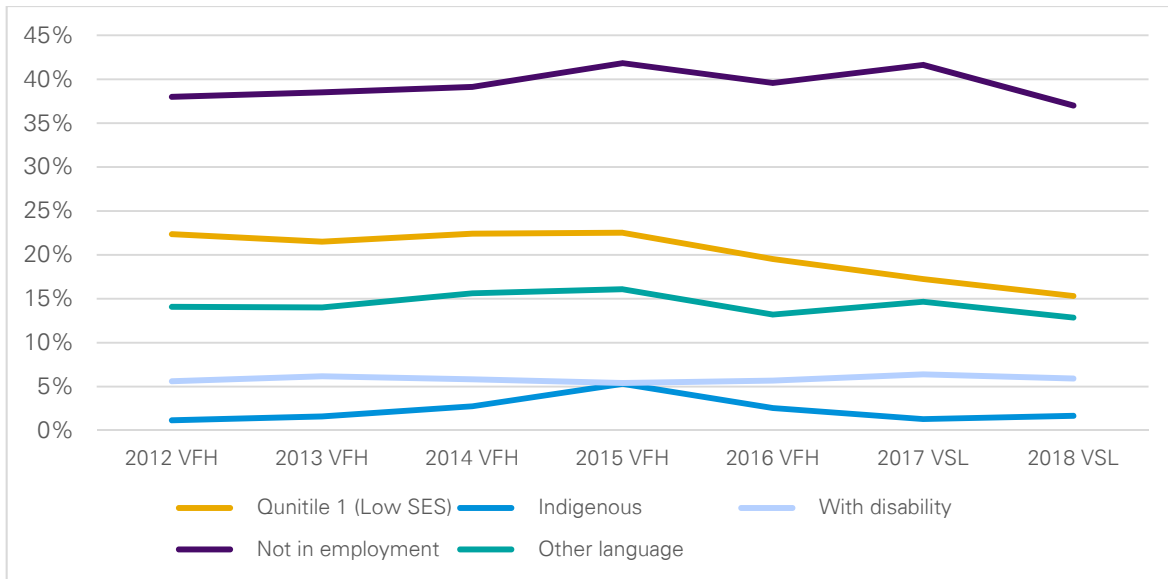
A state government representative viewed this as an unfavourable consequence for students seeking job readiness skills, as higher education training lacks adequacy in developing certain skills. This results in students completing higher education without having any work experience and core competencies relevant to their chosen area of employment.

Various disadvantaged cohorts

Program data analysis revealed that most disadvantaged cohorts have experienced decreased rates of enrolment and course completion under VSL. Figure 25 shows that completion rates among quintile one (low SES), indigenous and culturally and linguistically diverse (CALD) cohorts have decreased in the VSL program in 2018 compared to VFH in 2015. Conversely, course completion rates have increased from 47 per cent in 2015 to 55 per cent in 2018 for students who are not in employment, and remained constant at six per cent for students with a disability between 2015 and 2018. Course completion rates between 2018 VSL and 2012 VFH remained consistent over the period for all disadvantaged cohorts aside from quintile one (low SES), which reduced from 22 per cent in 2012 to 15 per cent in 2018.

⁵⁴ Department of Education and Training (July 2019), VFH/VSL Program Data and Statistical Reports

Figure 25: Course Completions by Various Disadvantaged Cohorts⁵⁵



As shown in Figure 26, it appears that the program has had a negative impact on enrolment rates for all disadvantaged cohorts excluding CALD and students with disability when compared to 2015 VFH levels. There is a marginal impact for all disadvantaged cohorts excluding CALD (increased by five per cent) and unemployed students (decreased by 18 per cent) when compared to 2012 VFH levels. Specifically, findings show that:

- VSL access rates for indigenous students (two per cent in 2017 and 2018) are lower than they were under the VFH scheme between 2013 and 2016 (averaging six per cent) but are the same as pre-2013 VFH access rates (averaging two per cent between 2009 and 2012)⁵⁶;
- VSL access rates for students speaking a language other than English at home (16 per cent in 2018) are more than under the VFH scheme, which averaged between nine per cent and 11 per cent between 2012 and 2016⁵⁷;
- VSL access rates for unemployed students (23 per cent in 2018) are lower than they were under the VFH scheme in 2015 and 2016 (between 50 and 55 per cent). This may indicate that students who are employed are able to afford to pay gap fees, or that unemployed students prefer to enroll in lower AQF level training as a result of the program; and
- The proportion of students with a disability has consistently remained between six and eight per cent between 2012 and 2018⁵⁸.

On face value, decreased uptake of the VSL program from these groups compared to 2015 VFH appears to be an unfavourable shift. However, as stated above, unscrupulous providers under the VFH scheme targeted disadvantaged and vulnerable cohorts, and so, the reduced number of students under VSL may indicate that providers may not be targeting vulnerable cohorts.

Consistent with conclusions from the PIR report, findings from this review suggest that access rates for these disadvantaged cohorts do not appear to warrant intervention. However, access from disadvantaged cohorts have remained unchanged under VSL when compared to VFH in 2012. As such, access rates should continue to be monitored as the program matures (refer to Table 8, **recommendation 4**).

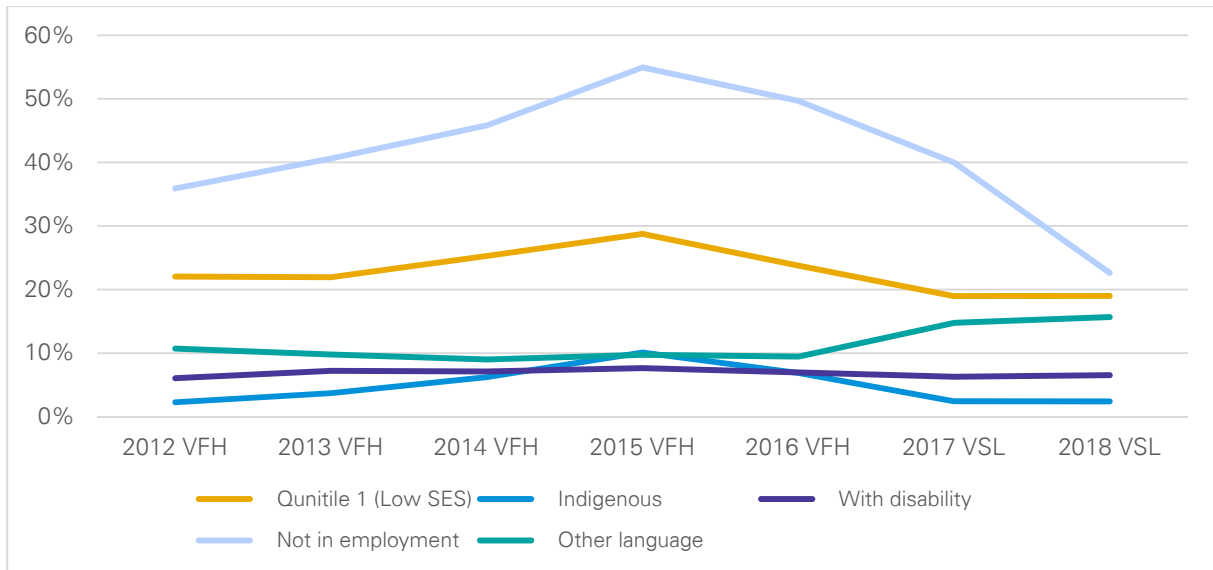
⁵⁵ Ibid

⁵⁶ Department of Education and Training (July 2019), VFH/VSL Program Data and Statistical Reports

⁵⁷ Ibid

⁵⁸ Ibid.

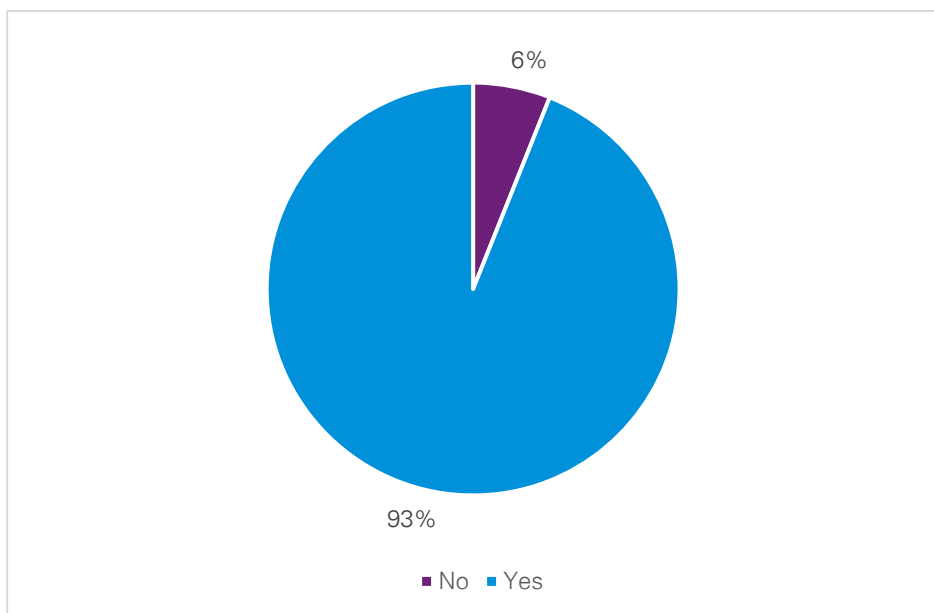
Figure 26: Enrolments by Various Disadvantaged Cohorts⁵⁹



Note: Disadvantaged cohorts are mutually exclusive. Data points for each year represent the proportion of the total cohort for each characteristic

Student survey results indicated that the VSL program has assisted students in accessing VET training, and was an important factor in influencing their choice of course. The survey explored whether VSL had assisted students in accessing training they could not otherwise afford (Figure 27). In response, the majority of students (93 per cent) stated that the program had assisted them in affording VET training. Perhaps unsurprisingly, all students who stated they could afford to enrol in training without VSL (six students) were either employed full time (five students) or employed part time (one student). As stated previously, non-VSL students were not surveyed and may have differing opinions to the results shown in Figure 27.

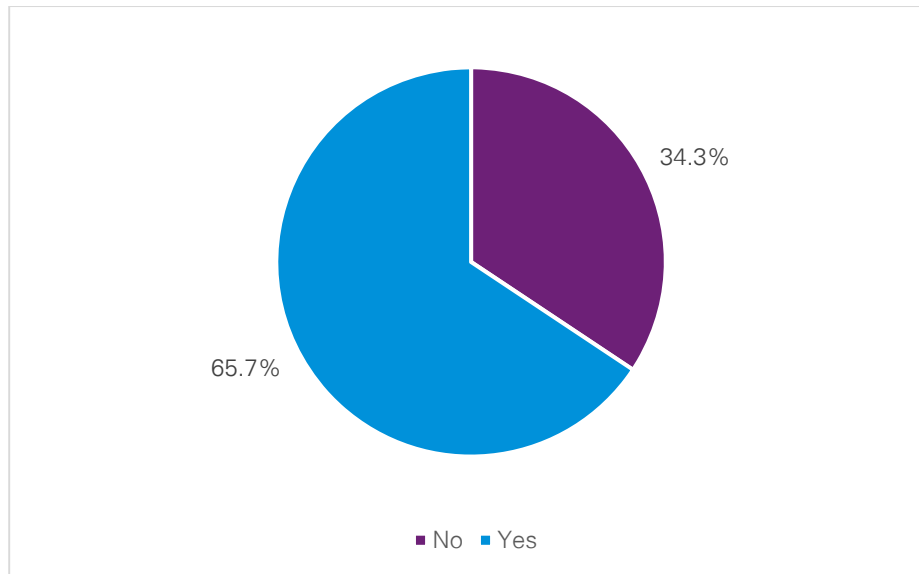
Figure 27: Did the VET Student Loans program enable you to enrol in training that you could not otherwise afford? (Student Telephone Survey)⁶⁰



⁵⁹ Ibid.
⁶⁰ Ipsos student telephone survey

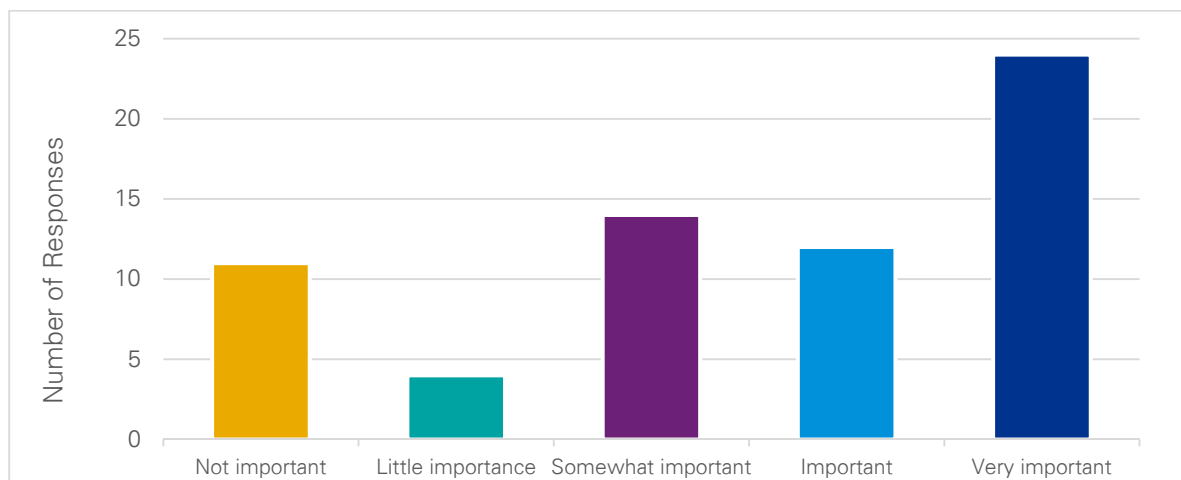
Findings from the student survey also showed that approximately 34 per cent of students were not aware of the course loan caps when selecting their course (Figure 28). This indicates that there may be a lack of awareness among students about details of the VSL program prior to selecting their course of study. This opinion was shared by one state government representative, who stated that this is due to a lack of communication of information relating to VSL from providers. Another reason for this may be due to the marketing restrictions placed on providers, which were implemented in the VSL program to counter the issue of students being signed up to loans without their knowledge.

Figure 28: Were you aware of the VET Student Loans course loan caps when making your course selection decision? (Student Telephone Survey)



Of those students who were aware of the VSL course loan caps, approximately 76 per cent believed that the course loan caps were at least somewhat important in influencing their decision in undertaking a VSL course. As shown in Figure 29, approximately 24 per cent of students surveyed stated that course loan caps were “very important” in influencing their course selection decision. Conversely, only 15 per cent students surveyed stated that course loan caps were either “not important” or of “little importance” in influencing their course selection decision. These findings suggest that VET students are potentially lacking crucial information about VSL loan caps, although it is an important factor when selecting VET courses.

Figure 29: If yes, how important were the course loan caps in influencing your course selection decision? (Student Telephone Survey)



Summary: Disadvantaged cohorts

The review found that there are lower rates of enrolment and completion in VSL for students from most disadvantaged backgrounds (Indigenous, With Disability, Not in Employment, non-metro and Quintile one SES) compared to 2015 under VFH. However, these groups may have been targeted by unscrupulous providers under VFH. Findings also indicate that:

- There has been a drop in the number of providers in non-metro areas and an overall increase to the proportion of in-person courses offered,
- Program enrolment rates for disadvantaged overall have now decreased; and
- While further analysis would be required to explore the causal relationships underlying this trend, it appears that enrolment and completion rates⁶¹ for low-SES students have decreased from 2014-2015 VFH levels.

These findings potentially indicate that overall, there is a negative financial and logistic impact on VSL training access for students from some disadvantaged backgrounds. While course caps inhibit enrolment from low income students, the lack of online courses and low amount of providers in non-metro areas restrict access for non-metro students. It should be noted that although enrolment rates dropped for disadvantaged groups in VSL compared to 2014-2015 VFH, this level is largely consistent with 2012-2013 VFH. As such, access for disadvantaged students has returned to VFH pre-rorting levels, however, a positive impact on this group has not been made as a result of the VSL program.

Assessment

There is **some** evidence to suggest that the impact of VSL on disadvantaged cohorts is **Adequate**.

⁶¹ Note: completion rates are represented as the breakdown of SES quintiles that completed/enrolled within a given year. It does not represent the completion/enrolment rate for the cohort overall. See Figure 22 for more details.

Student Centred

Q6. What has been the impact on student enrolments and unit and course completion?

To address this evaluation question, consideration was given to evidence of whether:

- The program has a positive impact on student enrolments and unit and course completion;
- Substantial proportion of students interviewed indicating that VSL affected their enrolment decisions and contributed significantly to their completion of units and courses;
- Provider groups and regulators interviewed having compelling reasons to think VSL improves students unit and course completion rates; and
- Survey results indicating providers think VSL improves student’s unit and course completion rates.

Sources of evidence:

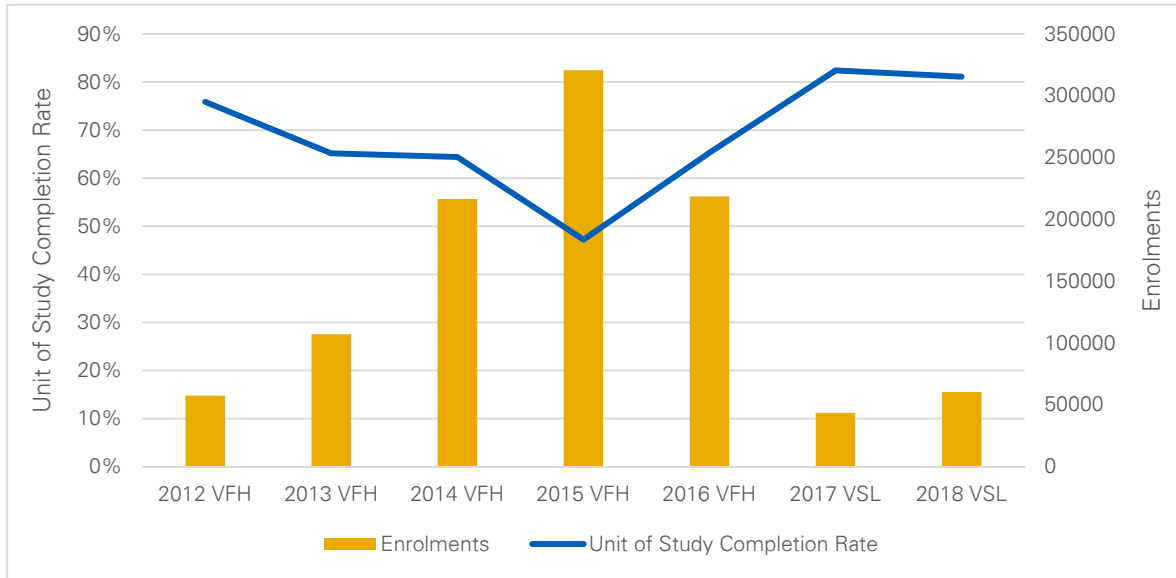
- Student Unit Completion Rates and Course Completion Numbers by Student Characteristics for VSL and VFH;
- Interviews with students exploring:
 - if and how VSL influenced their enrolment decisions; and
 - if and how VSL affected their unit and course completion rates.
- Interviews with providers, regulators and government exploring:
 - their perceptions of the impact of VSL on student decision making and completion rates.
- Survey of providers exploring:
 - their perceptions of the impact of VSL on student decision making and completion rates.

Observations

Unit of study completion rates have remained higher under VSL when compared to VFH from 2012 to 2018 as illustrated in Figure 30. These findings are consistent with the conclusions presented in the previous PIR report. Additionally, unit completion rates in 2018 under VSL are at least 16 per cent higher than they were in any given year between 2013 and 2016 under VFH. High course completion rates were included as a criteria in the provider approval process for VSL providers, which may be contributing to these improved rates of unit completion.

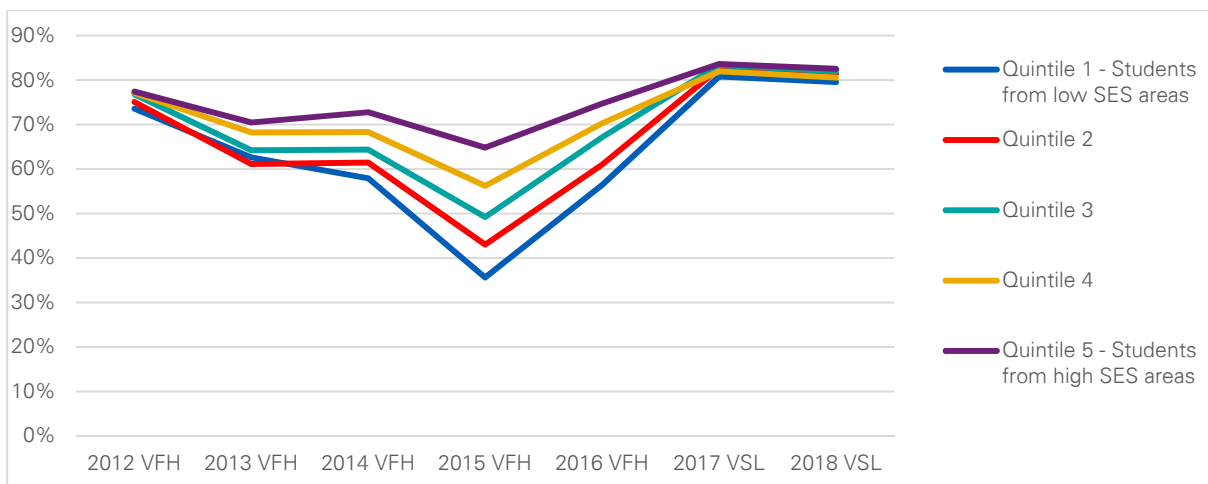
Perhaps unsurprisingly, between 2014 and 2016 under VFH when provider rothing was at its peak, there was a negative relationship between unit completion rates and student enrolments. This suggests that compared to 2014-2015 VFH, VSL students are accruing less debt from which they will not benefit. As shown in Figure 30, it appears that enrolment rates under VSL are consistent with 2012 under VFH, although unit completion rates have increased. As such, program data analysis indicates that the introduction of the VSL program is associated with higher completion rates and reduced provider misconduct overall.

Figure 30: Enrolment numbers and Unit of study completion rate⁶²



A breakdown of unit of study completion rates by SES quintile reveals that unit completion rates have increased for all SES cohorts under VSL when compared with 2015 VFH (Figure 31). The current rates of completion are also greater than 2012 VFH levels which varied from 75 per cent to 77 per cent, although VFH completion rates were greatest in this year over the period analysed. The previous PIR report concluded that for those students who are able to participate in the VSL program (particularly from low-SES backgrounds) completion rates are significantly better than under the VFH scheme for all SES quintiles. Although there has been a slight decrease in completion rates during 2018, all SES quintiles experienced completion rates above 80 per cent (at least seven per cent higher than at any point during VFH). Additionally, in 2018, unit completion rates varied from 80 per cent (students from SES quintile one) to 83 per cent (students from SES quintile five). As such, there is very low variation in completion rates between quintiles (standard deviation of only 0.01 in 2017 and 2018), indicating that although enrolments for disadvantaged cohorts have decreased compared to other socio-economic groups, unit completion rates within all SES quintiles have improved under VSL.

Figure 31: Unit of Study Completion by SES Quintile⁶³



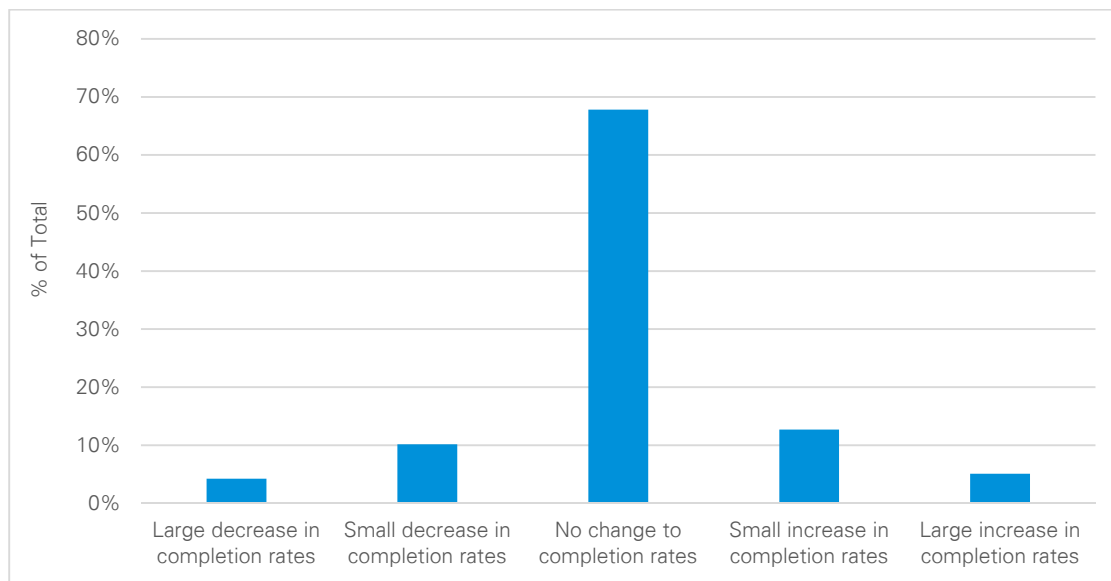
Providers that commented on their courses and students saw no change in completions rates. Sixty-eight per cent of survey respondents stated that they thought there had been no impact on

⁶² Department of Education and Training (July 2019), VSL Program Data and Statistical Reports
⁶³ Ibid.

completion rates as a result of the introduction of VSL (Figure 32). This finding was explored during focus group sessions, where providers stated that course completion rates have been unaffected by VSL. Providers also stated that it may be too soon to determine the program’s effect on completion based on unit completion rates reported at the aggregate level, as they do not show the number of students successfully progressing through their training. Due to the maturity of the program, VSL course completion rates have not yet been measured.

This apparent contradiction is perhaps not unexpected since the completion rates in VHF may have been adversely impacted overall by those providers that were not allowed access to VSL. As such, completion rates may be positively skewed under VSL by certain providers that have exited the program. Completion rates should continue to be monitored and taken into consideration when assessing providers for re-registration (Refer to Table 8, **recommendation 5**).

Figure 32: What has been the impact of VSL on completion rates? (Provider Survey Responses)⁶⁴



Telephone survey results indicated that the VSL program has encouraged students to complete their VET courses. When surveyed, most students (79 per cent) responded that they are ‘more’ or ‘much more’ likely to complete their course as a result of undertaking VSL (Figure 33), with a large majority (87 per cent) of students stating that it was ‘important’ or ‘very important’ that their selected course was approved under VSL (Figure 34). These findings suggest that both upon commencement and during training, students are motivated to complete their study.

An academic study researching the link between financial aid and university dropout and completion concluded that public financial aid has a positive impact on dropout rates from university education, but has minimal effects on study completion⁶⁵. This is largely consistent with findings from program data, and provider and student surveys which concluded that under VSL, students are accruing less debt from which they will not benefit when compared to VFH from 2014 to 2015. While providers stated that there had been no change to course completion rates, program data indicates that VSL completion and enrolment rates are now similar to VHF levels in its early years (no change to completion rates once influence of unscrupulous providers is removed) and students stated that they were motivated to complete study (lower dropout rates).

