



# Australia's tertiary education system: an update

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## Executive Summary

The purpose of this paper is to provide a snapshot of the VET and higher education sectors, particularly as it relates to the delivery of Government funded education and training to domestic students.

Points to emerge are:

The **conceptual basis** for the tertiary education sector in Australia is very messy and far from coherent. The VET sector delivers a range of qualifications from lower level certificates that educationally are not post-secondary, to diplomas that are also delivered in higher education. The VET and higher education sectors have different regulatory and funding arrangements. Some providers (including some universities) deliver qualifications in both spheres.

The population is becoming **more credentialed**, with 30-39 year olds being the most credentialed age group. A bachelor degree is the most common qualification for this age group. No longer can we think of higher education as being for an elite.

The **relative size** of the two sectors is complicated. If we restrict VET to AQF programs that are government funded then VET is around 70% of higher education in full-time equivalents, although VET has many more students. There is a very large part of VET that is not Government funded. If we include this then total VET (including non-AQF course and subject only study) is about 40% larger than higher education when measured in full-time equivalents.

Tertiary education has become **feminised**:

- In higher education, there are more women than men studying at all qualification levels. For bachelor degrees the proportion is around 60%.
- In Government funded VET, there are around 75% of women studying at the diploma or higher level, and just over 50% in Certificates III/IV. Men dominate only Certificates I/II.

We have become accustomed to ever **increasing levels** of education. But recent trends have thrown this into some doubt. VET government funded commencements in VET were at a peak in 2011, thereafter declining despite an upturn in 2022 to 2023. By contrast higher education commencements have generally been increasing, but the 2022 number is well below that of 2020 and 2021.

**Degrees** are usurping **diplomas**. VET diplomas provide little competition for bachelor degrees. This is putting the 'top end' of VET at risk.

The **age distribution** of students of the two sectors is quite different. Bachelor degree commencements are concentrated in 15-19 and 20-24 year groups, while commencements in Certificates III/IV are spread across all age groups. School leavers are much more likely to go to higher education than to VET.

According to the Survey of Education and Work, the proportion of 15-24 year olds going to **VET has been declining** since 2013, although the trend has been flat since about 2019. In this context we note that participation for this group in **higher education has been declining since 2021**. It does appear that the apparent never ending increase in higher education participation has ceased, at least for the time being.

The two sectors have rather different patterns of study by **field**. In higher education the three largest fields are Society and Culture, Health and Natural and Physical sciences. In VET, the largest fields are Society and Culture, Engineering and Related Technologies, Management and Commerce and Architecture and Building. Higher education has virtually no students in Food, Hospitality and Personal Services; VET has few students in Natural and physical sciences.

We have noted that the age distribution of the students in the two sectors is quite different. There are also significant differences in terms of a range of other characteristics, and it is fair to call VET the **equity** sector:

- Fulltime/part-time attendance. Around two thirds of higher education students are full-time (81% for Bachelor degrees), compared to less than 20% of VET students (17% in Certificates III/IV).
- Indigenous students have a much higher representation in VET, especially government funded VET.
- Low SES students have a higher representation in VET, especially government funded VET.
- Regional and remote students have higher representation in VET, especially government funded VET.
- Representation of students with a disability is quite different to the other characteristics we have looked at, being higher in higher education than in VET.

We note that higher education **completion rates** tend to be higher than those for VET. For the 2017 cohort, the bachelor (6 year) completion rate was 61.8% compared to 46.4-52.0% for a Certificate III/IV. The lower completion rates for VET qualifications are largely explained by the lower proportion of full-time students in VET. To illustrate this, we see that the bachelor degree completion rate for part-time students in higher education was 44.8% for the 2014 cohort compared to the overall rate of 69.8%.

We see that completion rates in higher education have been **falling** for many years: the 6 year completion rate was 67.0% for the 2005 cohort compared to 61.8% for the 2017 cohort. In VET completion rates are related to the level of the qualification, with the completion rates for diplomas being the highest and completion rates for Certificates I being the lowest.

The **funding** of education for domestic students differs in nature between the two sectors. In higher education the institutions receive a government grant that represents a grant for higher education and a payment that corresponds to the amount owed by the student through the HECS-HELP income contingent loan. In VET, there is a government grant and, until the advent of fee-free TAFE places, a tuition fee that represented around 10% of the cost in delivery.