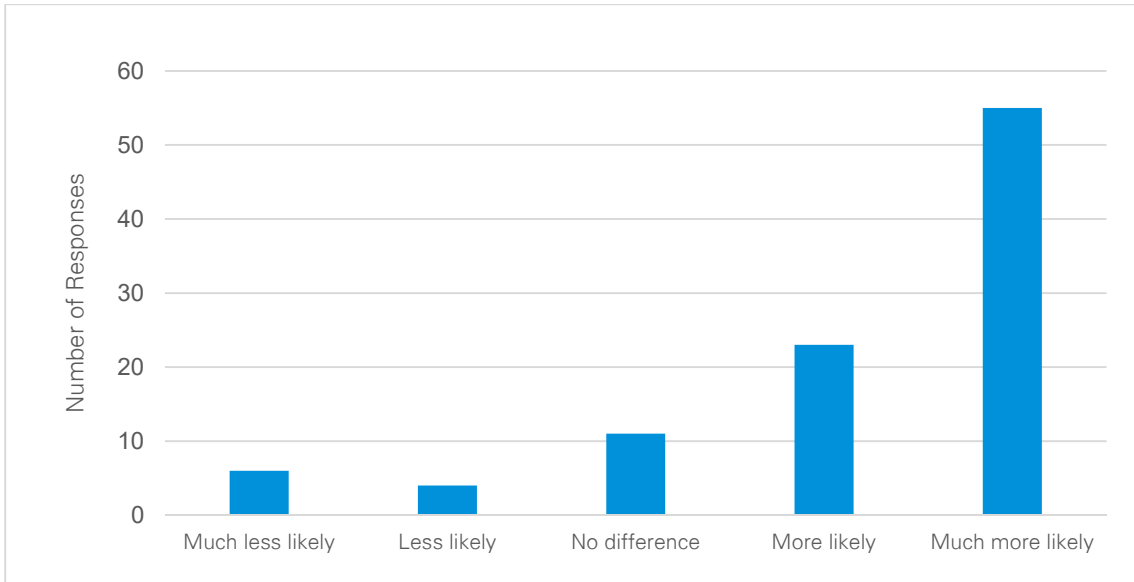
Unsurprisingly, the two students who stated that VSL approval was not important (Figure 34) are employed full time, which may provide further (but limited) evidence to the link between employment

⁶⁴ KPMG online survey of providers

⁶⁵ Arendt, J. (2012). The effect of public financial aid on dropout from and completion of university education: evidence from a student grant reform. *Empirical Economics*, 44(3), pp.1545-1562.

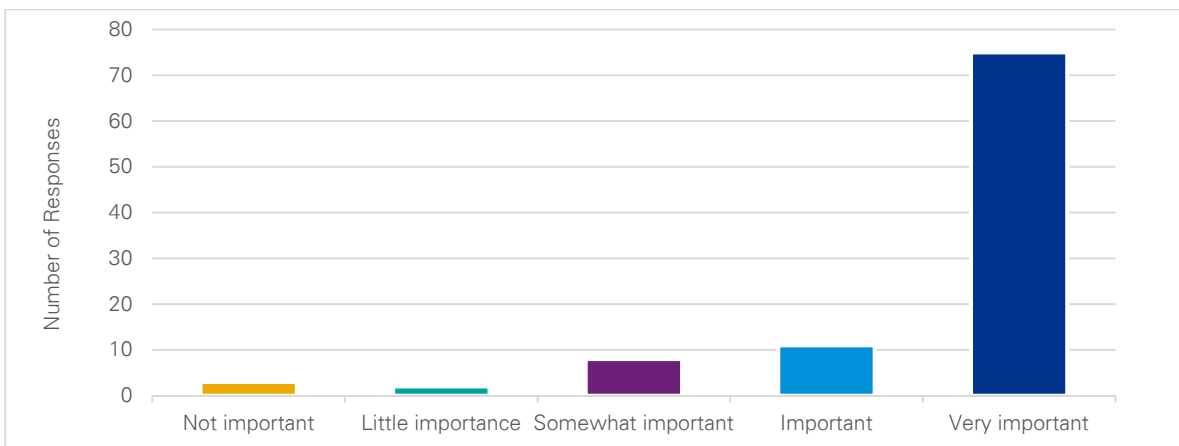
and VSL course and gap fee affordability. Overall, student survey responses are consistent with completion rate data indicating that the VSL program has assisted in increasing completion rates.

Figure 33: Did VSL make you more or less likely to complete your course? (Student Telephone Survey)⁶⁶



Note: Response only included if the respondent’s reason for study was to find employment, find different employment, or further progressing current employment.

Figure 34: When selecting your course, how important was it that the course was approved under the VET Student Loans program? (Student Telephone Survey)⁶⁷



To accurately gauge the effect of the program on completion rates, greater emphasis should be placed on an analysis of course completion rates as a proportion of students that have entered VSL as the program matures, and as a greater amount of students complete the program.

Summary: Student enrolment and completion

The program is associated with improved unit completion rates compared to VFH, and lower enrolments compared to VFH between 2014-2016, indicating a reduced risk that students are accruing debts for courses from which they will not benefit or finish. Findings indicate that:

⁶⁶ Ipsos student telephone survey
⁶⁷ Ibid

- VSL unit completion rates have reduced slightly between 2017 and 2018, but remain higher than VFH unit completion rates for all SES quintiles;
- Providers (those in the program and those that are not) stated that, for their students, course completion rates have not been effected by VSL; and
- Students stated that the VSL program made them more likely to complete their course.

Assessment

There is **some** evidence to suggest that the impact of VSL on course completion is **Good**.

Q7. How has provider exit affected students?

To address this evaluation question, consideration was given to evidence of whether:

- Overall rates of provider exit are low and stable over time;
- Ombudsman complaints about providers are less frequent for VSL than for VFH;
- Complaints to the Minister regarding VSL rarely if ever relate to provider misconduct;
- Students who are affected are assisted into a place in a suitable alternative course within a short timeframe;
- Increasing proportion of students interviewed indicate strong satisfaction with providers; and
- Provider groups interviewed have compelling reasons to think VSL improved the quality of the overall pool of providers, and that where providers exited, this was in line with students' interests.

Sources of evidence

- Ombudsman complaints.
- Interviews with government stakeholders exploring:
 - the extent to which provider exit has negatively affected students.
- Interviews with students exploring:
 - satisfaction with their provider.
- Interviews with provider groups exploring:
 - their perceptions of the impact of VSL on provider exit and the consequences associated with this.

Observations

On balance, stakeholders agreed that VSL has reduced the amount of provider misconduct in the VET market. However, an issue raised among stakeholders (five out of 18 stakeholders) was that a number of high quality providers have exited the loans segment of the VET market as a result of being uncompetitive since the introduction of VSL. Reasons mentioned by stakeholders include a restrictive course list and loan caps which do not accurately reflect the true cost of their respective courses.

Additionally, provider survey responses indicated that providers largely believe misconduct has reduced, although this may be at the expense of higher administrative burden on remaining providers. This is consistent with findings from the subsequent provider focus group. Survey responses from providers on the topic of provider misconduct included the following:

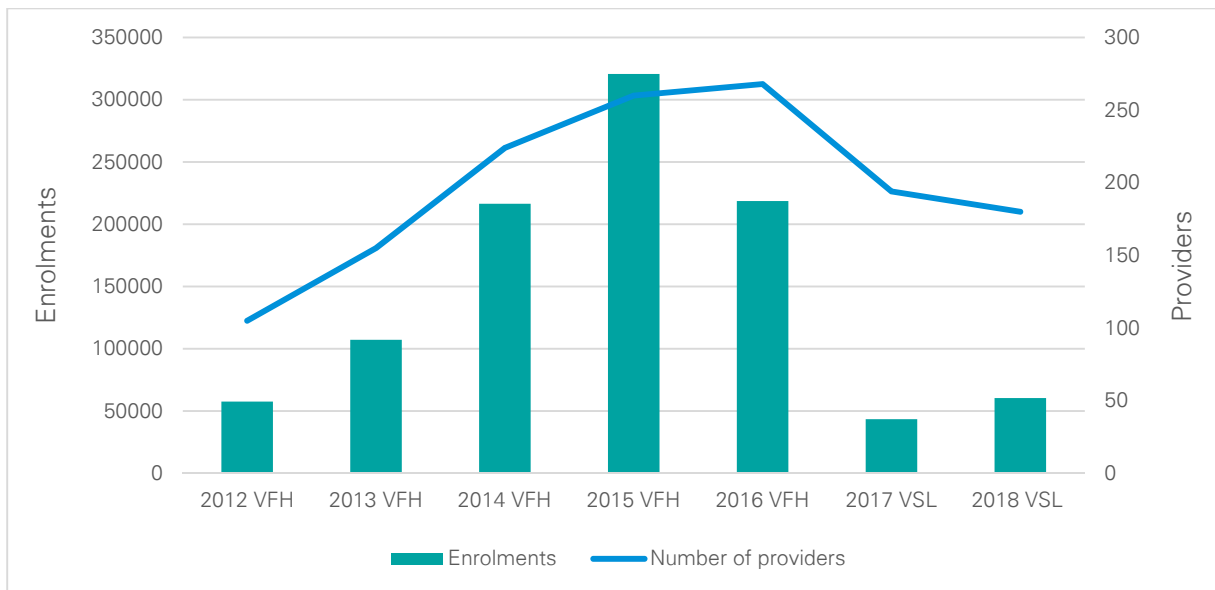
- “ There has been a significant overreaction by the Department and the Government to the problems related to provider misconduct. As such the VSL program is largely unpractical and unworkable for many RTOs.”
- “ The VET Fee Loan program was controllable without any changes if it and the providers were managed by the Government more efficiently”
- “ The VSL program appears to have achieved its goal of reducing provider misconduct. However, restrictions have had a very significant negative impact on many good RTOs in terms of enrolment numbers and income.”
- “ Whilst we understand that there was a need to change the system of student loans to counter provider misconduct, we feel that the new system is an overreaction and punished good providers resulting in many being unable to continue operating.”

To mitigate this burden, providers stated that administrative requirements should be relaxed for providers with a history of good behaviour. Conversely, they felt scrutiny should be maintained for providers that are new to the program or have not met compliance requirements in the past. This concept is consistent with ‘earned autonomy’ and proportionality concepts already adopted in many Australian Government programs.

Although the impact of provider exit on students is unclear, provider exit is likely to hinder access rates for students in the short term, due to the disruption of having to change providers midway through a course. However, provider exit may be beneficial in the long term if it is as a result of reducing provider misconduct. The success of the program in this regard depends on the balance between relaxing constraints for compliant providers and maintaining scrutiny for new or unscrupulous providers.

Within the VET market, both student enrolments and provider numbers have witnessed a decrease since the introduction of VSL. Figure 35 shows the relationship between providers offering VET loans, and students accessing training between 2012 and 2018. Although, it is unclear whether this is a causal relationship, there is a clear decrease in both providers and students in 2017, after the establishment of the VSL program.

Figure 35: Provider Exit and Student Enrolment⁶⁸



Data suggests that 32 (approximately 19 per cent of the total) providers have closed, exited, or been deregistered from the VSL program. Twenty-six of these providers voluntarily left the program, three

⁶⁸ Department of Education and Training (July 2019), VFH/VSL Program Data and Statistical Reports

shut down, and three were deregistered. Data also indicates that approximately 2,285 students were affected, however, in instances where providers exit the program, and students wish to continue, students are transferred to another VSL provider to continue their course. When interviewed, some state government stakeholders stated that students face less choice in accessing courses due to a limited number providers. On balance, findings indicate that studies of students who attend a RTO which exits the VSL program are, to a large extent, unaffected. As the program appears to be associated with lower levels of provider misconduct overall, this represents a positive impact on students.

To understand whether provider exit is common in the overall VET market, analysis of RTOs delivering VET courses of diploma level or above was undertaken. Analysis shows that approximately 26 per cent of these RTOs have either withdrawn, cancelled or ceased providing VET courses. As such, the rate of exit from the VSL program is less than that of the overall VET market, indicating the VSL providers may be less likely to exit the VET market. However, it is uncertain whether providers exiting VSL are also exiting the VET market.

It is difficult to gauge whether providers that did not apply for the program were unscrupulous, and therefore benefitted VSL students by not taking part in the program upon its transition from VFH. Although analysis of this information would assist in further determining whether the program has protected students from provider misconduct, it is apparent from provider survey responses that a large number of providers that chose not to apply for the program did so due to program mechanisms (see 'Q10. How well does the program improve confidence in the VET market?'). The low level of complaints received by the Ombudsman (refer to the 'Q5. How well is the program supporting students from disadvantaged cohorts to access higher level VET?' section) indicate that provider exit has not resulted in student dissatisfaction. Also, as stated under 'How well is the program supporting students from disadvantaged cohorts to access higher level VET?' stakeholders believe that VSL is encouraging students to undertake higher education as a substitute to VET.

Summary: Provider exit

The number of VSL providers has dropped since the program commenced, however, this proportion is less than the overall VET market, and there has been little negative impact on students. Findings indicate that providers may have exited due to:

- Failing to meet the program requirements of a VSL approved provider;
- The administrative burden of running the program; and
- The financial viability of running the program, driven by insufficient loan cap amounts.

Findings from stakeholder interviews also suggest that some compliant providers may have exited the loans segment of the VET market due to the program requirements

Assessment

There is **some** evidence to suggest that provider exit has had a **Good** impact on students.

Industry Need, Employment Outcomes and Student Choice

Q8. How well does the program align VET course loans with student demand for courses?

To address this evaluation question, consideration was given to evidence of whether:

- A substantial proportion of students interviewed indicate strong satisfaction with variety of courses on offer under VSL;
- Provider groups interviewed have compelling reasons to think there is little unmet demand from students for courses under VSL; and
- Survey results from providers indicate that they believe there is little unmet demand for courses under VSL.

Sources of evidence:

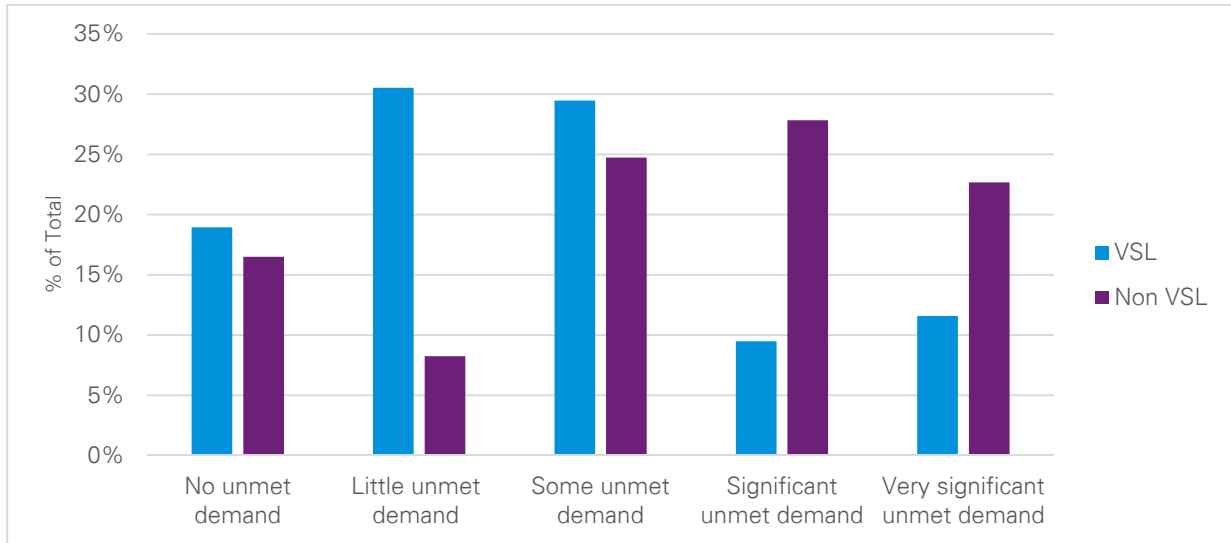
- Interviews with students exploring:
 - satisfaction with the variety of courses available under VSL
- Interviews with provider groups exploring:
 - their perceptions of the extent to which there is unmet demand for courses.
- Survey of providers exploring:
 - their perceptions of the extent to which there is unmet demand for courses.

Observations

Results from the provider survey revealed that providers are split between whether or not VSL courses are aligned with student demand. As shown in Figure 36, 50 per cent of approved provider survey respondents stated that VSL courses had little or no unmet demand. On the contrary, 51 per cent of non VSL providers stated that the VSL program faced significant or very significant unmet demand. As such, survey responses indicate that VSL providers believe courses are aligned to student demand, whereas non-VSL providers believe courses are not aligned to student demand. When probed, providers gave the following reasons behind their perception of the level of unmet demand within VSL courses:

- Discrepancy between enrolment requirements and student demographic;
- Loan caps curbing student demand for courses which would otherwise receive greater student demand; and
- Courses offered by the institution are not included on the VSL course list.

Figure 36: Extent of Unmet Demand for VSL courses (Provider Survey Responses)⁶⁹



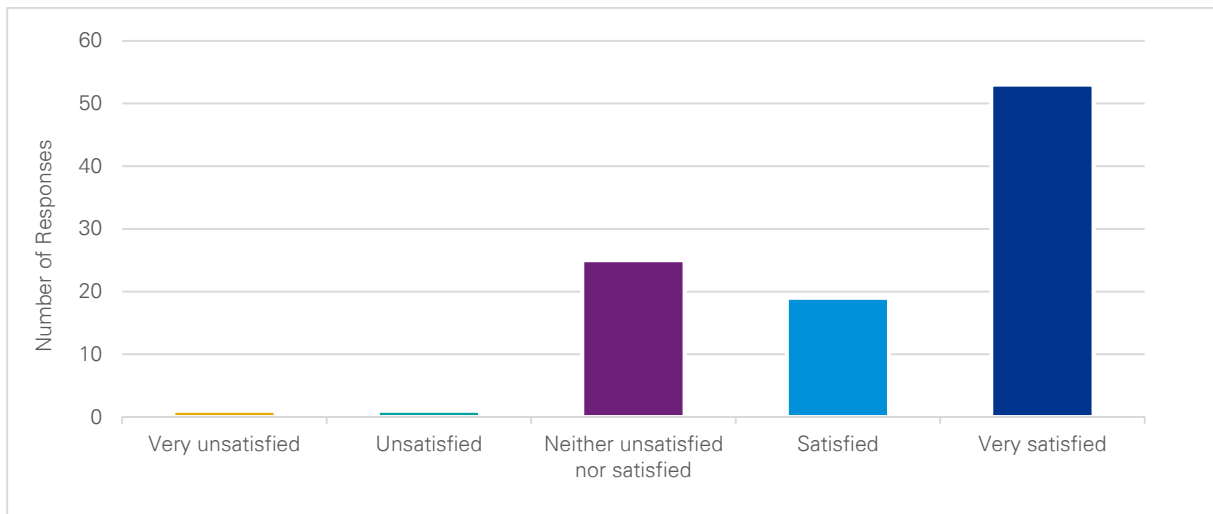
State and Territory representatives, peak bodies and industry groups stated that the restrictive VSL course list imposes study choices on students rather than satisfying their needs. These representatives also stated that the current requirements for courses to be on at least two state and territory subsidy lists results in some state-specific student needs not being met. Overall, stakeholders represented mixed views regarding the general impact of VSL on student demand.

Contrary to stakeholder perceptions, student survey responses indicate that VSL students are satisfied with courses included in the program. Figure 37 below illustrates responses from the student telephone survey relating to satisfaction with the variety of courses available under VSL. Approximately 53 per cent of respondents were “very satisfied” with the variety of courses on offer under the VSL program, and a further 19 per cent were “satisfied”. Additionally, only two per cent of respondents were either “Unsatisfied or “Very Unsatisfied” with the variety of courses available. These findings indicate that students accessing VSL are satisfied with the broad range of courses on offer.

This outcome may be biased, however, as non-VSL students may not be accessing the program due to a lack of interest or need for the courses available. Information received from state and territory government representatives and providers indicates that non-VSL students are not accessing the program due to the limited amount of courses included in the course list. Additionally, as stated under ‘Q3. How well does the program ensure that students receive affordable training?’ provider survey responses indicate that non-VSL students have opted out of VSL due to the reduced number of courses and VET qualification levels covered by the program. This suggests that the findings in Figure 37 would be more skewed toward ‘unsatisfied’ if non-VSL students were included in the data set.

⁶⁹ VSL Provider Survey

Figure 37: How satisfied are you with the variety of courses available under VSL? (Student Telephone Survey)⁷⁰



Summary: Alignment to student demand

There are mixed sentiments across stakeholders regarding the program’s alignment to student demand. Findings indicate that:

- Providers in the program stated that courses are well aligned to demand for students in the program; and
- Providers that are not in the program argue that the course list does not meet the demand of their students.

Assessment

There is **some** evidence to suggest that course alignment to student demand is **Good**.

⁷⁰ Ipsos Student Telephone Survey

Q9. How well does the program meet the needs of industry?

To address this evaluation question, consideration was given to evidence of whether:

- The proportion of students who are studying to increase employment outcomes has increased;
- Employment outcomes for VSL students are stronger compared to employment outcomes for non-VSL students;
- Program settings include mechanisms which could reasonably be expected to enable changes in industry needs to be recognised and accommodated;
- Provider, industry groups and government stakeholders interviewed describe evidence they have observed that the VSL program links with the needs of industry and helps fill employment requirements;
- A marginal increase in the employment rate of VSL supported students (at the industry level) implies that the needs of that industry are being met by way of up-skilling or retraining the workforce (i.e., spare labour capacity in the industry is being filled); and
- After mapping industry needs to employment outcomes in VSL courses, it is found that VSL is successfully aligning the labour force with industry needs and addressing skill shortages in the economy.

Sources of evidence:

- Program data on proportion of VSL Students studying to increase employment outcomes;
- Program data comparing employment outcomes for VSL students to employment outcomes for non-VSL students;
- Interviews with provider and industry groups exploring their perceptions of the extent to which:
 - the program predicts and responds to industry needs, links with the needs of industry and helps fill employment requirements.
- Analysis of existing research into the Australian labour market and industry needs (i.e., skill requirements and supply gaps in the labour market); and
- Employment outcomes (as measured through NCVET SOS survey and eCAF survey results), in conjunction with the information collected in the consultations and survey, will identify the impact of the VSL program on industry needs.

Observations

Meeting occupational needs

The VSL program aims to meet the needs of Australian industries by supporting courses that help fulfil employment requirements. Of the training courses and qualifications offered by Australian providers, 400 current courses are supported by the program.

To gain an understanding of Australia's labour market needs, the Department of Home Affairs produces three skilled migration lists. These lists are as follows:

1. Short-Term Skill Occupation List: a short-term stream of up to two years, which can be renewed once.
2. Medium and Long-Term Strategic Skills List: a medium-term stream of up to four years, which can be renewed multiple times and incorporates a pathway to permanent residency.
3. Regional Occupation List: a regional stream, which is only available to those employers in rural and regional Australia, and has a pathway to permanent residency.

To understand the outcomes of VSL course completion, each course is mapped to an occupation that most closely aligns with post-graduate employment prospects. These occupations are compared with the skills migration lists to determine if the VSL program is helping to fill Australian industry requirements. Table 7 displays the number of VSL linked occupations that appear on each skill list.

Table 7: VSL courses matched to skills shortage lists⁷¹

	Occupations linked to a VSL course	Proportion of occupations linked to a VSL course
Short Term Skill Occupation List	65	30%
Medium and Long-Term Strategic Skills List	35	16%
Regional Occupation List	53	22%
n = 674	153	23%

The skills migration lists identify 674 unique occupations that are “in need”, however only 153 (23 per cent) of these are met by a VSL approved course. Therefore, there are many occupations “in need” that are not available through the VSL program. Looking across all VET training courses on offer⁷², 328 (49 per cent) are linked with an “in need” occupation. This indicates that the VSL list covers less than half (153 out of 328) of the “in need” occupations that can be addressed through VET training.

Looking at this from a different angle, 321 of the 400 VSL courses are aligned to an occupation identified as an industry need in Australia. This means that approximately 80 per cent of VSL courses cover occupations “in need”. The alignment of VSL courses to industry needs is much greater than VET training courses overall, where only 3,532 of the 6,705 (approximately 53 per cent) of general VET courses are aligned to an “in need” occupation. However, multiple VSL courses are mapped to the same occupation, and while most courses are linked to an occupation in need, there is limited variety in meeting industry needs. There are many identified skills and occupations that are not given coverage by the VSL program. These findings indicate that a review of the course list be undertaken to expand coverage of skills needed by industry (refer to Table 8, **recommendation 6**).

Coverage of occupational needs

Identifying the types of occupations that the VSL program is providing support for is crucial to understanding the areas of skills shortages that are currently being addressed. Aggregated to the major occupational level, the occupations most supported by the VSL program are:

- Building and Engineering Technicians (57 VSL courses support this occupation);
- Construction, Distribution and Production Managers (19 VSL courses support this occupation);
- Health and Welfare Support Workers (19 VSL courses support this occupation); and
- Air and Marine Transport Professionals (19 VSL courses support this occupation).

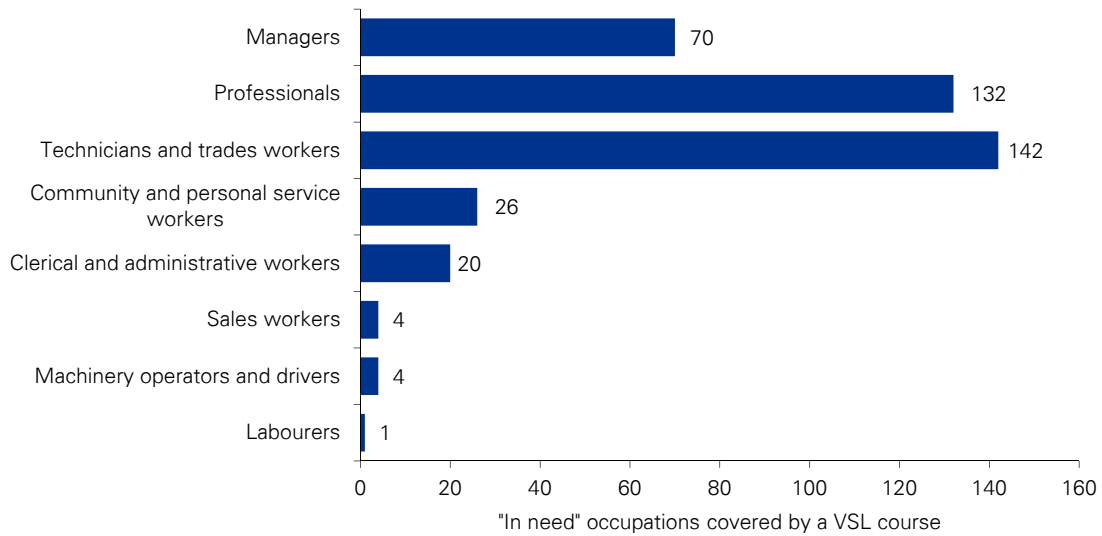
Figure 38 displays an overview of the “in need” occupations⁷³ that are covered by VSL courses. This analysis indicates that VSL courses are mainly aimed at reducing labour shortages within the *Technicians and trades workers* occupation, closely followed by VSL courses supporting *Professionals*.

⁷¹ Source: Skilled Occupation List, Department of Home Affairs.

⁷² This analysis considered VET courses from Certificate 1 through to Advanced Diplomas.

⁷³ Occupations are aggregated to the ANZSCO Major Groups level.

Figure 38: Occupations supported by VSL courses⁷⁴



Other findings

The current methodology for approving courses considers courses which:

- have a high national priority;
- meet industry needs;
- contribute to addressing skills shortages; and
- align with strong employment outcomes.

Courses are approved if they are current (in other words not superseded), on at least two state and territory subsidy lists, are a science, technology, engineering or mathematics (STEM) course, or are tied to licensing requirements for a particular occupation.⁷⁵ Further, providers are required to demonstrate industry links before being accepted into the VSL program, and must separately submit a business case in order to be approved for further courses after their original application.⁷⁶

Consistent with findings from the economic analysis, industry groups indicated that the course list does not cover the range of requirements needed by industry. An industry group representative recommended that the course list is too narrow and all diplomas and advanced diplomas should be on the course list (with constraints and loan caps). Industry groups also stated that there is a long time lag between identifying changes to industry needs, for the course list to be updated, and for providers to respond to changes in industry needs.

Further, industry groups believe that the process of adding courses to the course list was 'convoluted' and the burden of proof for having a new course added is too high. Representatives from industry also believe that the requirement for the qualification to be subsidised by two states is perverse, and that restrictions on course list, provider registration and loan caps are too tight. In response, representatives from industry suggested that a review of this list should be conducted more frequently or on-demand, and that the design of VSL should be more accommodating to a balanced range of industry needs. Overall, these findings indicate that the VSL course list does not cover the range of skills requirements in industry, and that program mechanics do not allow the list to be expanded with ease.

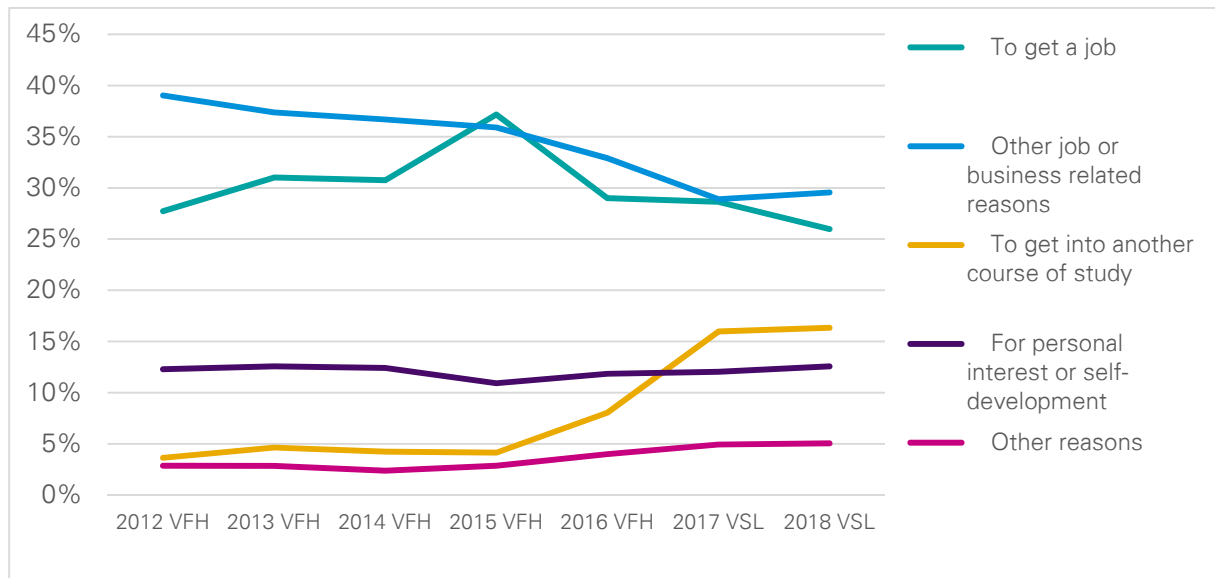
⁷⁴ Source: Skilled Occupation List, Department of Home Affairs; KPMG Analysis.

⁷⁵ Department of Employment, Skills, Small and Family Business. (2019). *Review of the VET Student Loans Approved Course List and Loan Caps Methodology*. Retrieved from: <https://www.employment.gov.au/vet-student-loans/VSLmethodology>.

⁷⁶ Department of Education and Training, May 2017, *Update on key features of VSL*

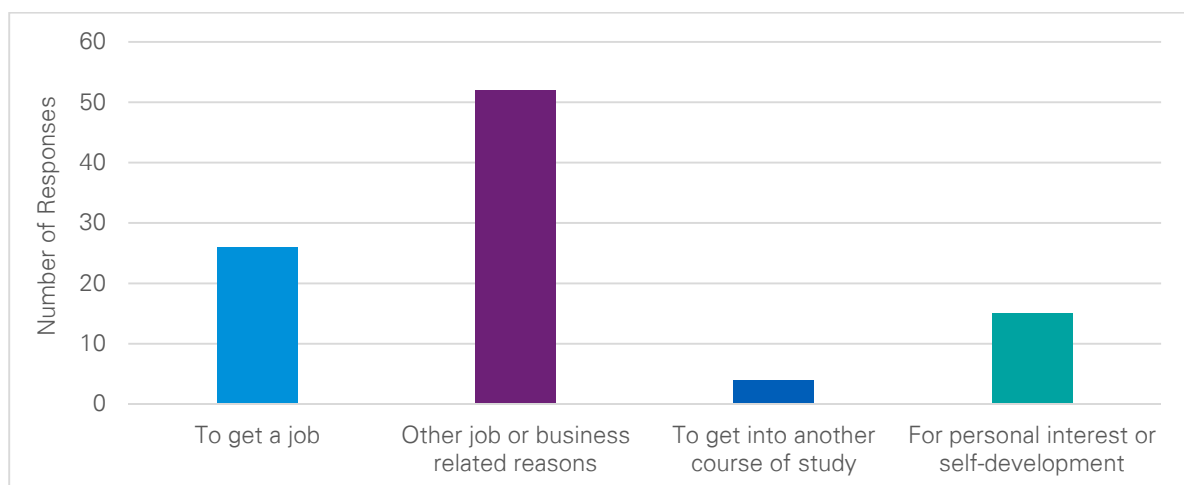
The review also found that the proportion of students commencing VFH and VSL approved courses for job or business related reasons has steadily declined since 2012. However, Figure 39 shows that no significant impact on commencements resulted from the introduction of the VSL program. Interestingly, students commencing VSL courses “to get into another course of study” increased by eight per cent in 2017 upon the introduction of the VSL program. In addition, the time series of students commencing study “To get a job” is largely consistent with the trend observed in Figure 26, of enrolments by students ‘not in employment’.

Figure 39: Course Commencements by Study Reason⁷⁷



Student survey answers were consistent with program data findings illustrated in Figure 39. Survey responses indicated that a high amount (approximately 78 per cent) of VSL students surveyed enrolled in the VSL program to get a job or for other job or business related reasons (Figure 40). The results from this survey are largely consistent with findings from course commencement data above, however, a larger proportion of survey respondents stated that they enrolled for “other job or business related reasons” (approximately 52 per cent for survey respondents compared to 30 per cent of respondents in 2018 from program data). This indicates that there has been a shift in course commencement reason, however, the main reasons for commencement are employment related.

Figure 40 : What is the primary reason why you enrolled in training? (Student Telephone Survey)⁷⁸

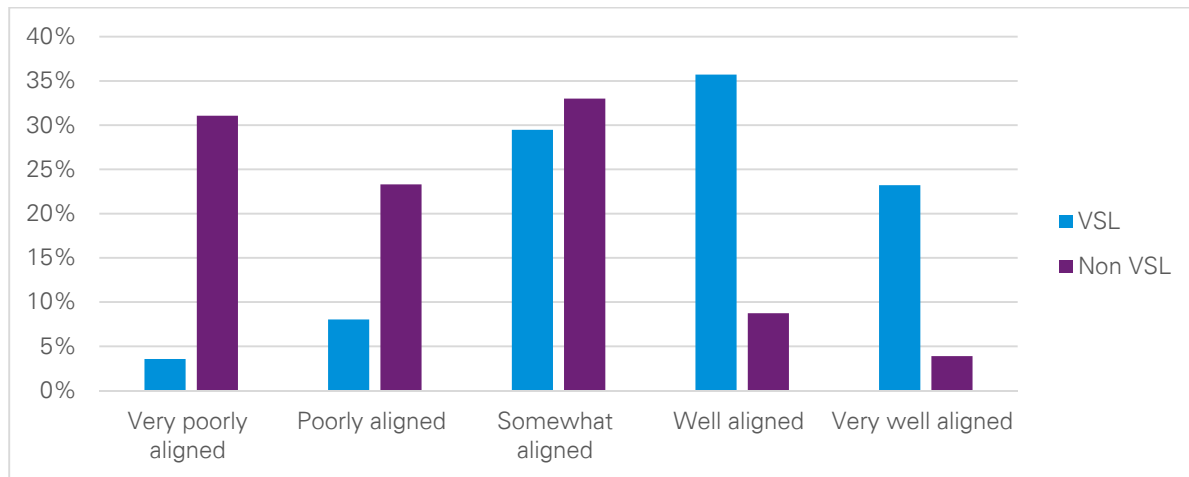


⁷⁷ Department of Education and Training (July 2019), VSL Program Data and Statistical Reports

⁷⁸ Ipsos student telephone survey

Results from the provider survey revealed that providers are also split between whether or not the program identifies and predicts the need of industry. Thirty-two per cent of respondents stated that courses were ‘poorly aligned’ to industry need, and 37 per cent stated that courses were ‘well aligned’. As shown in Figure 41, 59 per cent of approved provider survey respondents stated that VSL courses were ‘well aligned’ or ‘very well aligned’. In contrast, 54 per cent of non VSL providers stated that VSL courses were ‘poorly aligned’ or ‘very poorly aligned’. These findings indicate that providers that are in the program believe that it is aligned to industry demand, whereas non-VSL providers believe that courses are not aligned to industry demand.

Figure 41: Course Alignment to Industry Need (Provider Survey Responses)⁷⁹



Summary: Alignment to industry demand

Analysis suggests that courses included in the VSL program are well aligned to industry need, however, the skills needs of industry are not completely covered by the current VSL course list. Findings indicate that:

- Students in the program are primarily looking to further their employment prospects;
- The current course list may be too narrow; and
- The process of adding courses to the course list may be too complex.

Assessment

There is **sufficient** evidence to suggest that course alignment to industry need is **Good to Adequate**.

⁷⁹ KPMG online provider survey

Integrity and Confidence

Q10. How well does the program improve confidence in the VET market?

To address this evaluation question, consideration was given to evidence of whether:

- Rates of provider misconduct are decreasing;
- Number of student complaints over time reduced in 2018/2019 relative to prior years;
- Strong compliance with VSL reporting requirements;
- Course satisfaction is high, including quality and confidence in their providers and VET system more broadly;
- Substantial proportion of students interviewed indicate they have confidence in the VET market;
- Regulators interviewed have compelling reasons to think there is strong confidence in the VET market overall; and
- Substantial proportion of industry groups interviewed indicate they have confidence in the VET market.

Sources of evidence:

- Legislation and program guidelines designed to protect students and support outcomes;
- Satisfaction levels as measured through NCVET SOS survey and eCAF survey results;
- Ombudsman complaints;
- Interviews with regulators exploring:
 - the extent to which they see high levels of confidence in the VET market.
- Interviews with industry groups exploring:
 - confidence in the VET market.

Observations

The review found that in comparison to VFH, VSL is associated with improved outcomes for VET students. Discussions with Commonwealth, state and territory government representatives indicated that there is:

- General acceptance that VFH was problematic;
- General complaints coming from providers regarding duplication of administrative requirements ;
- Lack of VSL student data (e.g. student demographics and jurisdiction enrolled) to enable effective analysis of issues, trends and performance; and
- Low student uptake, but fewer problems.

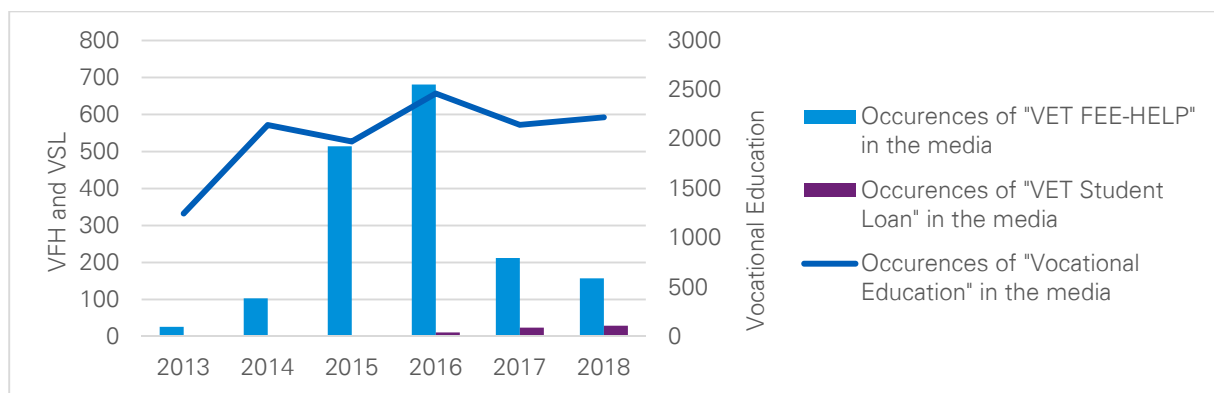
Discussions with industry groups indicate that in comparison to VFH, which did not focus on student outcomes, the “pendulum has swung the other way” with VSL, which now limits the amount of students accessing the scheme.

Notwithstanding, most stakeholders generally agreed that the program has improved confidence in the VET market in the sense that there are less unscrupulous providers in the loan segment of the

VET market. Additionally, the low level of student complaints received by the Ombudsman and favourable VSL student satisfaction results (refer to ‘Q4. To what extent is training under the program of high quality?’ section) indicate that students who have access to the program are satisfied. Also, the Joyce Review⁸⁰ found that “recent reforms to address the VET FEE-HELP issues have helped restore confidence in the sector that had been lost”. These findings suggest that although the VSL program has reduced student and provider access, perceptions of the program are more positive than VFH.

A scan of occurrences of VSL within the media was conducted to determine whether the program is associated with high levels of attention on the vocational education sector as a whole (Figure 42). Analysis of Australian news articles from 1 January 2013 to 31 December 2018 was conducted using Lexis Advance Research. Results indicate that since the introduction of the VSL program, negative media attention on the sector has not increased, and instead it has attracted significantly less media attention than when VFH was in place.

Figure 42: Media articles mentioning VFH and VSL⁸¹



Although it is difficult to determine whether occurrences of “Vocational Education” in the media have decreased as a result of the VSL program, it can be concluded from this analysis that VSL has not increased occurrences of this term in the media. As such, this finding suggests that unlike VFH, which drew negative attention to the VET sector as a result of provider misconduct in 2015, the VSL program has not attracted the same level of attention. A limitation of this finding is that the scale of VSL in 2017 and 2018 is much lower than VFH in 2015. As such, public attention to the program should be monitored as the program matures and expands. Analysis revealing the relationship between social and mainstream media scans identifying negative and positive contexts around occurrences of “VET Student Loans” and “Vocational Education” would provide further insight into whether confidence has increased in the VET sector.

At the same time, the VSL program is seen by some as lacking trust in providers due to the program’s apparent focus on provider misconduct. In interviews and surveys providers argued that good providers may have been left worse-off financially, or have had to close down altogether (refer to ‘Q7. How has provider exit affected students?’). As part of the online provider surveys, 165 non-VSL providers were asked: “Why has your RTO chosen not to apply for approval under the VET Student Loans program?” The following themes emerged:

- Complex and burdensome administration requirements (40 responses);
- Bad reputation (14 responses);
- The business model of their RTO is not suitable for the program (21 responses);
- The student cohort of their RTO is not suitable for the program (22 responses); and
- Courses offered are not eligible for the VSL program (27 responses).

⁸⁰ <https://pmc.gov.au/domestic-policy/vet-review>

⁸¹ Lexisnexis.com. (2019). *Lexis Advance, Online Legal Research: LexisNexis*. Available at: <https://www.lexisnexis.com/en-us/products/lexis-advance.page>

Providers which stated that the program had a bad reputation did not provide details into the reputation of the program. Among the most common reasons given by providers as to why they did not apply for the program, was that the course list and loan caps were too restrictive, and did not accommodate the cost and student demand of their RTO. These findings indicate that although students and other stakeholders generally have a positive perception of the program when compared to VFH, providers view the program negatively, due to its restrictions.

Although findings suggest that confidence in the VSL program has improved, the size of the VSL program relative to the broader VET market is relatively small. In 2017, total revenue generated by the VET sector was approximately 7.6 billion⁸². In comparison, the education of students accessing the VSL program contributed \$358 million to GDP⁸³ (4.7 per cent of 2017 VET market revenue and 12 per cent of the 2015 VFH loan amount). This suggests that there is low probability that VSL will influence confidence in the VET market at this time, however, as seen with VFH, a program which is small relative to the market can potentially make a considerable impact on overall market confidence.

To measure confidence in the VET market, the Department could potentially use any of the following metrics as KPIs:

- eCAF satisfaction rate benchmarking the SOS data;
- Ombudsman complaints data relating to VSL;
- Rates of providers being deregistered or removed from the program, categorised by reason for deregistration or removal from the program;
- Positive and negative mentions of VSL and the broader VET sector in the media

Summary: Confidence in the VET market

Although comparisons between the broader VET market and the VSL program may be of limited value, stakeholder perceptions indicate that overall confidence in the VET market has increased since the introduction of the VSL program. Findings also indicate that:

- VSL is better overall than its predecessor, VFH; however
- The program places high administrative demands on compliant providers.

The review found that in comparison to VFH, VSL is associated with improved outcomes for VET students, and most stakeholders agreed that the program has improved confidence in the VET market.

Assessment

There is **weak** evidence to suggest that the program's impact on the VET market is **Very Good**.

⁸² NCVER Australian vocational education and training statistics- Financial information 2017

⁸³ Source: KPMG-CGE simulation.

Q11. How well does the program protect students from provider misconduct?

To address this evaluation question, consideration was given to evidence of whether:

- Ombudsman complaints about providers are less frequent for VSL than for VFH;
- Complaints to the Minister regarding VSL rarely if ever relate to provider misconduct;
- Program settings include mechanisms which could reasonably be expected to detect and prevent provider misconduct, and these mechanisms are used appropriately;
- Substantial proportion of students interviewed indicate they have not experienced provider misconduct; and
- Regulators interviewed have compelling reasons to think VSL has reduced the overall rate of provider misconduct.

Sources of evidence:

- Satisfaction levels as measured through NCVET SOS survey and eCAF survey results;
- Ombudsman complaints;
- Legislation and program guidelines designed to prevent students agreeing to VSL arrangements they do not really want, such as 2 day cooling off period, ongoing student engagement requirements;
- Interviews with students exploring:
 - satisfaction with their provider; and
 - instances where they have experienced provider misconduct.
- Interviews with regulators exploring:
 - the extent to which there is provider misconduct under the scheme.

Observations

Stakeholder groups generally agree that student outcomes have improved since the introduction of the program. To address the risk of provider fraud, the VSL program introduced tight restrictions on providers. Appendix 6 shows that 12 of the 16 ongoing requirements imposed on providers target provider fraud. This is likely to have caused the high rate of provider exit from the loans segment of the VET market, which may have protected students from provider misconduct. As mentioned throughout this report, provider survey responses indicated that providers largely believe misconduct has reduced, but at the same time the administrative burden for compliant providers has increased. Providers stated that a high amount of resources need to be committed to meet the complex administrative requirements of the program. Aside from increasing cost pressure on providers, this leads to resources being taken away from other areas of their business.

Government should maintain high standards of entry for providers to gain access to the VSL program but consider ways to relax or reduce the ongoing burden on providers who are participating in the program and remain in good standing (refer to Table 8, **recommendation 7**). Government could consider:

- a) Retaining the current eCAF system through which the students are required to confirm that they remain engaged with training course for providers that are recent entrants into the VSL program. This may be relaxed or removed for VSL providers with at least 3 years participation in VSL who are in good standing (a record of acceptable completion rates and no adverse audit findings).

- b) Retaining the current Language, Literacy and Numeracy test to assure that students accepted into VSL-eligible programs are capable, and relax or remove this requirement for VSL providers with at least 3 years participation in VSL who are in good standing; and
- c) Removing the requirement for approved VSL providers to submit monthly statutory declarations, given the existing VSL design components related to provider fraud.

Student survey results indicate that provider misconduct may no longer be an issue. During telephone surveys, students were asked whether they had experienced any misconduct from their providers (Figure 43). A small minority of students (approximately nine per cent) interviewed in the student survey indicated that they experienced misconduct by their training provider, of which:

- six students were either unsatisfied or very unsatisfied by how their provider has addressed this; and
- three students were satisfied by how their provider has addressed misconduct ().

It is unclear how students have defined misconduct. Students may associate perceived misconduct with a bad experience from a provider or for other reasons such as unjustly receiving bad grades or personality clashes with teachers. To further explore this area, interviews with a sample of VSL students exploring their experience with provider misconduct would need to be undertaken. This was out of scope for this evaluation.

Figure 43: Have you experienced any misconduct by your training provider throughout your course? (Student Telephone Survey)⁸⁴

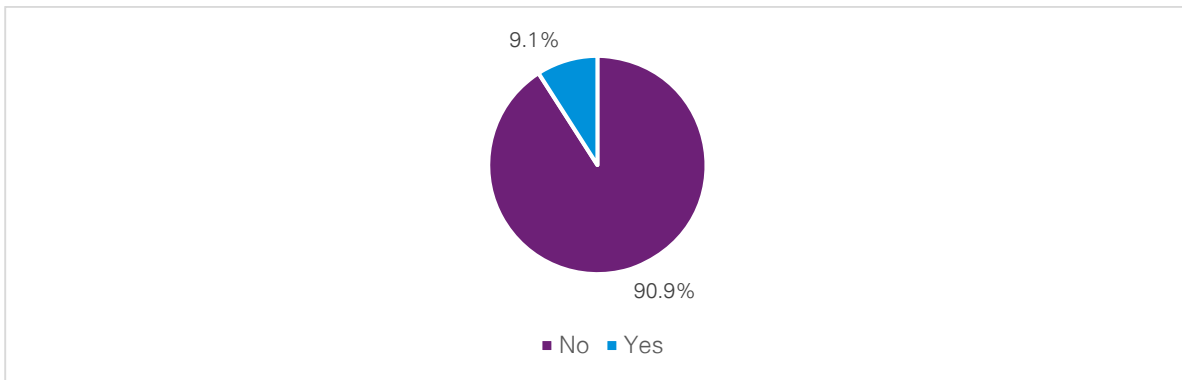
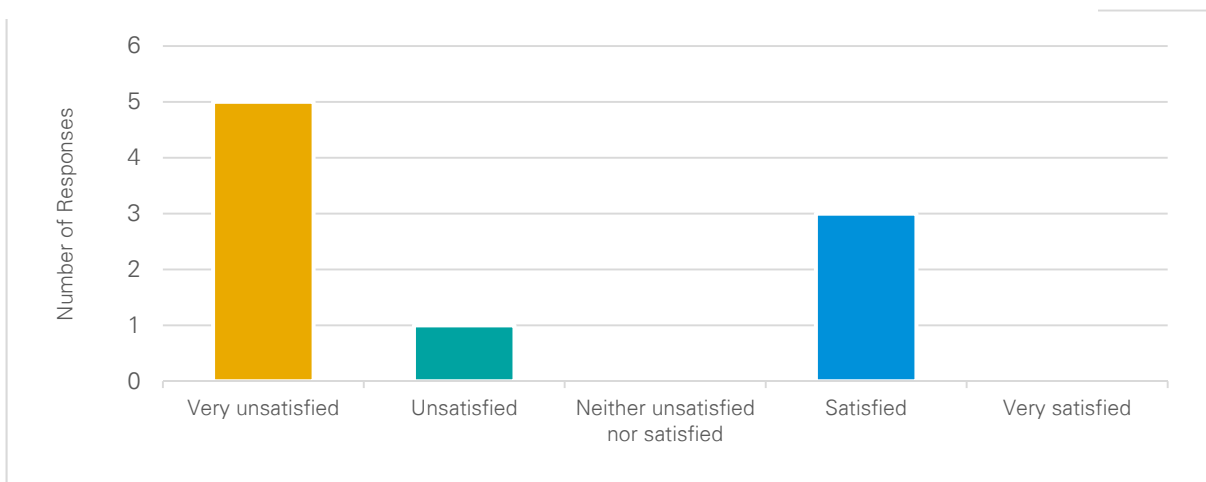


Figure 44: How satisfied are you that the provider has addressed any issues associated with this? (Student Telephone Survey)



⁸⁴ Ipsos student telephone survey

Summary: Provider misconduct

All stakeholder groups that commented on past provider misconduct issues (in VFH) stated that it has been largely addressed by the improved design of VSL. Additionally students have reported high satisfaction rates, however, providers indicate that the focus on the reduction in misconduct has made it more burdensome for compliant providers to access the program. Providers stated that program mechanisms targeting provider fraud (Appendix 6) have negatively impacted some compliant providers.

Assessment

There is **some** evidence to suggest that the effect of the program on protecting students from provider misconduct is **Very Good**.

Q12. How well does the program manage risk?

To address this evaluation question, consideration was given to evidence of whether:

- Administrative mechanisms to manage risk reflect best practice for this scheme; and
- Regulators interviewed have compelling reasons to think the program manages risk well.

Sources of evidence:

- Legislation and program guidelines designed to protect students and support outcomes;
- Interviews with regulators and government stakeholders exploring:
 - the extent to which risk is managed appropriately under the program

Observations

As mentioned in the previous PIR report, the rapid expansion of the VFH scheme in 2012 caused rapid growth in the number of private providers, the number of students and the overall value of student loans. The VFH expansion saw:

- Increased average tuition fees from \$4,060 in 2009 to approximately \$14,000 in 2015⁸⁵, indicating substantial increases in course fees above the true cost of course delivery;
- Increased average student loans increasing from \$4,861 in 2009 to approximately \$10,000 in 2015, indicating a lower likelihood that students could repay debts, with associated decreases in VFH's financial sustainability; and
- A fall in VFH student completion rates to 22 per cent in 2014, indicating decreased student outcomes.

This expansion of the VFH scheme coincided with the emergence of concerns regarding the integrity of providers in the VET sector, including training providers targeting vulnerable cohorts.⁸⁶ This resulted in the program being exposed to a range of integrity risks, threatening the reputation of the program and VET sector as a whole. Appendix 6 shows program mechanics introduced by the VSL program to mitigate the program integrity risks faced by VFH.

The findings from this evaluation indicate that the aim of VSL to reduce provider misconduct from the VET market may have largely been achieved, as seen in increased student satisfaction and unit completion rates. However, the onerous conditions placed on compliant providers may have introduced new risks to the program. These include:

- **Provider participation:** Providers focusing more resources on administrative and compliance activities than quality and innovation;
- **Access for low income students:** Gap fees result in reduced access for low income students; and
- **Alignment to market need:** A smaller number of providers are able to offer the courses included in a narrow list of approved courses, reducing the program's impact and alignment to skills needs of industry.

When this topic was explored among stakeholder groups, the following themes emerged:

- Commonwealth Government stated that the VSL includes restrictive requirements with duplicative controls over the same risk;

⁸⁵ Department of Education and Training, 2016, VET FEE HELP Redesign Regulation Impact Statement. Accessed September 2017 at <http://ris.pmc.gov.au/sites/default/files/posts/2016/11/RIS-1.pdf>. P.14-16

⁸⁶ Department of Education and Training, 2016, Redesigning VET FEE-HELP: Discussion Paper. P.53. Accessed September 2017 at https://docs.education.gov.au/system/files/doc/other/redesigning_vet_fee_help_-_discussion_paper_0_0.pdf

- State and Territory Representatives stated that VSL has duplicated of administrative requirements with overlapping objectives;
- Industry Groups stated that there is a complex approval process for providers overall, with large administrative burden; and
- Providers stated that complex requirements reduce attractiveness of program even for ‘good’ providers.