In higher education the total amount received by institutions grew strongly from 2008 to 2016 and has declined a little since then. The government contribution showed the same pattern. The HECS-HELP contribution peaked in 2016 and has been fairly constant since then. In 2021 the government contribution was \$8.1 billion compared to the HECS-HELP contribution of \$6.0 billion.

In VET peak government funding was in 2012, declining thereafter until 2019, with a small increase after that point. In 2022, the funding was \$6.0 billion.

So overall, higher education has been funded at a much higher level than VET, although a very significant proportion of this is through HECS-HELP – a contribution by students underwritten by the Government.

Calculation of **funding per student** (full-time equivalent) is difficult because of issues of scope. However, rudimentary calculations indicate that institutions receive around \$20,000 per full-time student, with just over a half from the government grant and the remainder from the students HECS-HELP contribution. This overall number has been relatively constant since 2008. By contrast, VET providers received in 2022 around \$13,000 per student with funding per student varying considerably over the period 2008-2022 (in the range \$10,000 to \$15,000).

## Discussion

Australia has managed to develop a tertiary education sector that is **incoherent**, comprising a mixture of two regulatory and funding systems, with content developed under two quite different philosophies. In international terms a large part of VET (that is, Certificates I-IV) is considered to be post-school, non-tertiary rather than tertiary education.

From a policy perspective, there a number of points that we believe are critical.

First, over the longer term **VET has been in decline** and **higher education is now the dominant** form of tertiary education. The idea that VET is a genuine alternative to higher education is becoming harder to sustain. A bachelor degree is the largest category of qualifications. From the point of view of a school leaver, VET is only a viable alternative to higher education for a minority of students. Regulatory trends inevitably will support bachelor degrees rather than VET qualifications (child care and aged care, for example).

Second, **VET is the 'equity' sector** of tertiary education, with higher proportions of low SES, regional, Indigenous and older students than in higher education. Part-time attendance is the norm.

Third, **tertiary education participation is no longer on an upward trajectory**. VET government funded commencements in VET were at a peak in 2011, thereafter declining despite an upturn in 2022 to 2023. By contrast higher education commencements have generally been increasing, but the 2022 number is well below that of 2020 and 2021. Higher education participation has been on the increase except for the last couple of years. It seems that the apparent never ending increase in higher educational participation has ceased, at least for the time being

Finally, **tertiary education has become noticeably feminised**. Women have higher educational qualifications on average than men. In higher education, 60% of students commencing a bachelor degree are women. In government funded VET, there are around 75% of women studying at the diploma or higher level, and just over 50% in Certificates III/IV. Men dominate only Certificates I/II. One can only speculate at the implications for this for the role of men in our society.

The underlying question is whether we leave things as they are, or we revitalise VET. We need to recognise that our VET system and its curriculum was designed in the early 1990s to meet the needs of award restructuring. However, in a modern economy VET's narrow courses are outdated and its clientele declining. VET has never been that attractive to school leavers and is even less so these days because curriculum is primarily year 11 or 12 standard and most school leavers have completed year 12.

We argue that in order to get tertiary education participation rates back on an upward trajectory we should build educational institutions that offer a genuine alternative to the research focussed universities. What we have in mind, is a practically orientated institution which offers qualifications from certificates to bachelor degrees. To be competitive with universities these institutions would

need to have Commonwealth supported places for diplomas and degrees. There are already, no doubt, some TAFEs that could develop into such an institution.

The idea is that these types of institutions are likely to appeal to those from equity groups, including men, who would favour a practical rather than academic orientation, and also enable an easier transition from VET certificates to diplomas and degrees. If we are to address issues of educational disadvantage it is VET institutions which are best placed to lift tertiary educational participation, not universities. Time to 'harmonise' VET and higher education and convert some of our TAFEs to Colleges of Advanced Education?

## 1. Introduction<sup>1</sup>

Australia's tertiary education sector comprises two components: the Vocational Education Training Sector (VET) that includes the government TAFEs (Technical and Further Education Institutes), and the Higher Education Sector (dominated by universities). The sector delivers a range of qualifications as set out in the Australian Qualifications Framework (see Box 1).