As discussed in the ‘Access and Equity’ section, course loan caps have resulted in gap fees for students, reducing opportunities for disadvantaged cohorts and the program’s emphasis on in-person training may have reduced opportunities for non-metro students to access higher VET education. Additionally, analysis and information received from stakeholders indicates that the VSL course list is not broad enough to meet the skills needs of industry.

These findings indicate that there are a number of outcome risks being faced by the program which should be addressed as the program matures.

Summary: Program risk

Findings from the review indicate that VSL program settings focus on mitigating the program integrity risks faced by the former VFH. While this has been effective in preventing misconduct and bad debt for the program, it has placed further administrative burden on compliant providers and may have introduced had some unintended risks to outcomes for the program.

Assessment

There is **sufficient** evidence to suggest that the programs management of risk is **Good** (Table 2).

Overall impact

Discussion

The findings of this review indicate that the VSL program is largely effective in achieving its key objectives. VSL makes a positive contribution to the Australian economy, and operates well under its annual loan cap. Additionally, analysis indicates that students are incurring less fees and overall debt, and training quality has increased due to reduced provider misconduct. While findings also indicate that the program has not effectively lifted access rates for disadvantaged students, it has resulted in greater completion rates compared to VFH.

There are mixed sentiments regarding the VSL’s alignment to student demand, although it is aligned to industry demand, but does not cover all the skills needs of industry. Overall the VSL program has adequately addressed integrity risks facing VFH by targeting provider misconduct but findings indicate that a number of outcome risks for the program remain. On balance, this evaluation has found that the VSL program is accomplishing better outcomes for students, and should be expanded to increase impact.

A number of recommendations have also been identified, as listed in Table 8. Suggestions broadly include that the course list could be expanded to meet the needs of students and industry, that administrative requirements could be relaxed for more ‘trustworthy’, compliant providers, and that access rates for disadvantaged students should continue to be monitored.

Table 8: Summary list of recommendations

Theme	Recommendations
Fiscal sustainability and contribution to economic growth	1. Government should adjust program settings to ensure that the fiscal sustainability objective can be balanced with other program objectives, including broadening the range of higher level VET courses offered and encouraging higher levels of participation by equity groups including low-SES and non-metropolitan students.
Quality and Affordability	2. Opportunities to collect outcome related data should be explored, in order to be able to assess the relationship between undertaking VSL courses and undertaking work in relevant industries.
Access and equity	3. Government should give consideration to reviewing the course loan caps to encourage more providers to deliver courses in bands with low uptake, which may reduce gap fees for students and support quality provision of these courses.
	4. Government should continue to monitor access rates for disadvantaged groups as the program expands, particularly indigenous students and students with disabilities.
Student Centred	5. The Department should continue to monitor rates of course completion and consider each provider’s record of course completion rates in decisions whether to re-register a provider for further VSL participation
Industry Need	6. Through the Interim National Skills Commission, Government is developing an approach to skills forecasting to improve the evidence base available to Commonwealth, State and Territory governments to invest in the system and ensure that industry’s skills needs are being met. Work being undertaken by the Interim National Skills Commission on skills forecasting should inform a review of the eligible course list to include more courses as needed to address identified skills gaps.
Integrity and Confidence	7. Government should maintain high standards of entry for providers to gain access to the VSL program but consider ways to relax or reduce the ongoing burden on providers who are participating in the program and remain in good standing.



Appendix 1: Economic Analysis

The KPMG-CGE Model

Overview

KPMG-CGE is one of KPMG’s proprietary computable general equilibrium models of the Australian economy. It has been specifically designed for policy analysis. KPMG-CGE is a well-established tool that has been used to model a wide range of policies and scenarios

In basic form, KPMG-CGE distinguishes 117 sectors and commodities, based on the 2013/14 input-output tables published by the Australian Bureau of Statistics (see ABS (2016) Australian National Accounts: Input-Output Tables (Product Details), 2013-14, Cat. No. 5215.0.55.001). Primary factors are distinguished by 117 types of capital (one type per industry), nine occupations, two types of land, and natural resource endowments (one per industry).

KPMG-CGE models the economy as a system of simultaneous equations that represent interrelated economic agents operating in competitive markets. Economic theory specifies the behaviour and market interactions of economic agents, including consumers, investors, producers and governments. These agents operate in domestic and foreign goods markets, and capital and labour markets. Defining features of the theoretical structure of KPMG-CGE include:

- Optimising behaviour by households and businesses in the context of competitive markets, with explicit resource constraints and budget constraints;
- The price mechanism operates to clear markets for goods and primary factors; and
- At the margin, costs are equal to revenues in all economic activities.

Producer behaviour

A representative firm in each sector produces a single commodity. Commodities are distinguished between those destined for export markets and those destined for domestic markets. Production technology is represented by nested CRESH functions (Hanoch, G. (1971), ‘CRESH production functions’, *Econometrica*, vol. 39, September, pp. 695–712.) allowing a high degree of flexibility in the parameterisation of substitution and technology parameters. Energy goods are treated separately to other intermediate goods and services in production, and are complementary to primary factors.

Labour market

The supply of labour is determined by a labour-leisure trade-off that allows workers in each occupation to respond to changes in after-tax wage rates, thus determining the hours of work they offer to the labour market. The overall supply of labour is normalised on working-age population.

Household behaviour

Household consumption decisions are determined by a linear expenditure system (Stone, R. (1954), ‘Linear Expenditure Systems and demand analysis: an application to the pattern of British demand’, *The Economic Journal*, vol. LXIV, pp. 511–27.) that distinguishes between subsistence (necessity) and discretionary (luxury) consumption. Households can also change their mix of imported and domestically-produced commodities depending of relative prices and tastes. In the short run, total household spending moves with household disposable income. In the long run, total household spending adjusts to ensure there is a constraint on the economy’s accumulation of net foreign liabilities.

Investment behaviour

Investment behaviour is industry specific and is positively related to the expected rate of return on capital. This rate takes into account company taxation, a variety of capital allowances and the structure of the dividend imputation system.

Foreign sector

Foreign asset and liability accumulation is explicitly modelled, as are the cross-border income flows they generate and that contribute to the evolution of the current account. Along with other foreign income flows like labour payments and unrequited transfers, KPMG-CGE takes account of primary and secondary income flows in the current account. These are particularly important for Australia as they typically comprise a significant share of the balance on the current account.

Government sector

KPMG-CGE's theoretical structure and database facilitates detailed modelling of state government (including local) and commonwealth government fiscal accounts and balance sheets, including the accumulation of public assets and liabilities. Detailed government revenue flows are modelled, including all major direct and indirect taxes, and income from government enterprises. Government spending includes public sector consumption, investment and the payment of various types of transfers (such as pensions and unemployment benefits).

Calibration

The key data inputs used by KPMG-CGE are input-output tables. The tables quantify the flows of goods and services from producers to various uses: intermediate inputs to production, inputs to capital creation, household consumption, government consumption and exports. The input-output tables also quantify the flows associated with primary factor inputs: labour, capital, land and natural resources. In KPMG-CGE, the data inputs are combined with the model's theoretical structure to quantify behavioural responses, including:

- price and wage adjustments driven by resource constraints;
- tax and government spending adjustments driven by budget constraints;
- input substitution possibilities in production; and
- responses by consumers, investors, foreigners and other agents to changes in prices, taxes, technical changes and taste changes.

Simulation design

KPMG-CGE has a flexible simulation design: it can be run in comparative-static or dynamic mode.

In comparative-static form, which is used for this study, the economy moves from the baseline equilibrium to a new equilibrium representing a long-run outcome usually indicating the effects of a change 10 years after it has occurred. The long-run outcome is an equilibrium where adjustment is complete in all markets. Thus, industry investment and capital usage has fully responded to perturbations in rates of return. Similarly, the labour market has fully responded to perturbations in unemployment rates.

Economic Impacts – Detailed Approach and Results

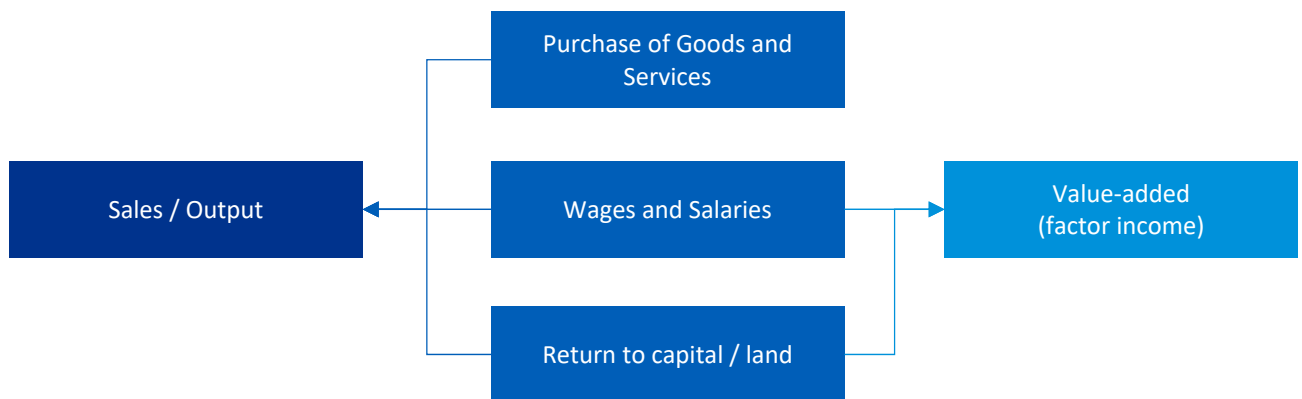
This section discusses the detailed modelling approach that supports the economic impact findings presented throughout the body of this report.

The results in the body of the report presented the overall estimated economic impact of the education of students accessing the VSL program. This impact can be split into two key parts: impact associated with additional employees working across industries following the completion of training (labour force impacts), and the impact associated with a more productive workforce as more employees have higher education levels (productivity benefits). Following an outline of the key economic terms used in this section, these two parts of the overall VSL impacts are then discussed in turn.

Economic measures

Throughout this section, there are several key economic terms used to explain our modelling results. The analysis of the economic contribution of the VSL Program to Australia is based on the components listed in the following figure.

Figure 45: Graphical representation of the difference between sales/output and value-added⁸⁷



- **Sales/Output** is a measure of the value of the goods and services produced by an industry or sector, where the value reflects the cost of inputs: labour, capital, and intermediate inputs of goods and services, including imports.
- **Value-added by industry** is equivalent to output less goods and services, sourced from other suppliers (including imports), and is the sector’s contribution to GSP. By excluding inputs of goods and services from other domestic industries and from overseas, ‘value added’ avoids double counting as it does not include the value added generated by other industries.
- **Employment** refers to the total number of people employed (full time and part time).
- **GDP** is a measure of the total value added of industry in Australia plus indirect tax revenue received by government. GDP is a measure of productive activity in Australia but does not account for the destination or nationality of those accruing income.

⁸⁷ Source: KPMG

Labour force impacts

Education plays a key role in producing individuals capable of obtaining employment, higher wages and driving economic growth. Analysing the labour market outcomes of education and training provides a strong understanding of the benefits of education to individuals and the economy. An estimate of improved employment outcomes arising from VSL's provided by approved providers can be derived through analysis of completing students' employment prospects.

As shown in Table 9, the labour force participation rate of VSL students increased to 87.9 per cent after completion of study (84.4 per cent prior), and the employment rate increased to 78.4 per cent after completion of study (74.0 per cent prior).

Table 9: VSL labour force participation and employment, pre- and post-training, 2017⁸⁸

	Before training	After training
Participation Rate (% of cohort in the labour force)	84.4%	87.9%
Employment rate (employment / labour force)	74.0%	78.4%

As this analysis considers impacts to the Australian economy, labour force improvements need to be expressed relative to the Australian labour market. Table 10 presents Australian labour force data,⁸⁹ with and without the annual impact of education assisted by VSL's in 2017. The table shows that the support of VSL results in a larger labour force and fewer unemployed persons. Note that unemployment, by definition, is the group of people choosing to participate in the labour force who cannot find work – the data shows that VSL's result in more people participating in the labour force while also having fewer people unemployed.

Table 10: Australia labour force 2017 - Impact of VSL Program⁹⁰

	Labour Force	Without VSL addition	Unemployed Persons	Without VSL reduction	Change in employment rate
Australia	12,977,558	12,976,272	725,588	725,867	0.01%

Results show that the annual labour force impact attributable to VSL outcomes does have a positive effect on the labour force in Australia. Whilst the stock and flow of the labour force is changing on a regular basis (that is, the total number of people in the labour force, and the number moving in and out of the labour force each year), **KPMG estimates there was a net positive difference of 0.01 percentage points in Australia's 2017 employment rate attributable to VSL education attainment.**

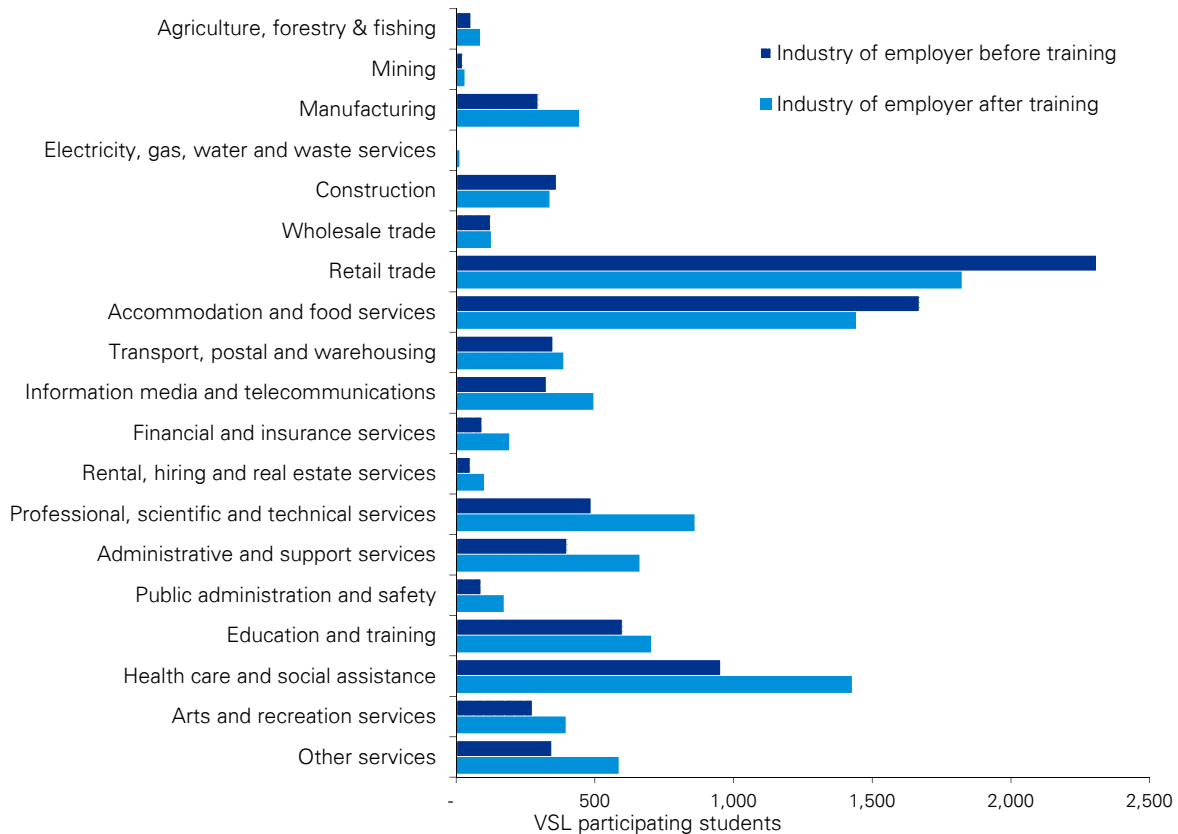
⁸⁸ Source: NCVET Student Outcomes 2018.

⁸⁹ ABS cat. 6202.0 - Labour Force, Australia, May 2019.

⁹⁰ Source: NCVET Student Outcomes 2018, ABS, KPMG.

VSL education also changes the composition of Australian industries. Figure 46 reveals the industry of employment for VSL students before and after training. There is a redistribution of workers away from industries such as *Retail trade* and *Accommodation and food services* towards other industries including *Health care and social assistance* and *Professional, scientific and technical services*. Through greater education attainment, workers are able to move into industries that require particular skillsets or higher levels of education.

Figure 46: Industry of employer related to VSL education before and after training, 2017⁹¹



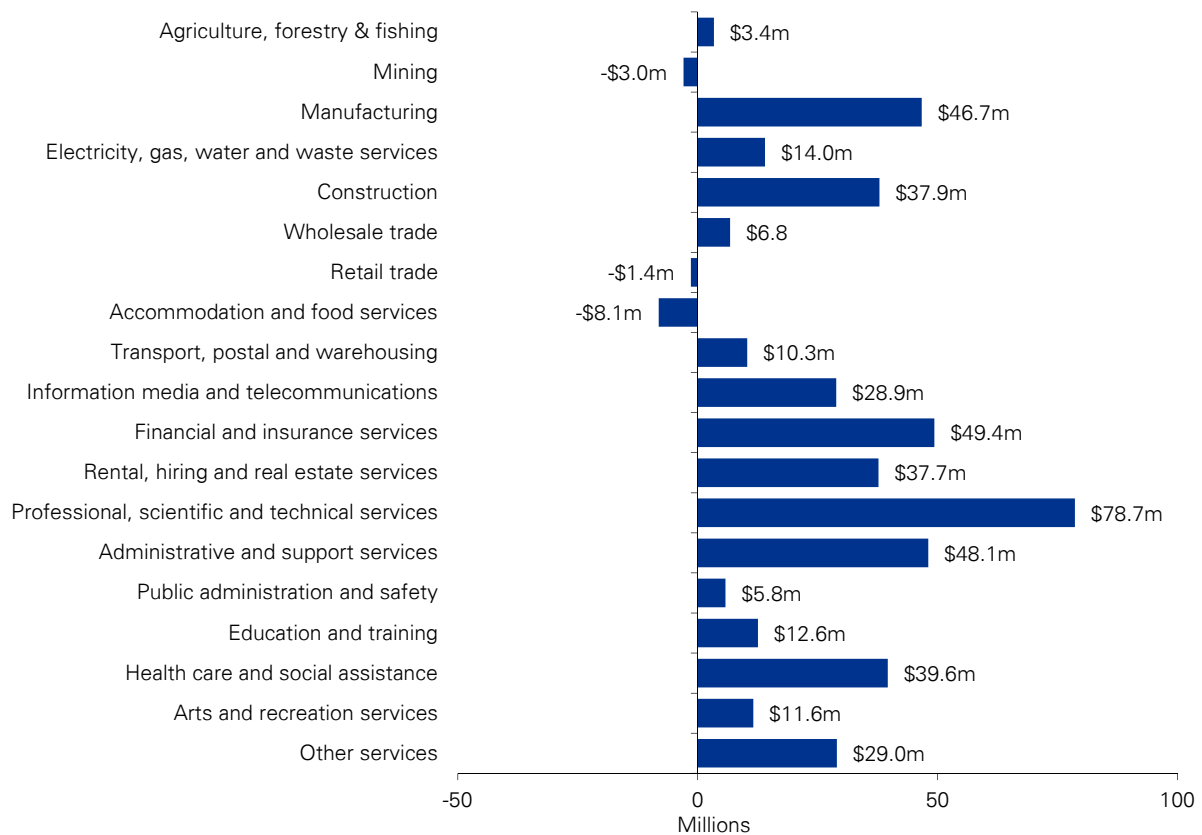
To model the economy-wide impacts of the changes in the labour force outlined above, the labour force structure contained within the KPMG-CGE model was modified to reflect these results. This method provides a more comprehensive analysis of the economic impacts arising from labour force outcomes, considering whole-of-economy feedback effects.

Students completing an education with VSL assistance move into the labour force with higher skill levels and better employment prospects than would otherwise be the case. The increased supply of skilled labour benefits particular Australian industries, consistent with the results presented in Figure 47. With increased access to skilled employees, industries expand production by employing more workers and purchasing additional goods and services.

It is estimated that **in 2017, benefits from a larger workforce** as a result of additional up-skilling of students through the VSL program **supported an additional \$220 million in value-added to the Australian economy.**

⁹¹ Source: NCVET VET Student Outcomes 2017.

Figure 47: Change in industry output (\$ million) as a result of labour market changes related to VSL education in Australia, 2017⁹²



The *Professional, scientific and technical services* sector has the largest increase in industry output, followed by *Financial and insurance services*, and *Administrative and support services* sectors. The output increases are smaller for other industries, although *Manufacturing* also sees notable increases in output. The size of the output increases generally reflect the increase in the size of the workforce in an industry.

⁹² Source: KPMG-CGE simulation.

Productivity benefits

The analysis below estimates the productivity improvements arising from an education backed by VSL, through analysis of completing students’ employment outcomes and wage premiums. NCVER provides detailed student outcome data relevant to this analysis, and Australian labour force statistics are available from the ABS.

Wilkins (2015) analysed HILDA⁹³ data to derive wage premiums associated with educational outcomes, controlling for demographic factors and cognitive ability.⁹⁴ Wilkins estimates wage premiums relative to a Year 11 education. Wilkins found a high wage premium for Diplomas and Advanced Diplomas, with 28 per cent and 8 per cent higher wages for males and females, respectively, compared to those who had only completed Year 11.

Wilkins (2015) estimated education wage premiums provide an indication of productivity improvements arising from education – that is, assuming workers are paid their marginal product of labour or close to it, wage premiums attributable to educational attainment will reflect higher productivity by more educated workers. For example, this productivity is likely to be demonstrated through a better understanding of how to address technical issues within a sector, and is also likely to reflect improvements in transferable skills, such as better problem solving and teamwork.

To model the impacts of higher productivity, the KPMG-CGE model uses the enhanced earnings capacity associated with educational attainment as a reflection of the improvement in the productivity of the individual completing study. Before applying a productivity shock to the Australian labour force in KPMG-CGE, the wage premium must first be scaled such that it represents only those productivity improvements that relate to the 2017 VSL students who are employed after study (either re trained, up skilled or are entering the workforce for the first time).

Firstly, Wilkins’ findings are normalised across gender, by taking a weighted average of the earnings premium associated with education attainment according to proportions of the Australian workforce who have attained such education and who are male or female.⁹⁵ Data is derived from the 2016 Census, considering employed persons by gender and highest education attainment, where place of work is Australia.⁹⁶

Table 11: Employed persons (Australia) highest educational attainment⁹⁷

Employed persons by highest educational attainment, earnings premium				
Education Level	Males	Females	Persons	Wage premium (sex weighted average)
Advanced Diploma or Diploma	527,433	652,665	1,180,098	17%

After weighting the weekly earnings premiums for gender (using Australian labour force data), it was found that an Advanced Diploma or Diploma attainment attracts a 17 per cent wage premium relative to those with a Year 11 education.

Thus the final productivity shock to the KPMG-CGE model is the productivity improvement associated with educational attainment (Advanced Diplomas or Diplomas, 17 per cent). Since labour productivity is industry-specific in KPMG-CGE, we further weight the productivity improvement for the relative impact of those students entering the workforce on the existing stock of labour by industry. This allows the productivity shock to represent an **annual** improvement related to VSL student outcomes, that recognises two important effects – firstly, that each Australian industry benefits from productivity

⁹³ The Household, Income and Labour Dynamics in Australia (HILDA) Survey is a household-based panel study that collects valuable information about economic and personal well-being, labour market dynamics and family life.

⁹⁴ Wilkins (amended), 2015, http://melbourneinstitute.unimelb.edu.au/_data/assets/pdf_file/0006/2155506/hilda-statreport-2015.pdf.

⁹⁵ KPMG-REG does not distinguish between genders when computing productivity enhancements of the Queensland labour force.

⁹⁶ 2016 Census – Counting Employed Persons, Place of Work (POW) (custom export from Table Builder Pro).

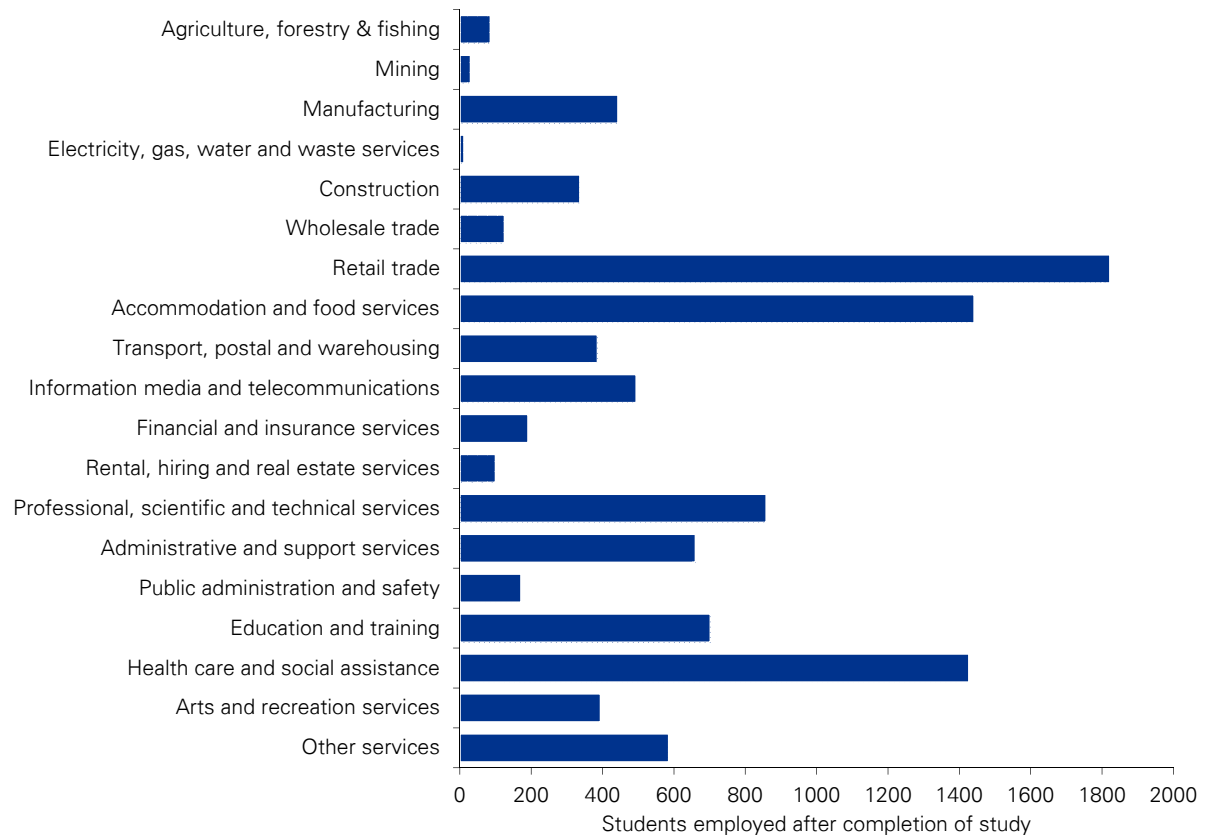
⁹⁷ Source: 2016 Census, Wilkins (2015), KPMG.

improvements to varying magnitudes; and secondly, that the flow-on benefits of improved labour force productivity will differ by industry, depending on their labour force pattern.

By considering productivity improvements across Australian industries, the KPMG-CGE modelling will better reflect the economic contribution of the VSL program to the Australian labour force.

To illustrate this methodology, Figure 48 shows industry of employment post-study, by VSL students completing study with either a Advanced Diploma or Diploma.

Figure 48: VSL students industry of employment post-study, 2017⁹⁸

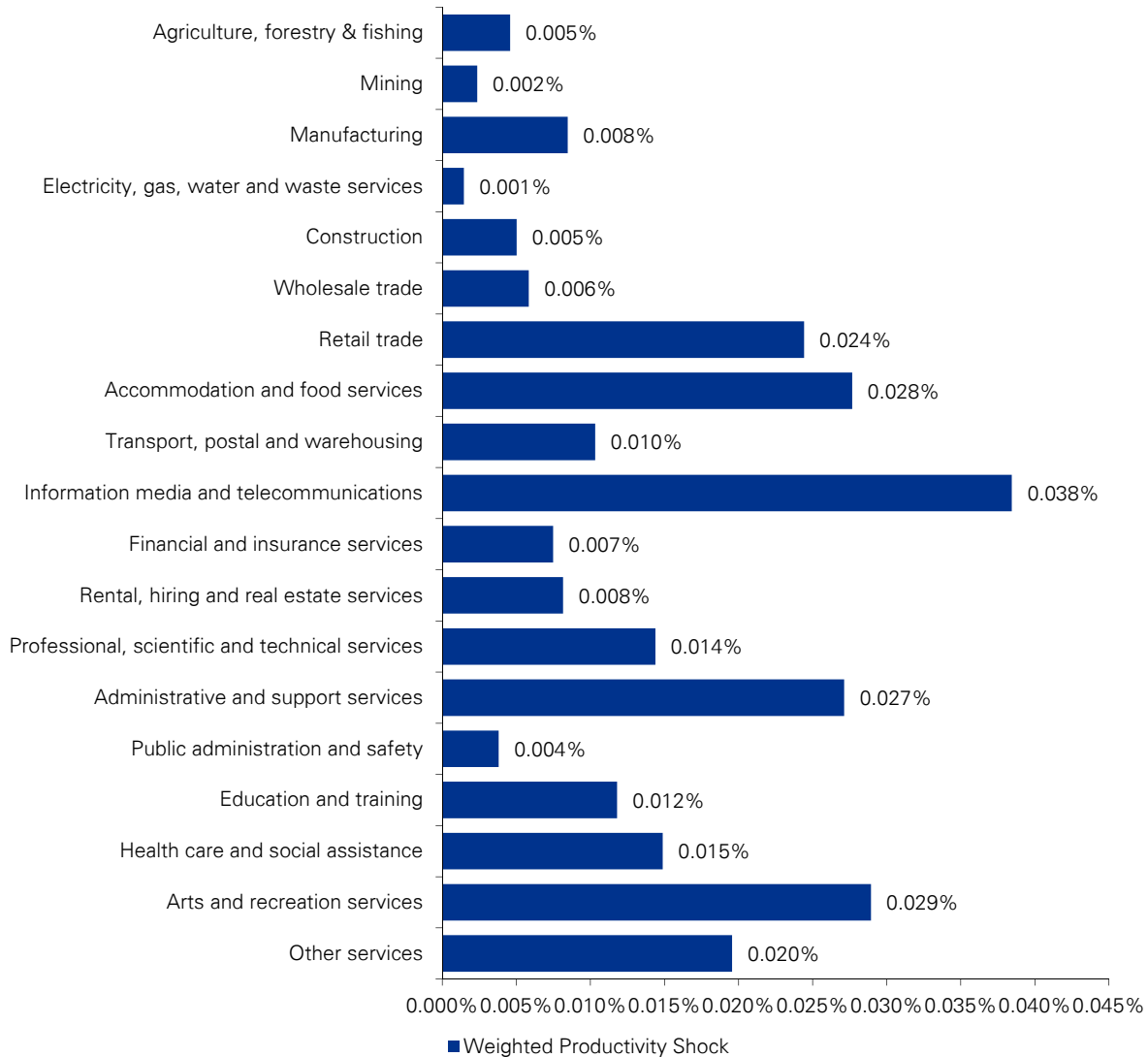


Data from the NCVET Student Outcomes Survey highlights the different industry outcomes after the 2017 VSL student cohort completed their additional education qualifications. For example, 337 graduates entered the *Construction* industry after attaining a VSL supported Diploma or Advanced Diploma. In comparison, 1,822 of the 2017 VSL graduates entered the *Retail trade* industry.

⁹⁸ KPMG analysis, NCVET Student Outcomes 2018.

Figure 49 depicts the final annual productivity improvement by industry, after considering the relative impact of students entering each industry (in relation to the size of the existing pool of employees in each industry).

Figure 49: Annual productivity improvement related to VSL students entering the Australian labour force, by industry, 2017⁹⁹



The productivity improvement is largest in the *Information media and telecommunications* industry, mainly due to the volume of skilled workers entering this sector relative to the initial stock of workers. Productivity improvements are smaller in other industries, because fewer students work in these sectors after completing study, and the impact of the flow of students entering the workforce is small relative to the existing labour force. These productivity improvements are imposed on the KPMG-CGE model by industry.

⁹⁹ NCVER Student Outcomes 2018, ABS, KPMG.

Example Productivity Shock

If 1,450 students graduated with a Diploma and entered the *Accommodation and food services* sector, representing 0.03% of the existing industry labour force; 0.03% multiplied by the Diploma wage premium (17%) = $0.0003 \times 0.17 = 0.051\%$ productivity impact.

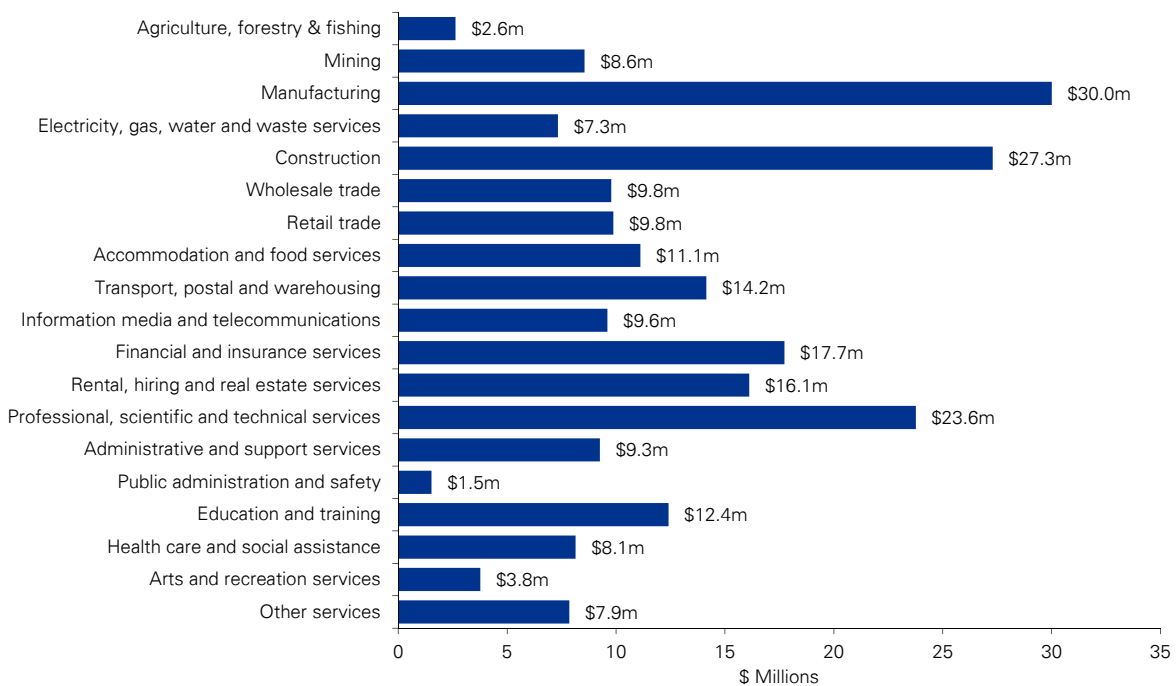
Note: Rounding throughout example.

To model the impacts of the productivity improvements, the KPMG-CGE model uses the enhanced earnings capacity associated with educational attainment as a reflection of the improvement in the productivity of the individual completing study.

The industry-level impacts are provided in the following figure. The skills and technical abilities provided to VSL students makes them more productive employees, which increases output per worker and in turn results in a larger national economy.¹⁰⁰ More productive employees in one industry also results in flow-on benefits for other industries.

As can be seen in the following industry-level results, a more skilled and productive labour force is beneficial to all industries. Industries employing higher skilled workers are able to produce more with a given amount of capital and labour.

Figure 50: Change in industry output (\$ million) due to productivity improvements signalled by VSL related wage premiums, Australia, 2017¹⁰¹



¹⁰⁰ VSL graduates only were included in this simulation. Subject completers were excluded on the assumption that the completion of a single course does not improve worker productivity and attract a wage premium.

¹⁰¹ Source: KPMG-CGE simulation.



Appendix 2: Consulted Organisations

Stakeholder Group	Stakeholder Organisation
Commonwealth Government	Department of Education and Training
	Department of Social Services
State and Territory Government	Department of Industry (NSW)
	Department of Education and Training (VIC)
	Department of Employment, Small Business and Training (QLD)
	Department for Innovation and Skills (SA)
	Department of Training and Workforce Development (WA)
	Department of State Growth (TAS)
	Department of Trade, Business and Innovation (NT)
	Chief Minister, Treasury and Economic Development Directorate (ACT)
Industry Group	Business Council of Australia
	Australian Industry Group
	Australian Chamber of Commerce and Industry
Regulators	Australian Skills Quality Authority
	Training and Accreditation Council Western Australia
Provider Peak Bodies	TAFE Directors Australia
	Independent Tertiary Education Council Australia
	Australian Education Union
RTOs	TAFE Queensland
	TAFE NSW
	Australian Catholic University Limited
	Flight Training Adelaide Pty Ltd
	Navitas Professional Institute Pty Ltd
	Victorian Fitness Academy
	Australian Academy of Beauty & Dermal Therapy
	Australian Performing Arts Conservatory



Appendix 3: Online Survey of Providers

A total number of 351 survey responses were received. Of these:

- 33 responses were partially completed
- 130 (57 per cent) respondents were approved VSL providers

After data cleansing, 324 responses were analysed. Data cleansing included removing responses where an insufficient amount of questions were answered (not including background questions).

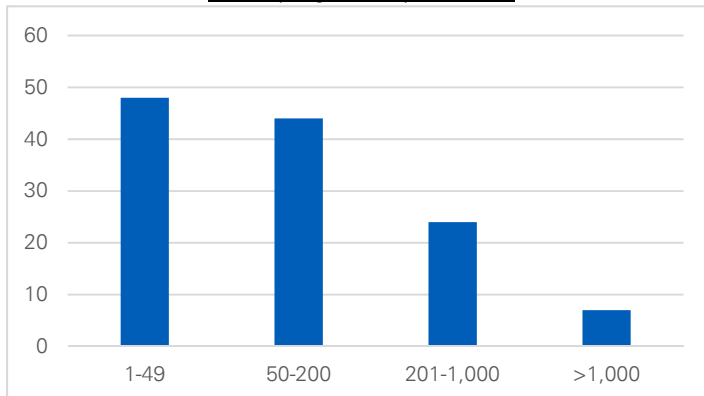
Provider type	Number of responses	Number of providers invited	Unreached (Approximate) Rate	Response Rate
VET Student Loan Approved Providers	121	227		53%
Non-approved providers – withdrawn	12	97		12%
Non-approved providers – applied but not approved	26	72		36%
Non-approved providers – have not applied	165	1898		9%
Total	324	2294	163	15%

Of the responses included in the data analysis:

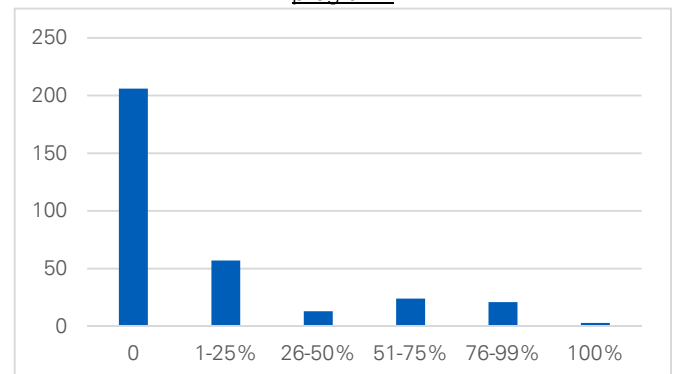
- 62 per cent (201) had no students enrolled in the VSL program
- 1 per cent (3) had 100 per cent of students who had accessed VSL
- 82 per cent (266) were Private, 9 per cent (29) were 'Other Public', 6 per cent (18) were TAFE and 3 per cent (11) were undefined (RTO codes entered by the provider did not match those received by the Department)

Background Questions

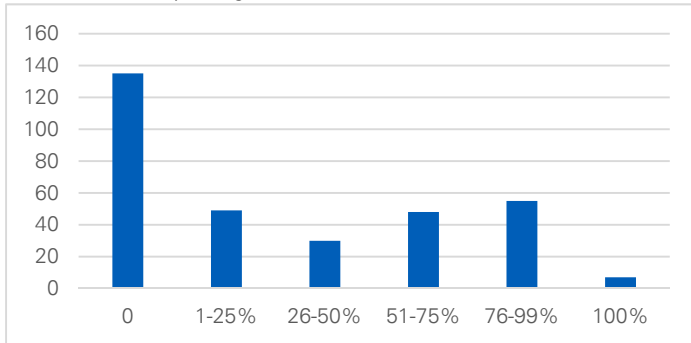
How many students are currently enrolled in the VET Student Loans program at your RTO?



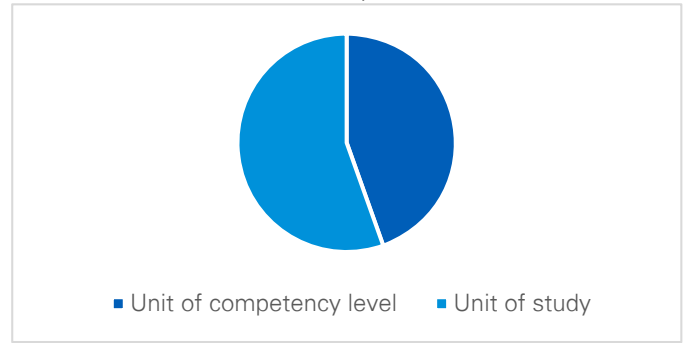
What percentage of all students currently enrolled at your RTO have accessed a loan through the VET Student Loans program?



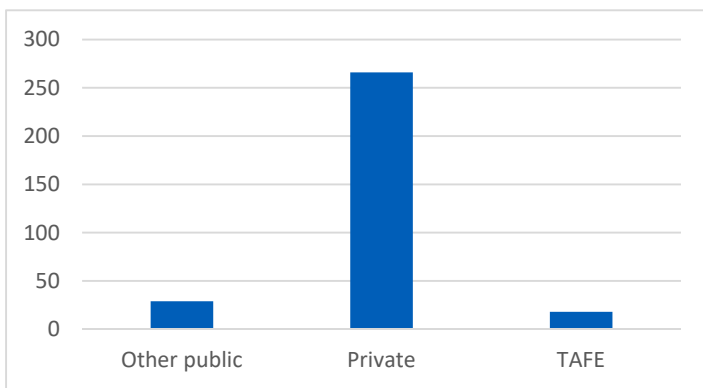
What percentage of all students at your organisation are completing State-subsidised VET courses?



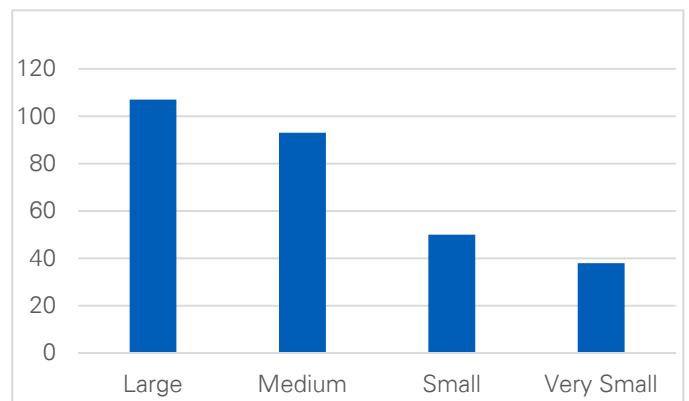
Do you currently report at unit of competency level or unit of study?



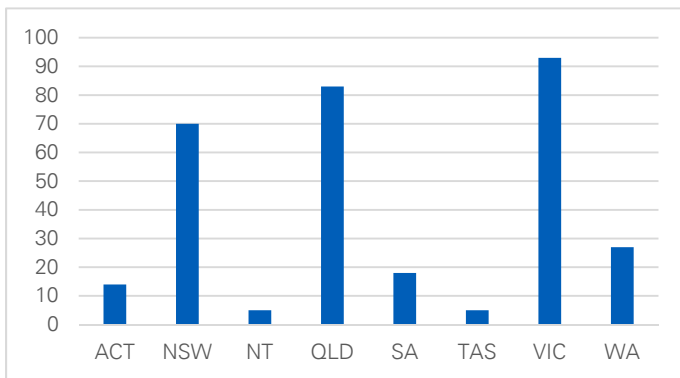
What type of provider is your RTO?



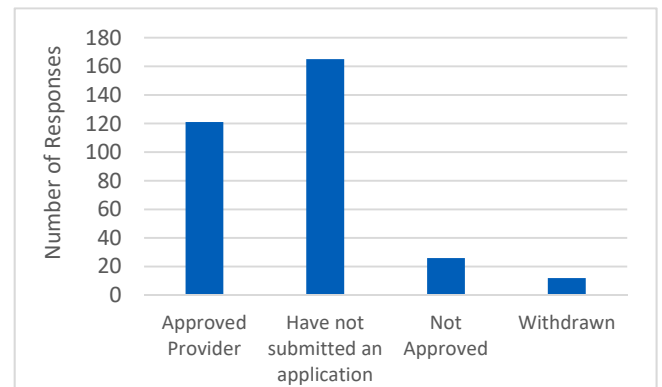
RTO Size



Please indicate the states/territories where your training facilities are located

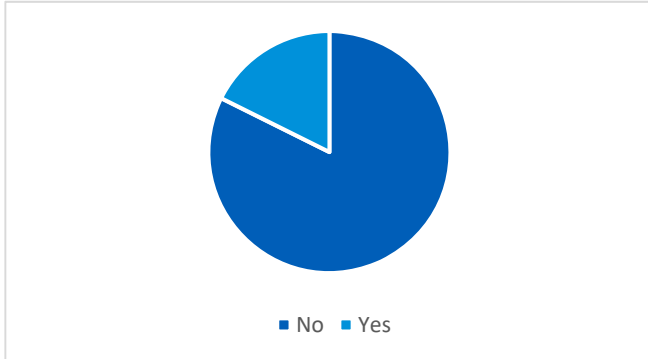


What is your RTO's involvement in the VET Student Loans program?

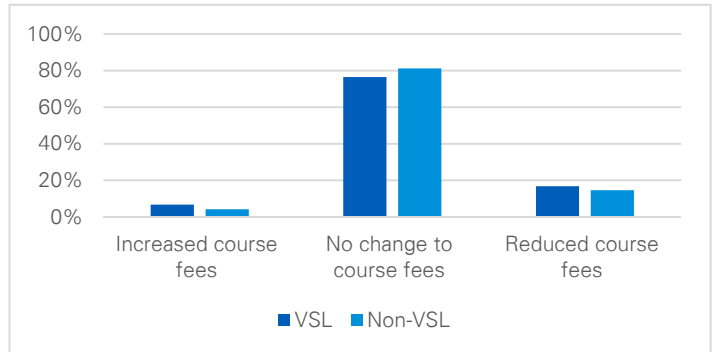


Quality and Affordability

Has the VET Student Loans program led to any changes at your RTO that will affect the quality of training provided?
(119 Responses)

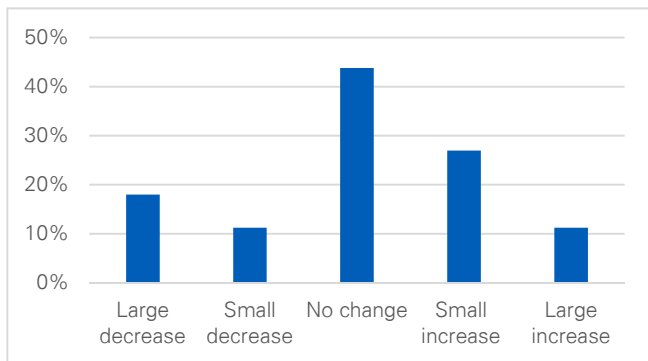


Has your RTO changed its course fees as a result of the introduction of the VET Student Loans program?
(311 Responses)

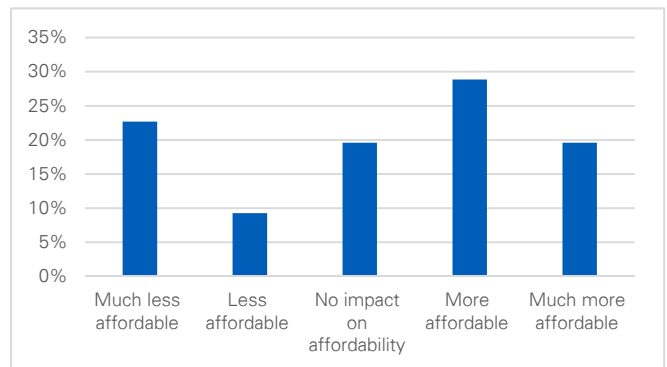


Access and Equity

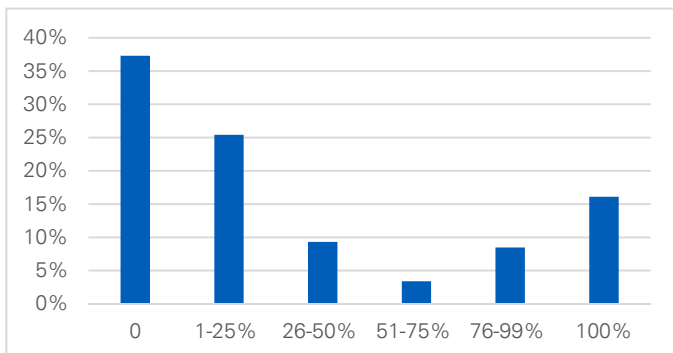
What impact has the VET Student Loans program had on the proportion of disadvantaged students undertaking training at your RTO? (89 Responses)



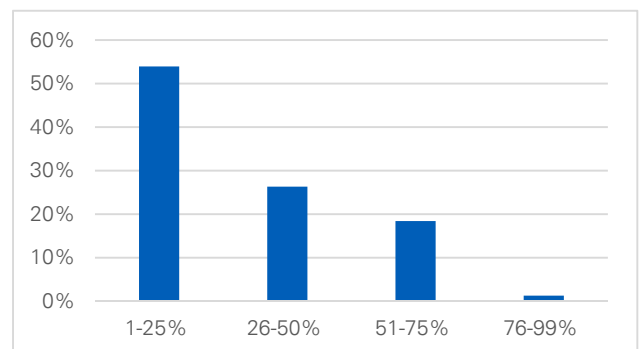
What impact has the VET Student Loans program had on the affordability of your courses for disadvantaged students? (97 Responses)



What proportion of your VSL courses have a gap fee?
(118 Responses)

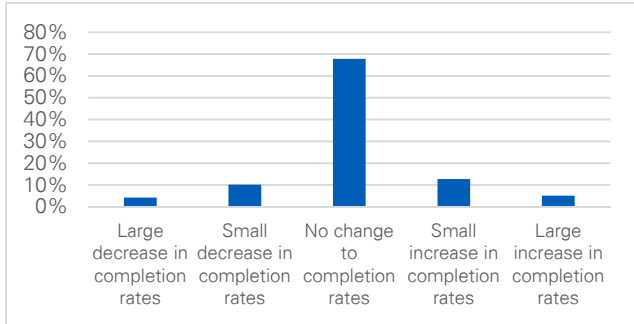


For courses with a fee gap, what is the average amount of the fee gap, as a proportion of the overall course fee?
(76 Responses)

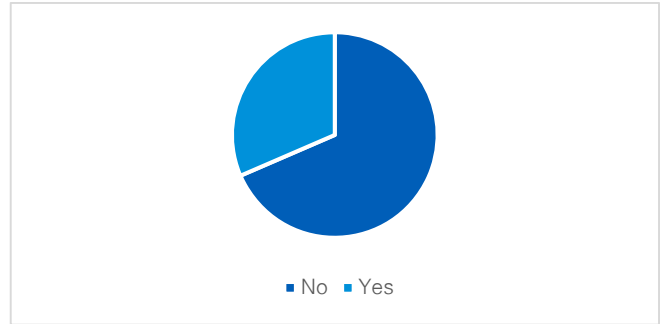


Student Centred

What impact do you believe the VET Student Loans program has had on the unit and course completion rates at your RTO for students with a VET Student Loan? (118 Responses)

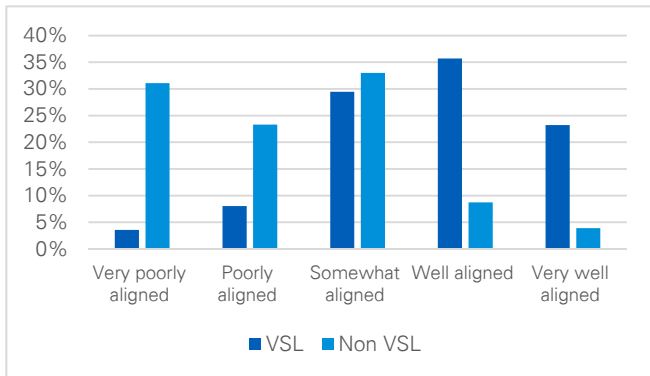


Has the VET Student Loans program impacted the type of courses that students are enrolling in at your RTO? (324 Responses)

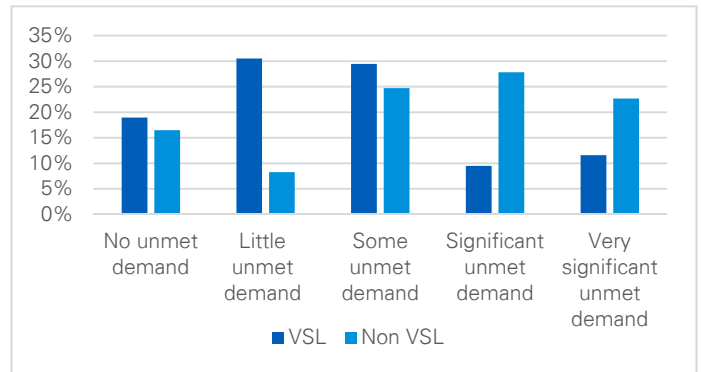


Industry Need and Employment Outcomes

How well does the VET Student Loans program align eligible courses to industry needs? (215 Responses)

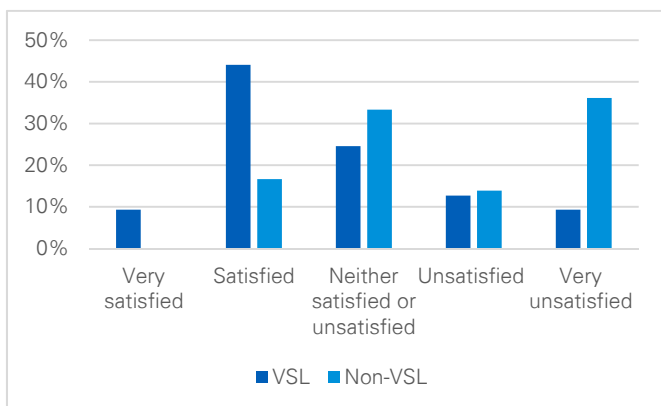


To what extent is there unmet demand for courses as a consequence of the design of VSL? (192 Responses)



Government Communication

How satisfied are you with the level of communication/information received from the Government? (154 Responses)



Has VSL impacted the type of courses students are enrolling in?

Common themes in responses:

- The VSL program has had a negative impact on Certificate I – Certificate IV level course enrolments and increased accessibility to Diploma level courses
- Flight training was singled out as a field which is now more accessible to students due to the high costs associated with provided training
- VSL eligible courses have experienced an increase in enrolments and increased uptake from financially disadvantaged students
- Courses ineligible for VSL have experienced a decrease in enrolments
- Course gap fees are negatively correlated to student demand

Why has your RTO chosen not to apply for approval under the VET Student Loans program?

Common themes in responses:

- Complex and burdensome administration requirements
- Bad reputation
- The business model of their RTO is not suitable for the program
- The student cohort of their RTO is not suitable for the program
- Courses offered are not eligible for the VSL program

Has VSL impacted the quality of training?

Common themes in responses:

- Increased reporting requirements have improved the structure of course delivery
- The program encourages focus on progression and completion
- The program has increased the administrative burden on providers, reducing the amount of resources available to focus on training quality
- The program limits flexibility and increases overhead costs

What has been the effect of the fee gap on student demand? (75 responses)

- Decrease to student demand- 41 responses
- Little to no change to student demand- 19 responses
- Unclear- 15 responses

How could communication from the department be improved?

Common themes in responses:

- Increase verbal communication, less reliance on email correspondence
- Appoint a dedicated contact within the department for VSL enquiries
- Staff are friendly, however timeliness of responses could be improved
- Lack of communication in general, important information is left until the last minute
- Government lacks trust in providers

Other Comments:

Common themes among all providers:

- The program has increased the administrative burden (cost and effort) on current providers
- Some providers did not receive sufficient feedback when rejected
- Not having access to the program has been detrimental to the performance of some providers, while some approved providers stated the program caused low student enrolment
- Small RTOs are unable to access the program due to the administrative burden
- The program increases the overall cost to students and decreases demand
- The program should be expanded to include more: providers, courses and VET qualification levels
- The program does not take in to account pre-requisite courses

Themes specific to VSL approved providers:

- Due to the gap fee, students are choosing similar qualifications at higher education institutions. Loan caps are too low and not sustainable
- Overall, the program is an improvement from the VFH



Appendix 4: Program Data Analysis

To understand the quantitative impact of the VSL program against its objectives, program data retrieved from statistical tables relating to VFH and VSL was analysed. Where this data was insufficient, program data was requested from the Department of Employment, Skills, Small and Family Business.

Student-related data:

- Demographics and other information on the cohort of students accessing the VSL program
- Satisfaction levels as measured through NCVET SOS survey and eCAF survey results
- Employment outcomes as measured through NCVET SOS survey and eCAF survey results
- Student Unit Completion Rates and Course Completion Numbers by Student Characteristics for VSL
- Student Unit Completion Rates and Course Completion Numbers by Student Characteristics for VFH

Provider data:

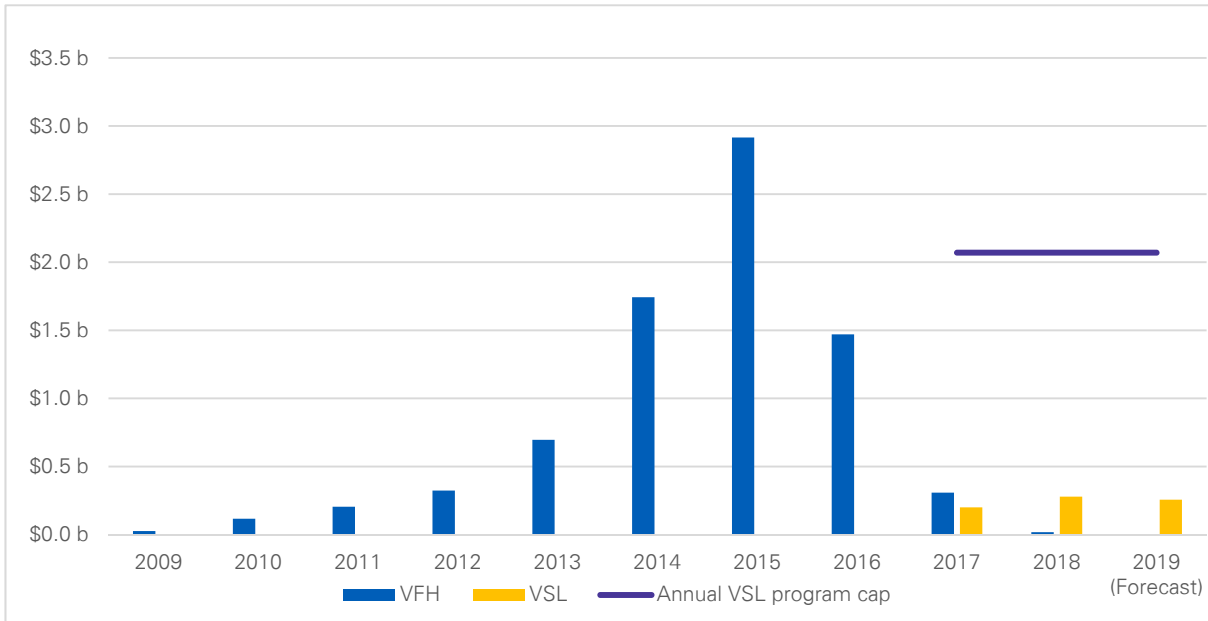
- Program data on:
 - geography, size and other characteristics of providers
 - geography, size and other characteristics of providers who have exited

Program and project management data:

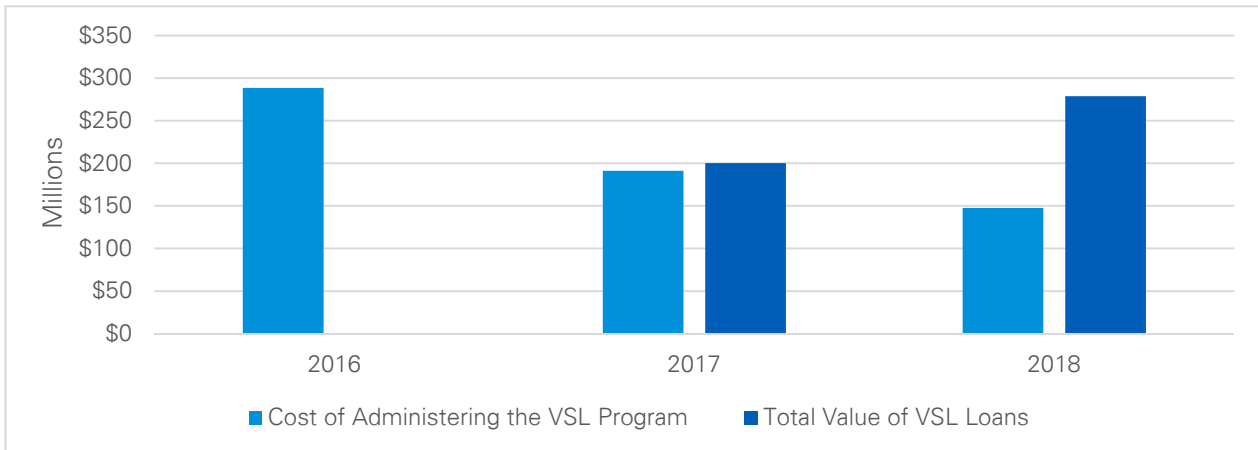
- VSL and VFH program data
- Data on cost of courses with and without VSL assistance
- eCAF error rate data

Fiscal Sustainability

Total VFH/VSL Loans 2009-2019 (Forecast)

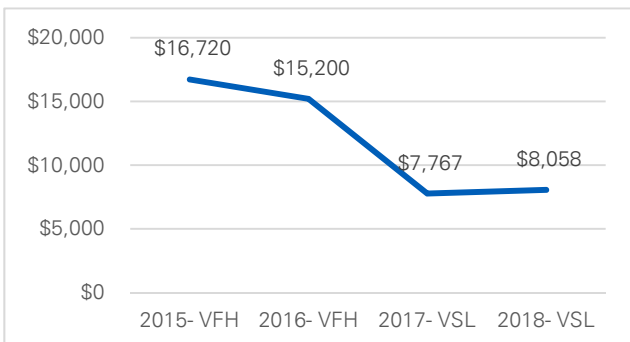


Comparison of Total Value of VSL Loans and Cost of Administering the VSL Program

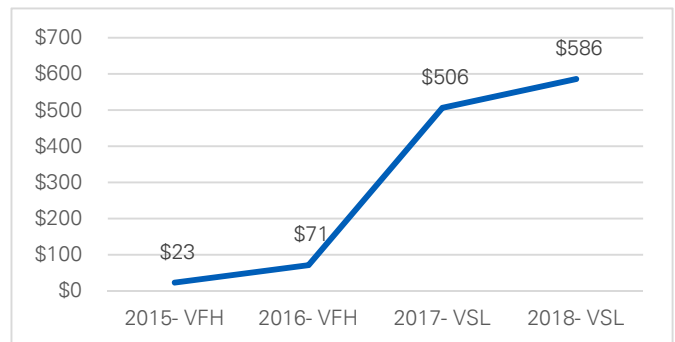


Quality and Affordability

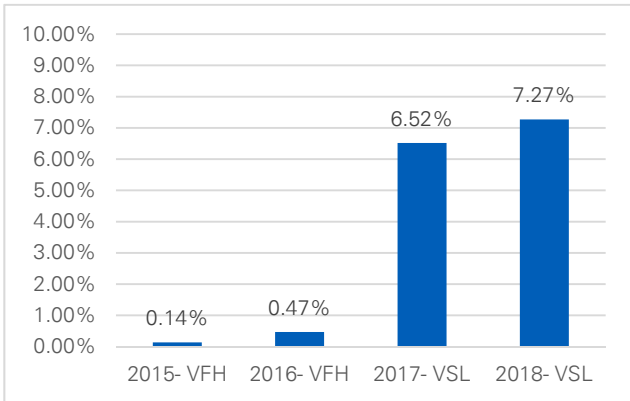
Average Tuition Fees per EFTSL



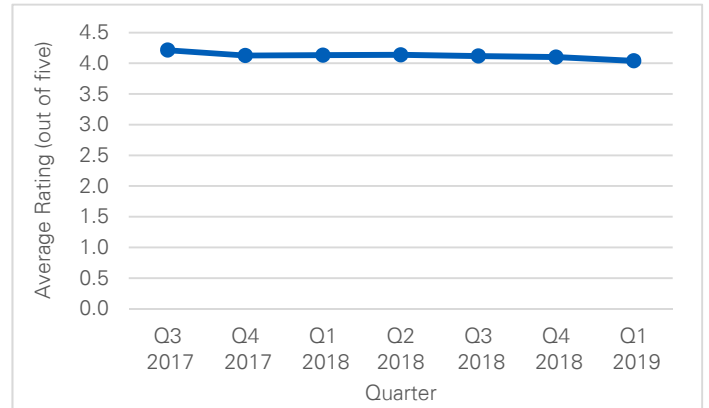
Average Fee Gap per EFTSL



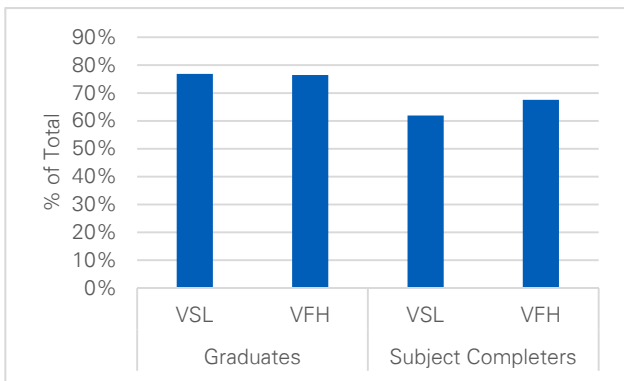
Percentage Average Fee Gap of the Tuition Fee



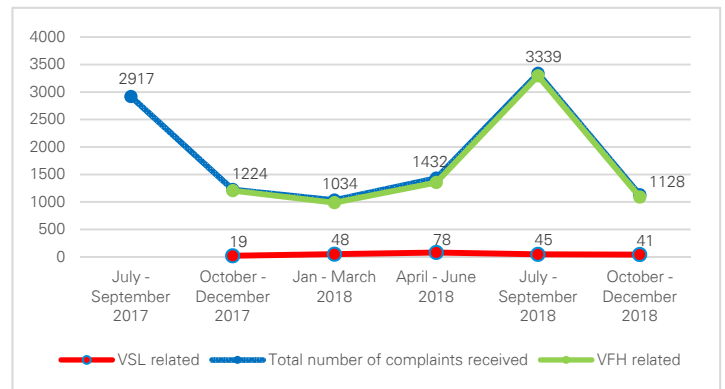
VSL Student Satisfaction Rate (eCAF)



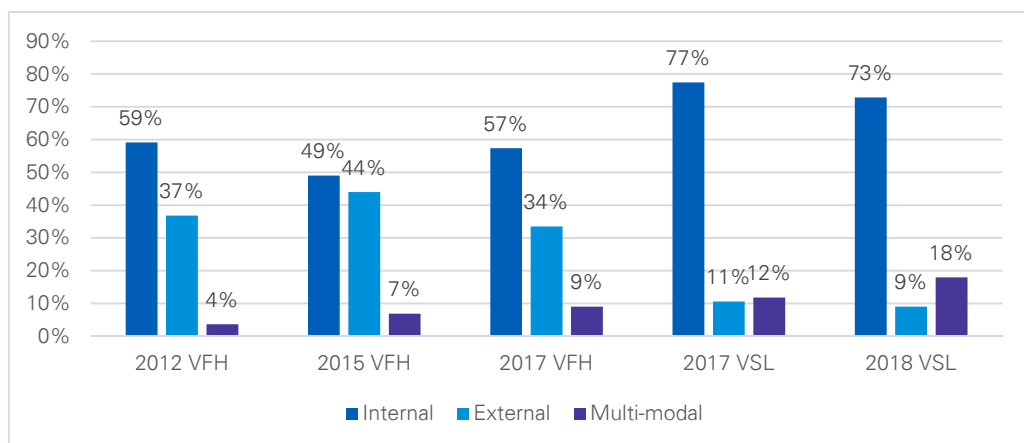
Overall Satisfaction in 2018 (NCVER)



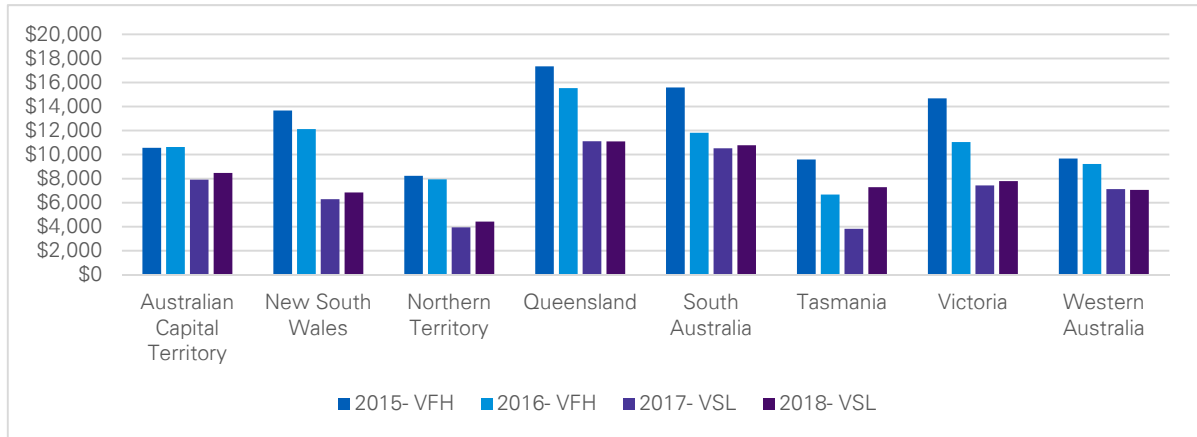
Number of Complaints Received by the Commonwealth Ombudsman



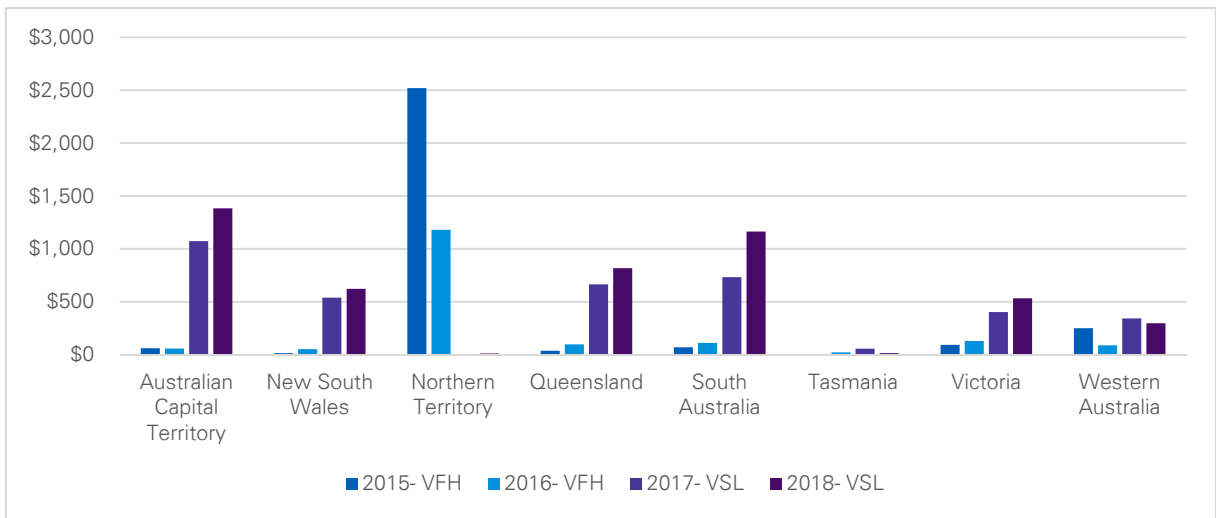
Total EFTSL by Mode of Attendance



Average Tuition Fee per EFTSL by State

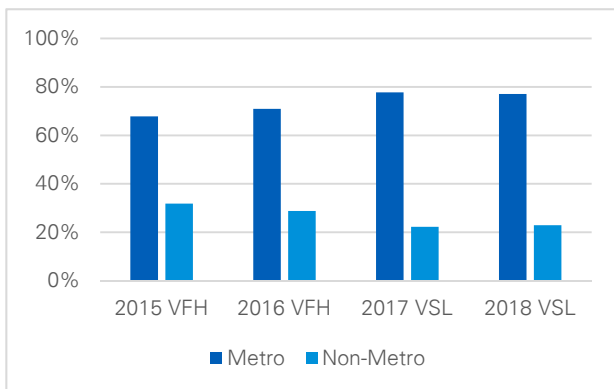


Average Fee Gap per EFTSL by State

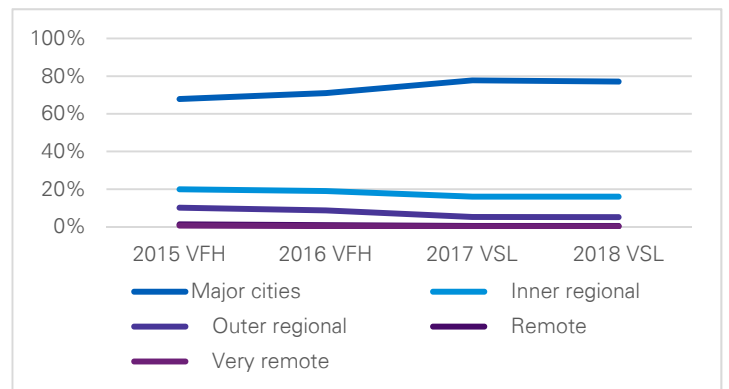


Access and Equity

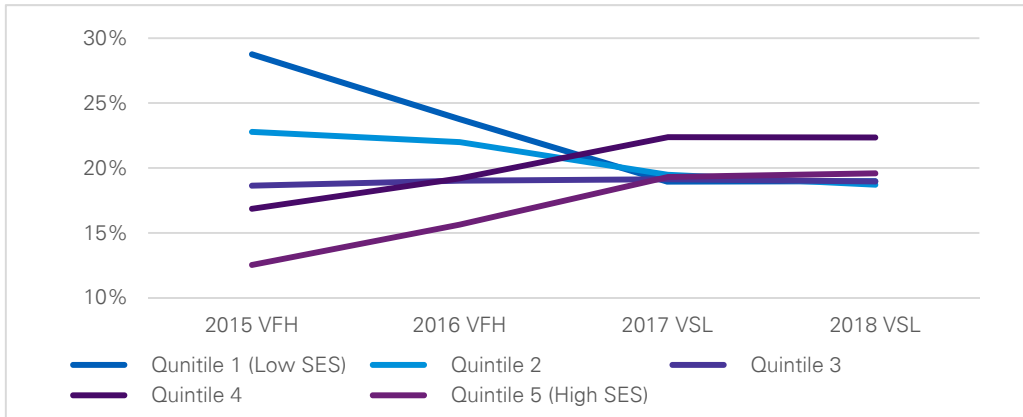
Proportion of Metro/Non-Metro Enrolments



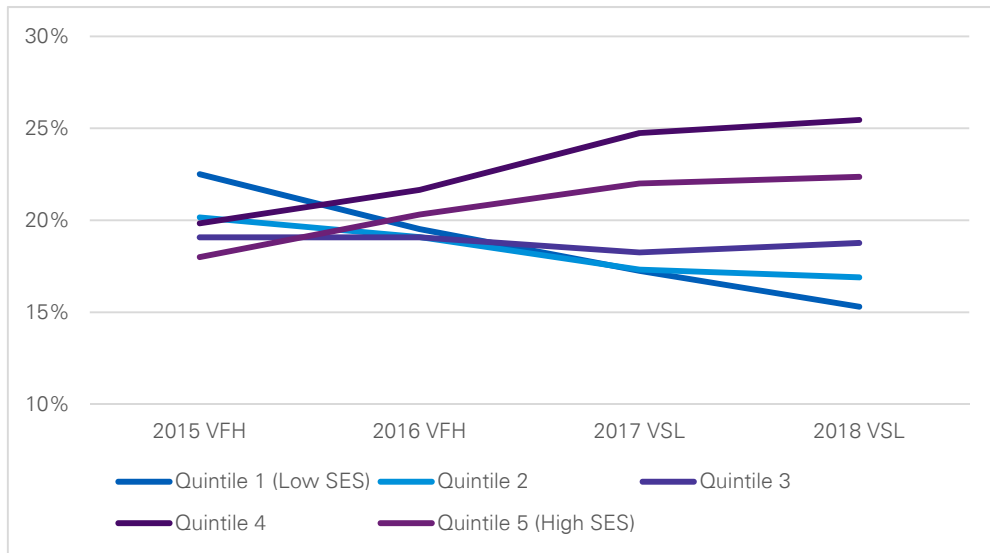
Non-Metro VSL Enrolments



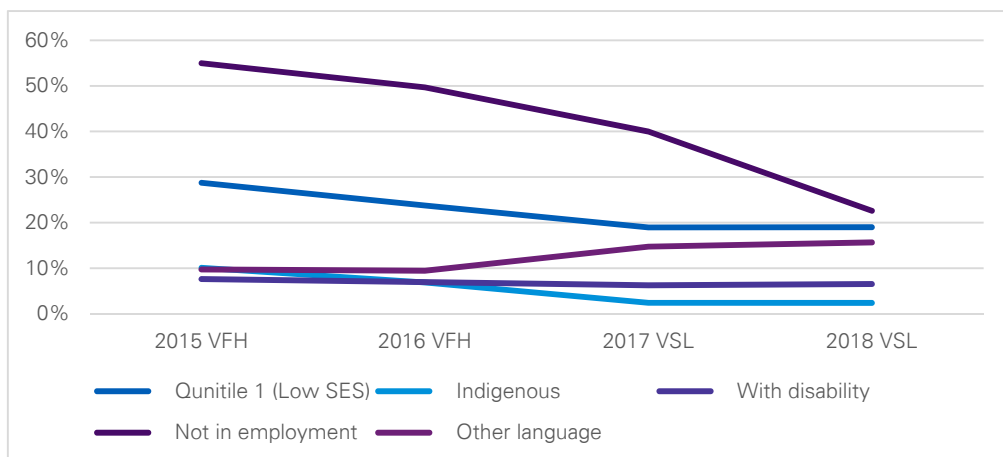
Enrolments by SES



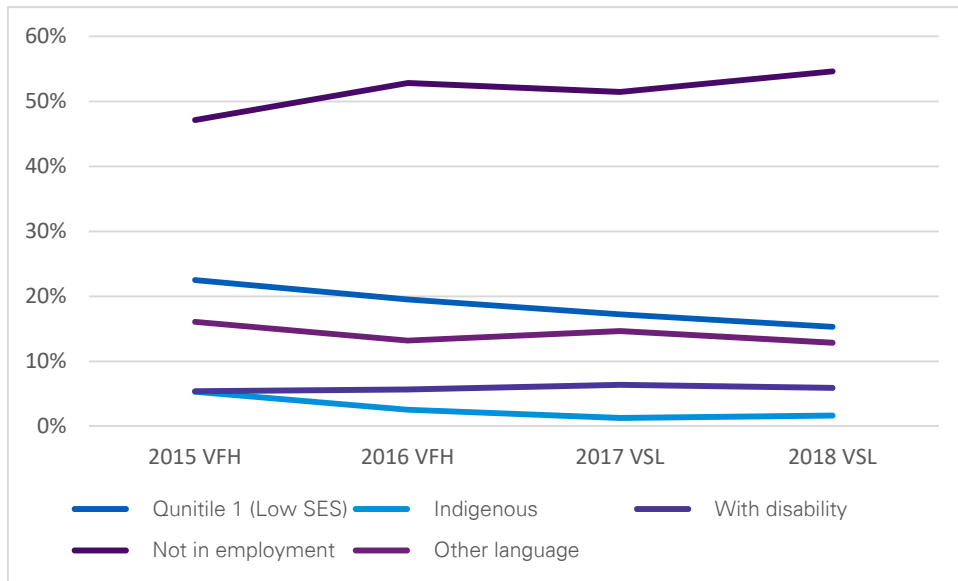
Completions by SES



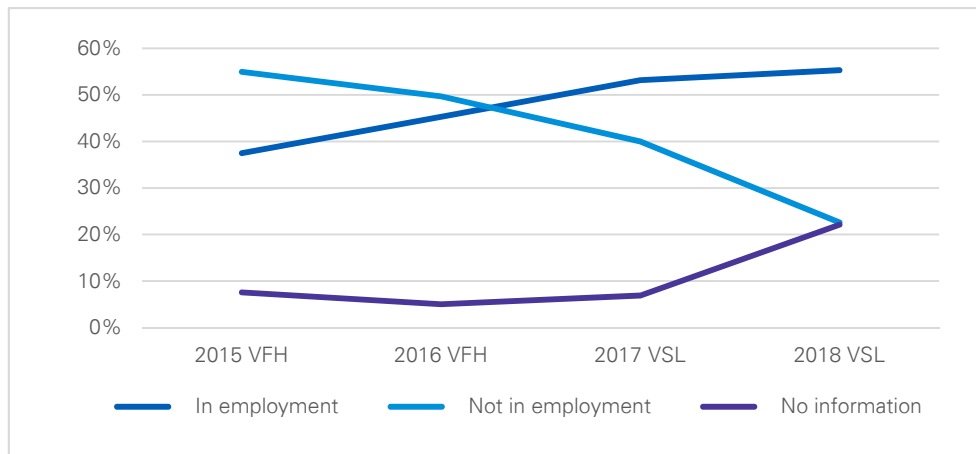
Enrolments by Various Disadvantaged Cohorts



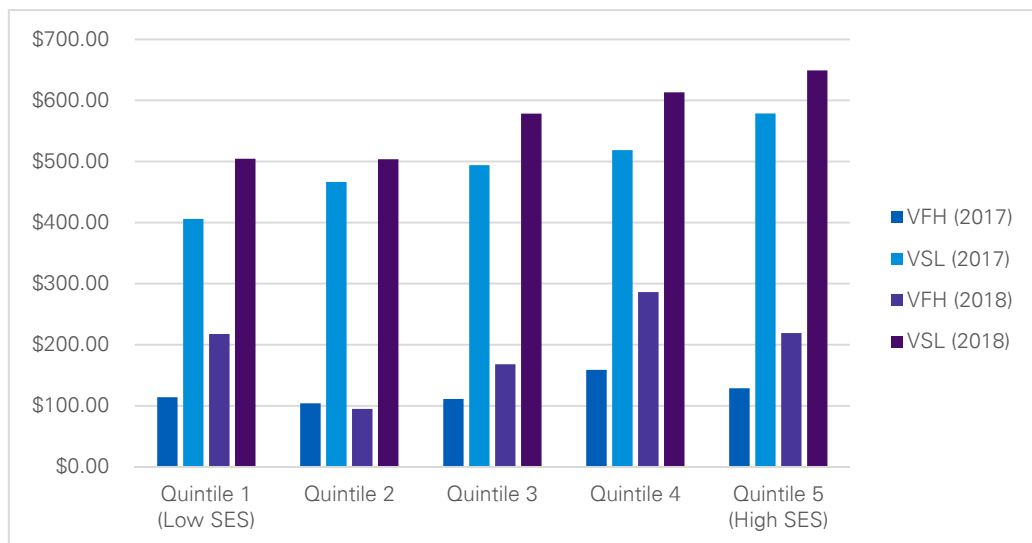
Completions by Various Disadvantaged Cohorts



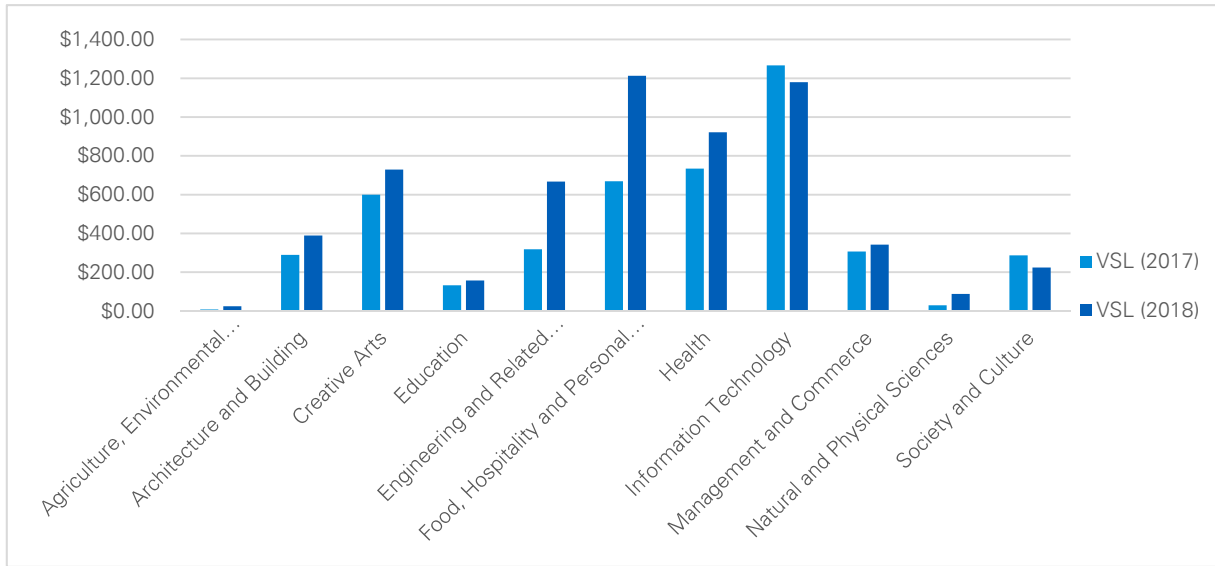
Enrolments by Employment Status



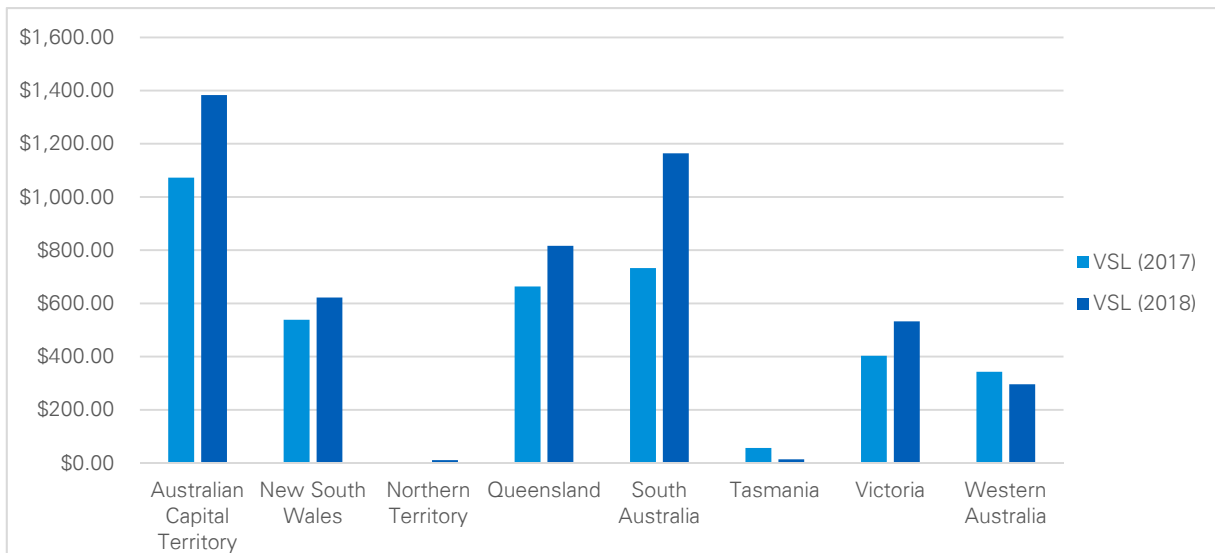
Average payment gap per EFTSL by SES



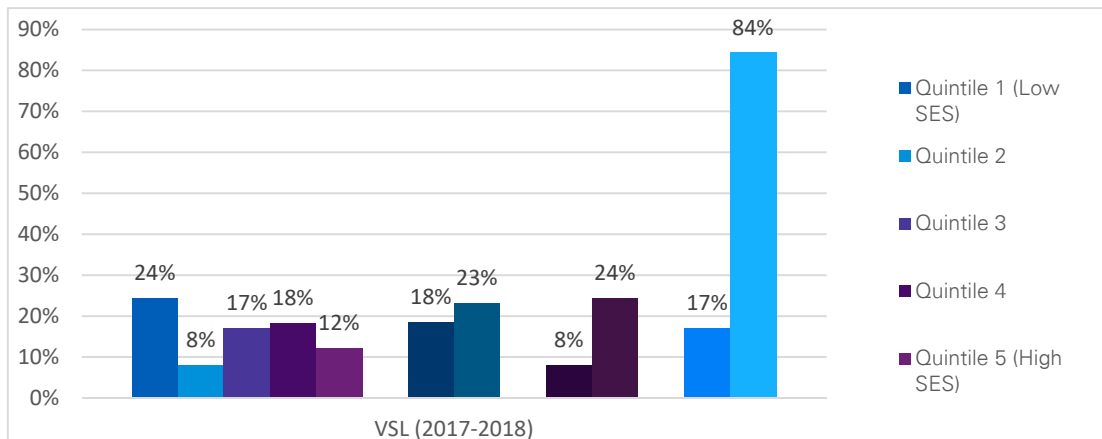
Average payment gap per EFTSL by Field of Education



Average payment gap per EFTSL by State/Territory

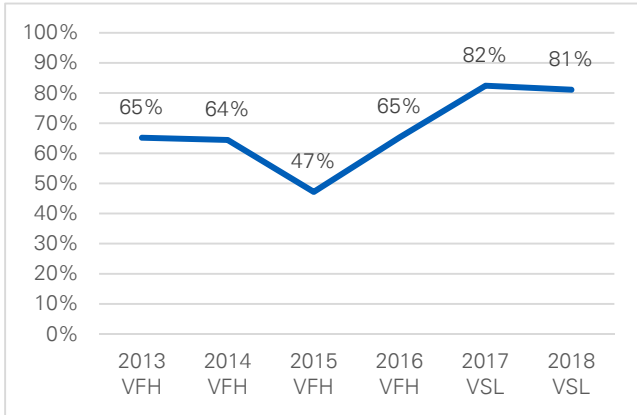


Percentage Change in Average Gap Fee per EFTSL by Selected Student Characteristic

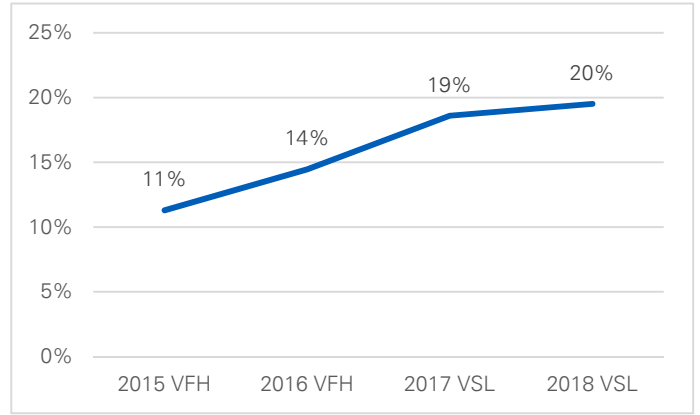


Student Centred

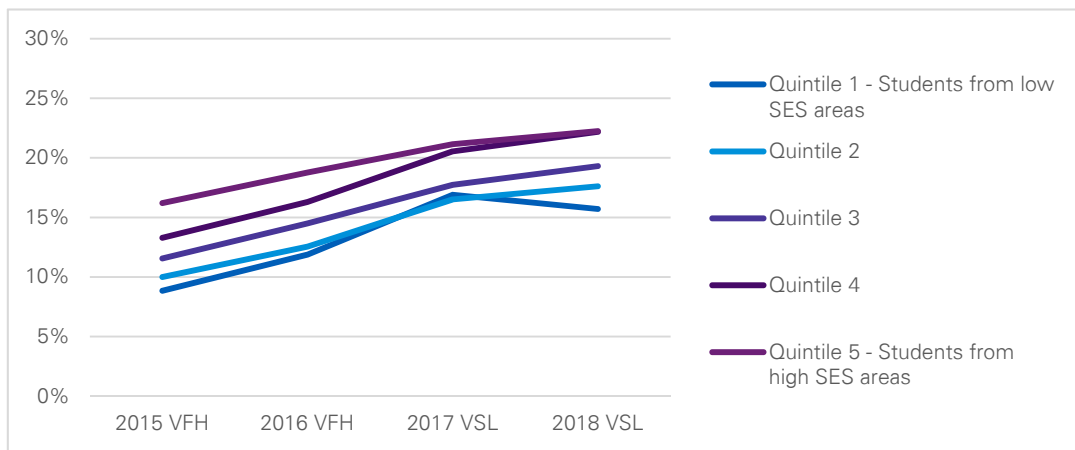
Unit of Study Completion Rate



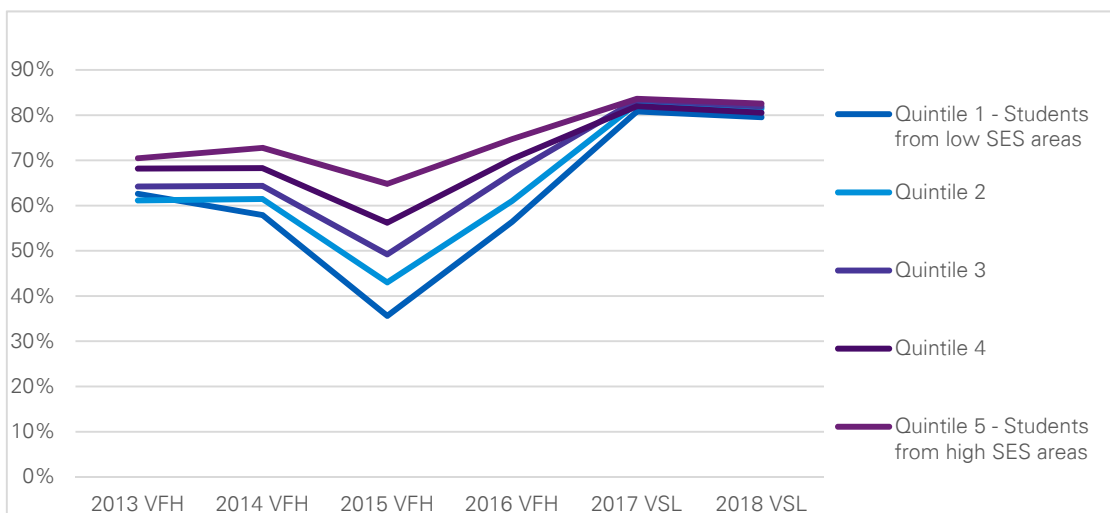
Course Completion Rate



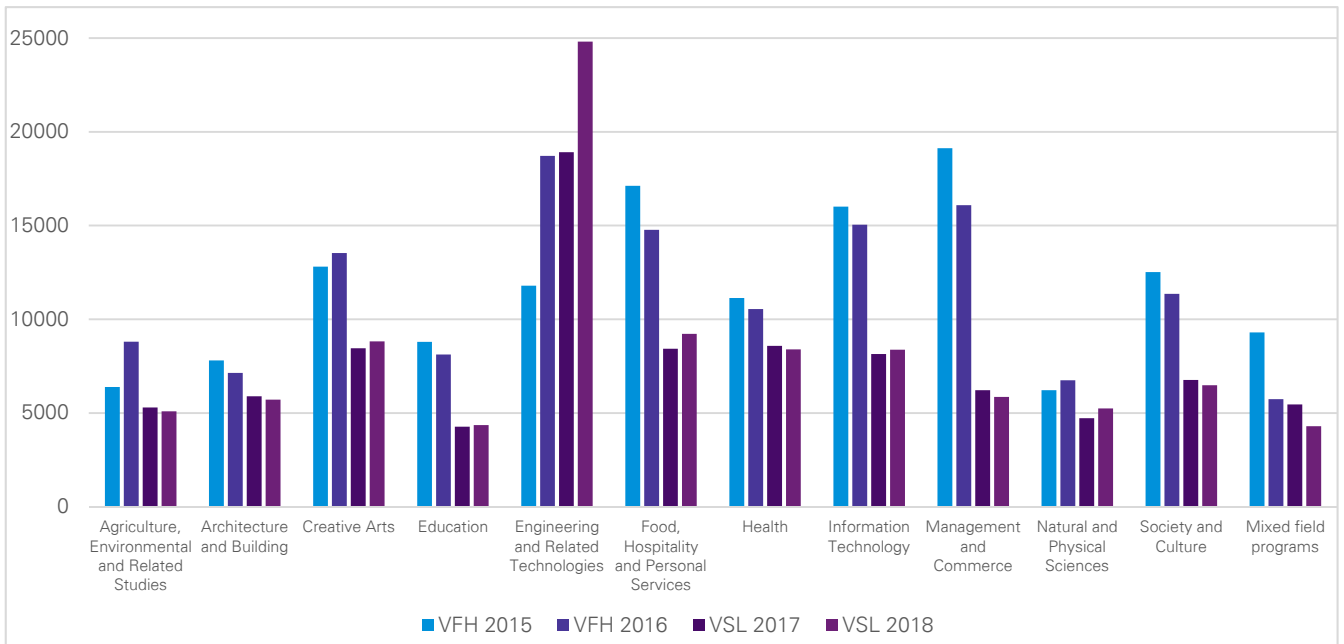
Course Completion Rate by SES



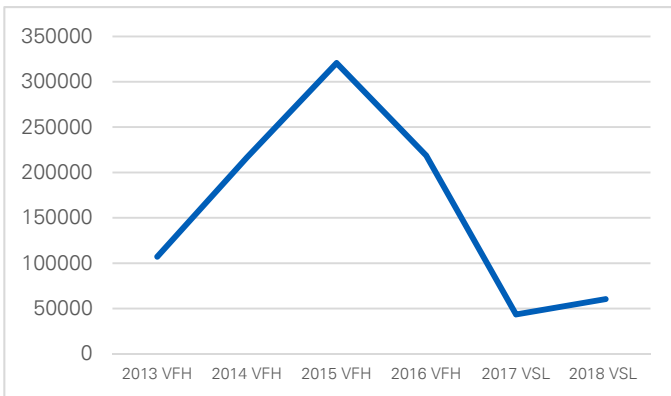
Unit of Study Completion Rate by SES



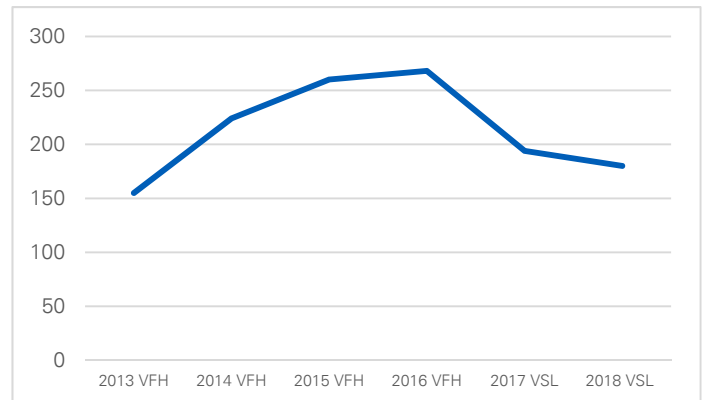
Average Tuition Fees per EFTSL by Field of Education



Amount of Student Enrolment Over Time

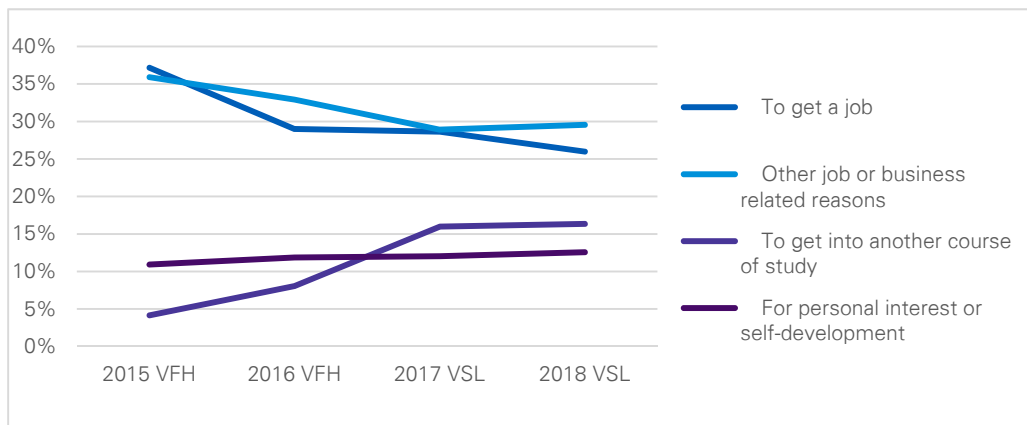


Amount of Providers Over Time



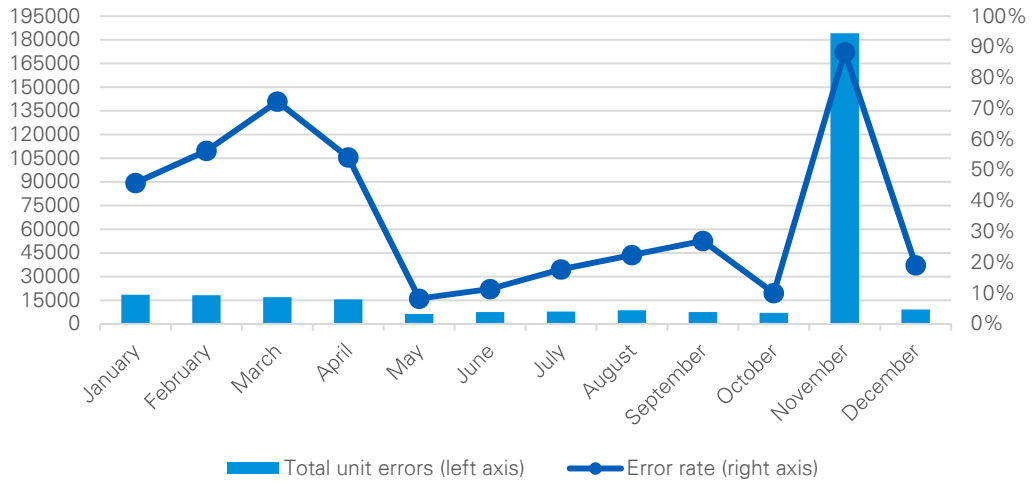
Industry Need and Employment Outcomes and Student Choice

Commencements by Study Reason

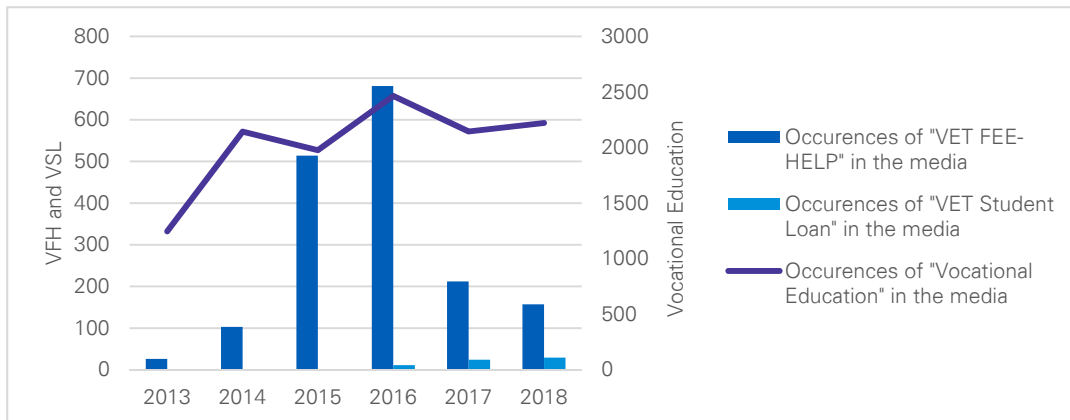


Integrity and Confidence

eCAF Errors- 2018



Media Articles Mentioning VFH and VSL





Appendix 5: Student Telephone Survey

As part of this review, KPMG commissioned Ipsos to undertake a telephone survey of VSL students. A total number of 100 survey responses were received. Of these:

- 99 respondents were students undertaking VSL
- 1 respondent was not undertaking VSL and their response was only partially completed
- 58 respondents were female and 42 respondents were male

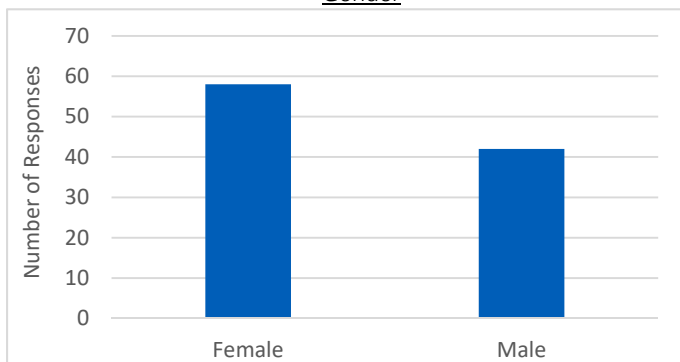
After data cleansing, 99 responses were analysed. Data cleansing included removing the responses where an insufficient amount of questions were answered (not including background questions).

Age Group of Respondents	Number of Responses
17 years or under	2
18-24 years	32
25-34 years	22
35-44 years	19
45-54 years	12
55-64 years	12
65+ years	1
Total	100

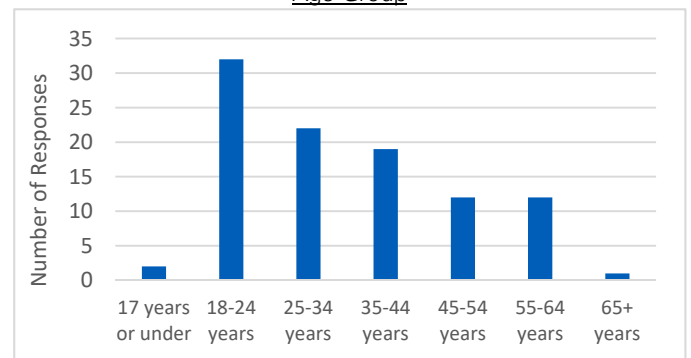
	Number of responses	Number of students reached out	Response Rate
Students Surveyed	100	202	49.5%

Background Questions

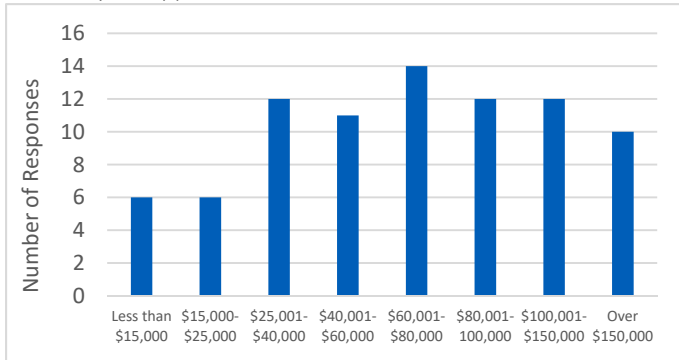
Gender



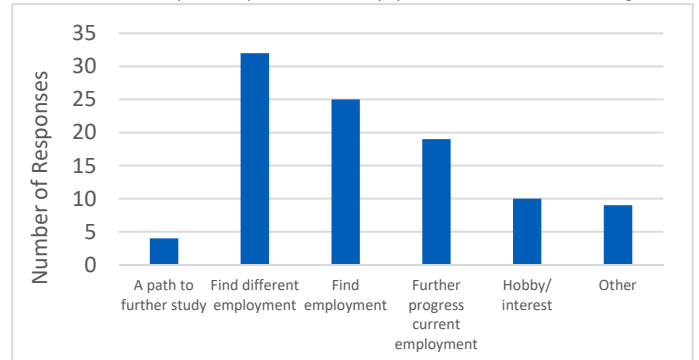
Age Group



What is your approximate annual household income before tax?

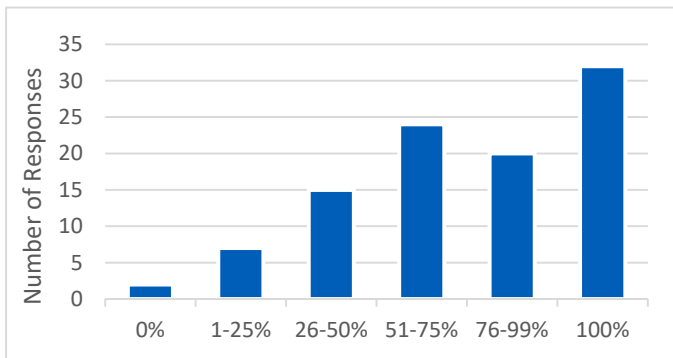


What is the primary reason why you enrolled in training?

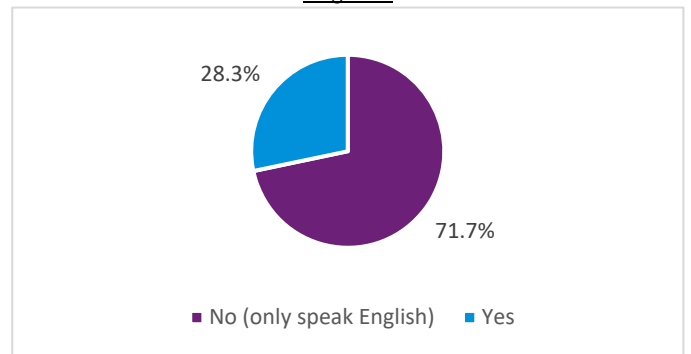


*17 respondents preferred not to declare this

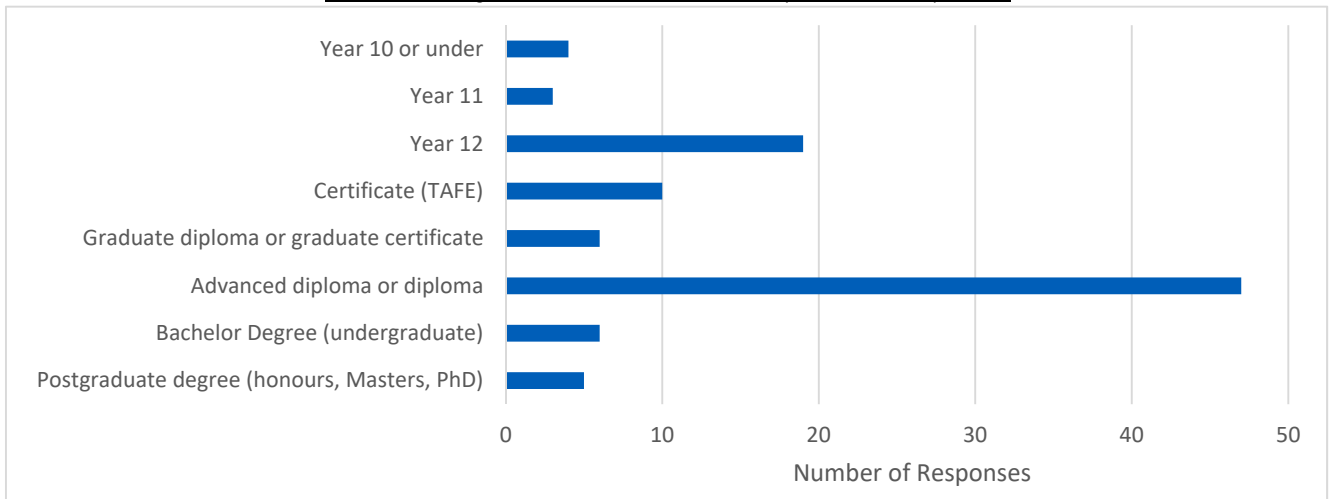
What percentage of your course have you completed?



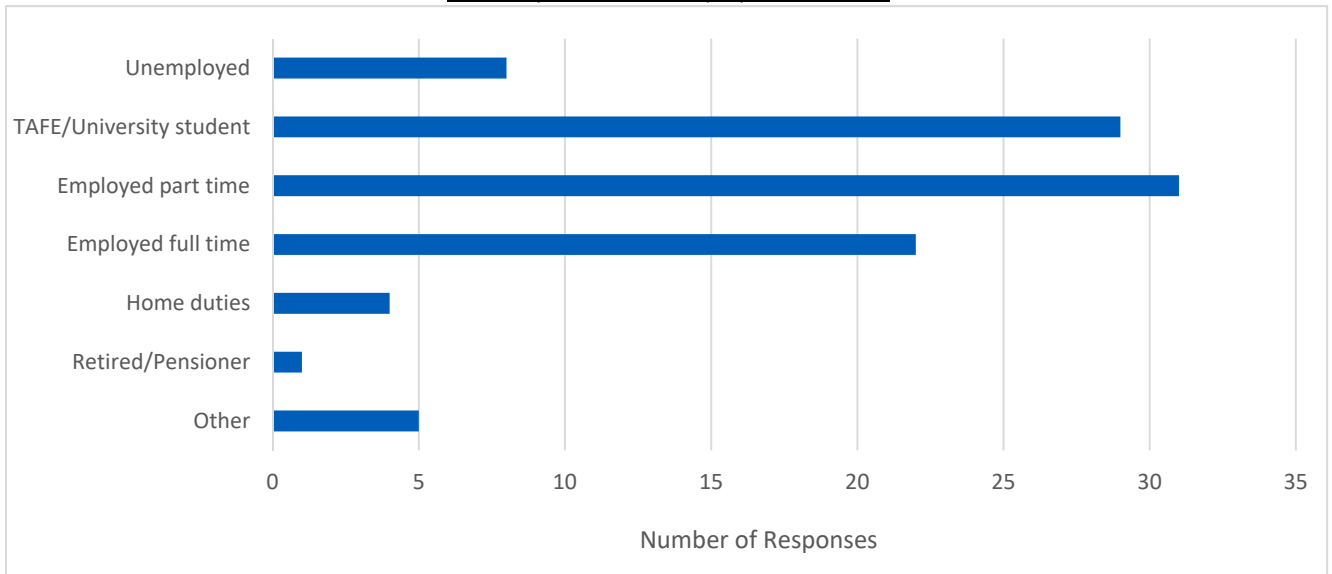
Do you or your parents mainly speak a language other than English?



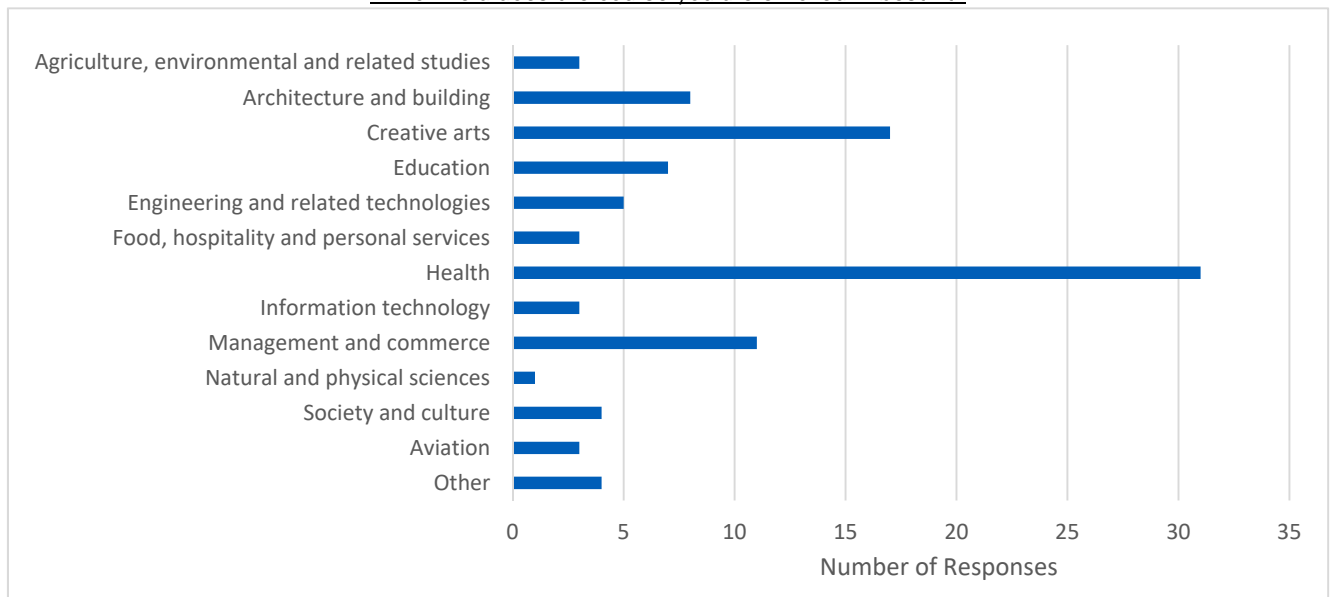
What is the highest level of education that you have completed?



What is your current employment status?

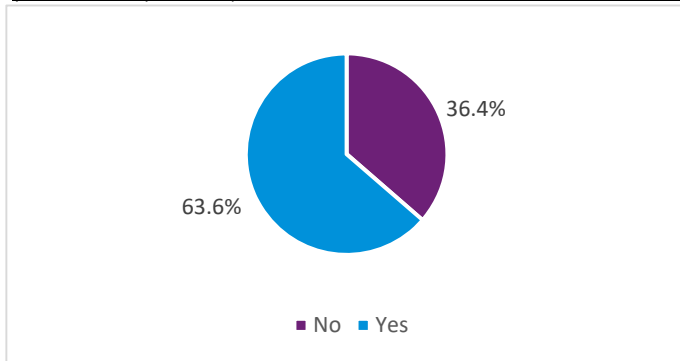


Which field does the course you are enrolled in best fit?

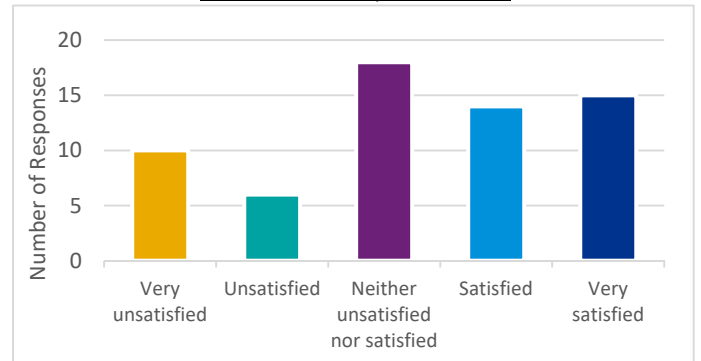


Quality and Affordability

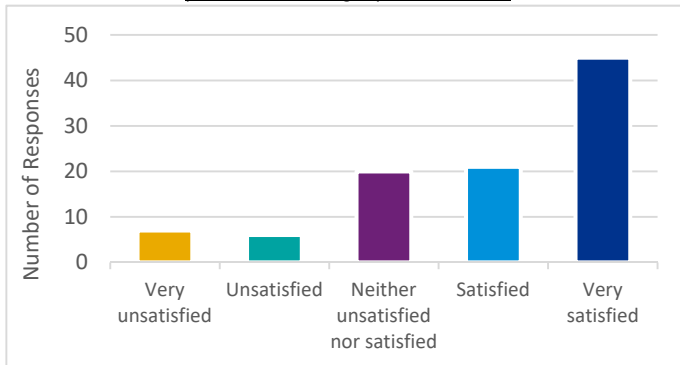
In addition to the fees covered by the VET Student Loans, did you incur any out-of-pocket costs associated with course fees?



How satisfied are you with the level of out-of-pocket expenses associated with your course?

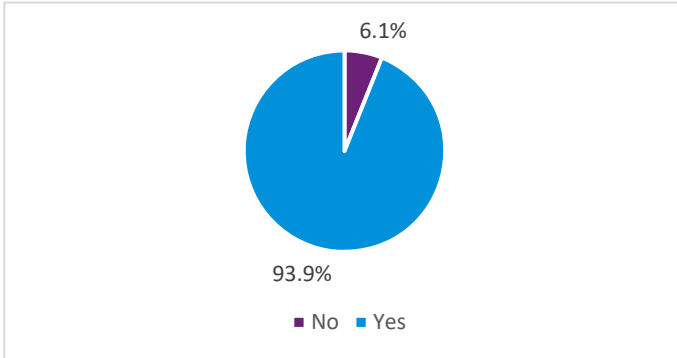


How satisfied have you been with the quality of training provided through your course?

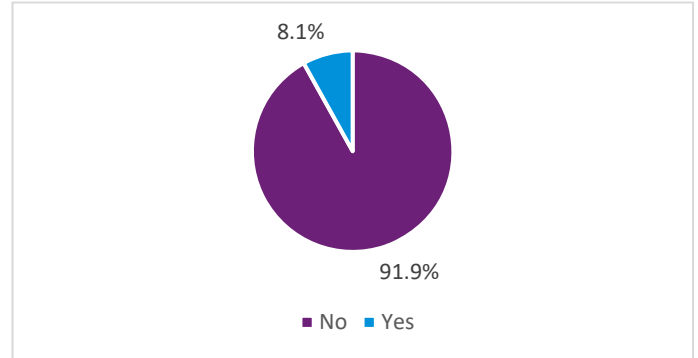


Access and Equity

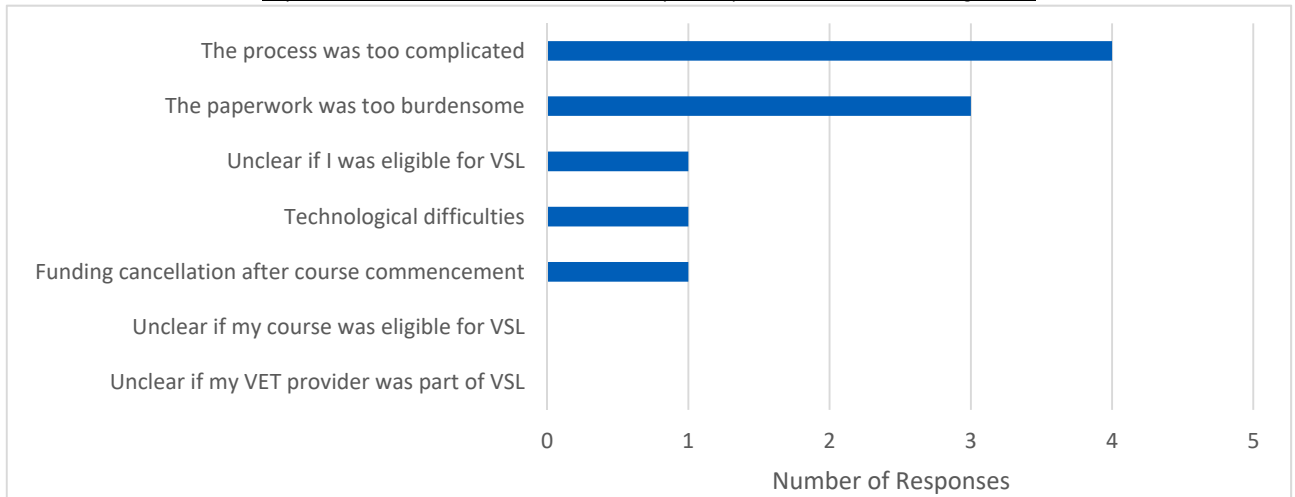
Did the VET Student Loans program enable you to enrol in training that you could not otherwise afford?



Did you experience any difficulties in accessing VSL?

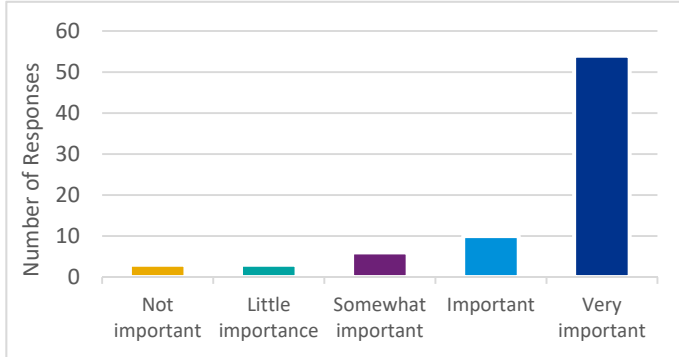


If yes, what were the difficulties that you experienced in accessing VSL?

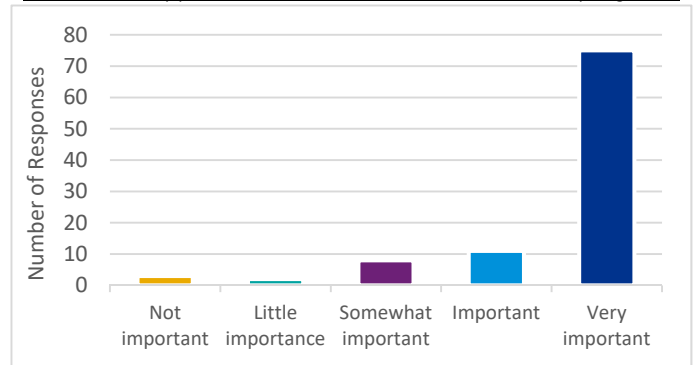


Student Centred

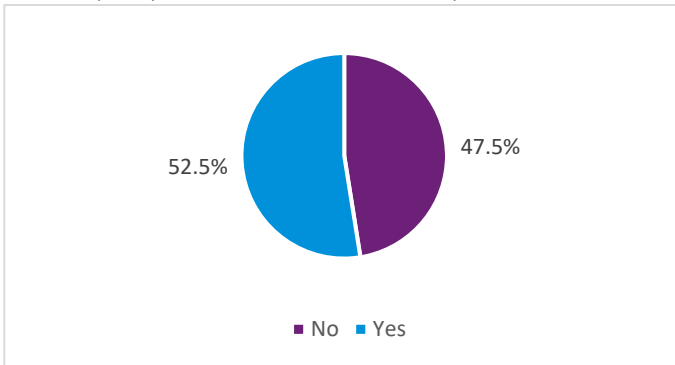
How important do you believe completing this course will be in helping you to find (or further progress your current) employment?



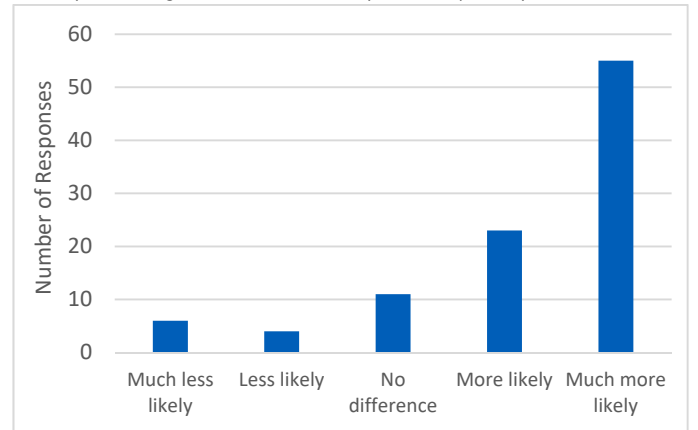
When selecting your course, how important was it that the course was approved under the VET Student Loans program?



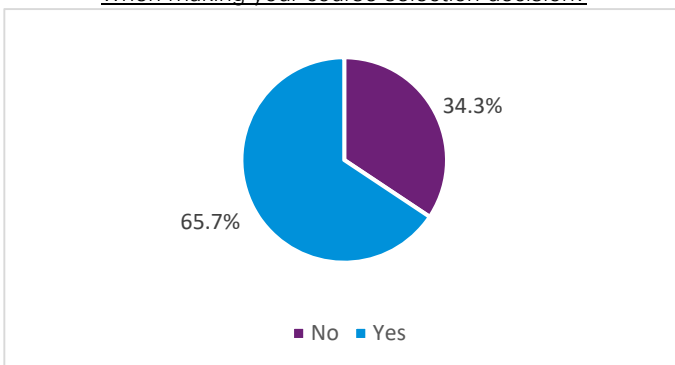
Did the VET Student Loans program approved course list impact your decision on the course you enrolled in?



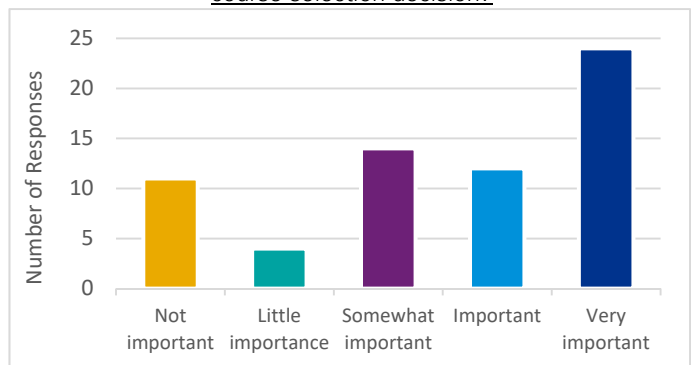
Do you believe that your access to a VET Student Loan resulted in you being more or less likely to complete your course?



Were you aware of the VET Student Loans course loan caps when making your course selection decision?

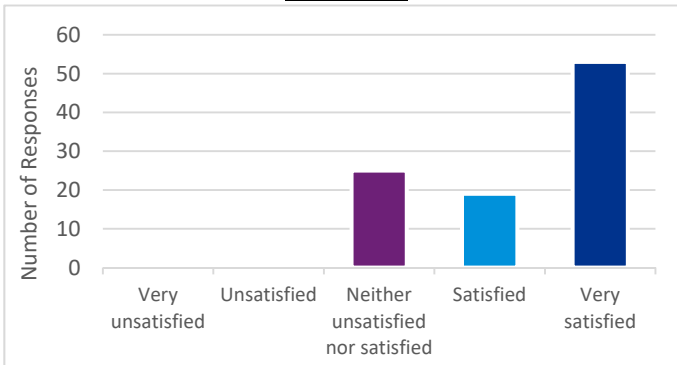


How important were the course loan caps in influencing your course selection decision?



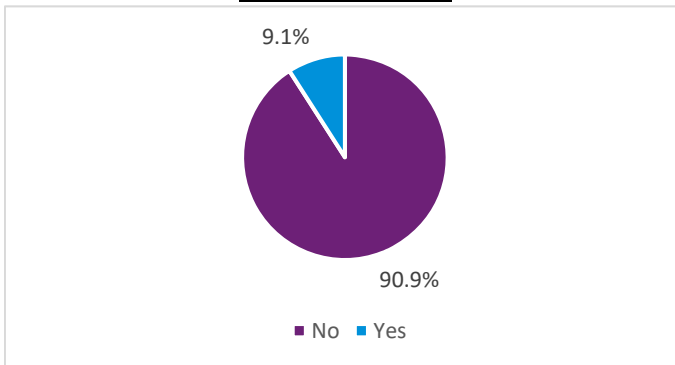
Industry Need, Employment Outcomes and Student Choice

How satisfied are you with the variety of courses available under VSL?

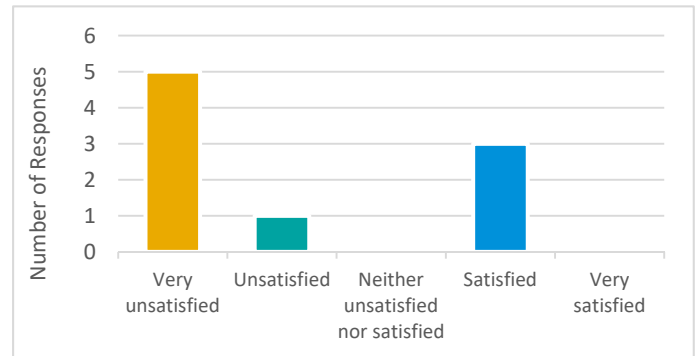


Integrity and Confidence

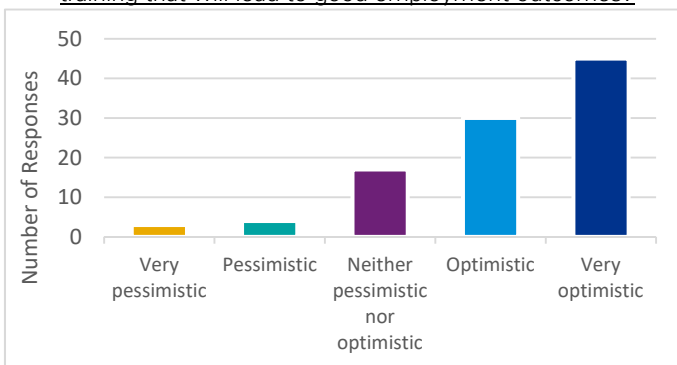
Have you experienced any misconduct by your training provider throughout your course (such as dishonesty, misleading behaviour or fraud)?



How satisfied are you that the provider has addressed any issues associated with this?

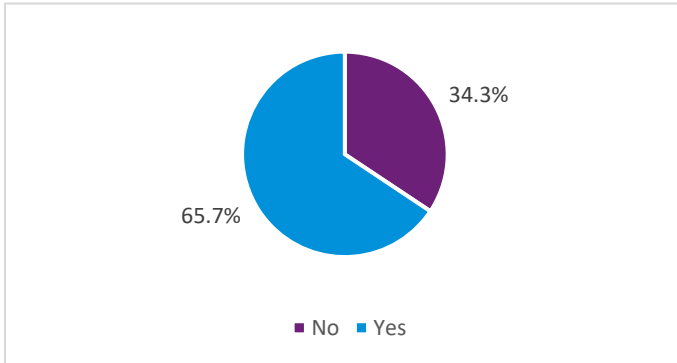


How optimistic are you that your training provider is providing training that will lead to good employment outcomes?

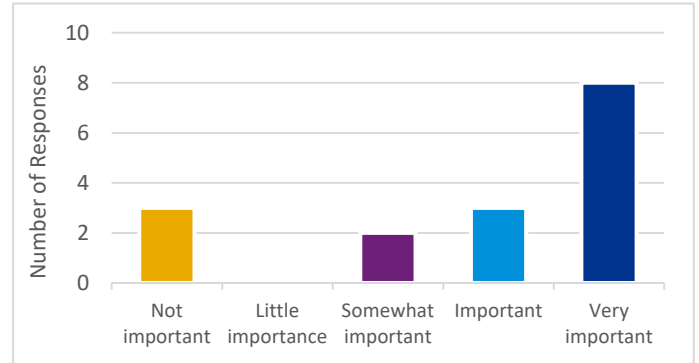


Other

Apart from a VET Student Loan, were you aware of any other government assistance available for you to undertake your course?



How important was this other government assistance in influencing your course selection decision?





Appendix 6: Ongoing Requirements

		Risks Addressed							
		Provider Fraud	Large upfront fee	Students not actively participating in training	Students misinformed or pressured into loan arrangement	Students receiving poor quality training	Courses don't lead to productive employment outcomes	Inflated fees	Risk of bad debt
Requirements	2-day cool-off period				✓				
	Equal fee period split		✓						
	Language Literacy and Numeracy (LLN) test	✓		✓	✓				
	20% loan fee								✓
	Course caps	✓	✓					✓	✓
	Course lists						✓		
	Fixed progression points (student engagement requirements)	✓		✓	✓	✓			
	Monthly student reporting	✓		✓					
	Monthly stat. declaration	✓		✓					
	Quarterly reporting	✓							
	Payment in arrears	✓		✓					
	Provider fee limit	✓							
	Annual financial statements	✓							
	Annual forecasts	✓							
	Provider application (provider)	✓				✓	✓		
Broker and Marketing Agent Ban (provider)	✓		✓	✓					



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