### Box 1: The Australian Qualifications Framework (AQF)

The Australian Qualifications Framework (AQF) is the **national policy** for regulated qualifications in Australian education and training. It incorporates the qualifications from each education and training sector into a single comprehensive national qualifications framework.

#### AQF Level 1 – Certificate I

The purpose of the Certificate I qualification type is to qualify individuals with basic functional knowledge and skills to undertake work, further learning and community involvement.

#### AQF Level 2 – Certificate II

The purpose of the Certificate II qualification type is to qualify individuals to undertake mainly routine work and as a pathway to further learning.

#### AQF Level 3 – Certificate III

The purpose of the Certificate III qualification type is to qualify individuals who apply a broad range of knowledge and skills in varied contexts to undertake skilled work and as a pathway for further learning.

#### AQF Level 4 – Certificate IV

The purpose of the Certificate IV qualification type is to qualify individuals who apply a broad range of specialised knowledge and skills in varied contexts to undertake skilled work and as a pathway for further learning.

#### AQF Level 5 – Diploma

The purpose of the Diploma qualification type is to qualify individuals who apply integrated technical and theoretical concepts in a broad range of contexts to undertake advanced skilled or paraprofessional work and as a pathway for further learning.

Diploma qualifications are available for accreditation and issuance in both higher education and vocational education and training.

#### AQF Level 6 criteria for the Advanced Diploma

The purpose of the Advanced Diploma qualification type is to qualify individuals who apply specialised knowledge in a range of contexts to undertake advanced skilled or paraprofessional work and as a pathway for further learning.

Advanced Diploma qualifications are available for accreditation and issuance in both higher education and vocational education and training.

#### AQF Level 6 criteria for the Associate Degree

The purpose of the Associate Degree qualification type is to qualify individuals who apply underpinning technical and theoretical knowledge in a range of contexts to undertake paraprofessional work and as a pathway for further learning.

#### AQF Level 7 – Bachelor Degree

The purpose of the Bachelor Degree qualification type is to qualify individuals who apply a broad and coherent body of knowledge in a range of contexts to undertake professional work and as a pathway for further learning.

#### Undergraduate Certificate

The Undergraduate Certificate has been developed in response to community and industry need based on the AQF review and as a result of the COVID-19 crisis. The Undergraduate Certificate is a higher education qualification of six months duration that may be used to articulate into an existing qualification at AQF levels 5, 6, or 7. It qualifies individuals with knowledge and skills for further study, professional upskilling, employment and participation in lifelong learning.

Undergraduate Certificate qualifications are not located at a particular level in the Australian Qualifications Framework, however they cover AQF levels 5, 6, or 7.

#### Level 8 – Bachelor Honours Degree, Graduate Certificate, Graduate Diploma

##### AQF Level 8 criteria for the Bachelor Honours Degree

The purpose of the Bachelor Honours Degree qualification type is to qualify individuals who apply a body of knowledge in a specific context to undertake professional work and as a pathway for research and further learning.

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<sup>1</sup> I would like to thank Bruce Mackenzie for very helpful discussions and Gerald Burke for his contribution on the issue of funding.

#### **AQF Level 8 criteria for the Graduate Certificate**

The purpose of the Graduate Certificate qualification type is to qualify individuals who apply a body of knowledge in a range of contexts to undertake professional or highly skilled work and as a pathway for further learning.

Graduate Certificate qualifications are available for accreditation and issuance in both higher education and vocational education and training. Full qualification type specification

#### **AQF Level 8 criteria for the Graduate Diploma**

The purpose of the Graduate Diploma qualification type is to qualify individuals who apply a body of knowledge in a range of contexts to undertake professional or highly skilled work and as a pathway for further learning.

Graduate Diploma qualifications are available for accreditation and issuance in both higher education and vocational education and training.

#### **AQF Level 9 – Masters Degree**

There are three main forms of Masters Degrees within the Masters Degree qualification type: the Masters Degree (Research), the Masters Degree (Coursework) and the Masters Degree (Extended).

#### **AQF Level 10 – Doctoral Degree**

The purpose of the Doctoral Degree is to qualify individuals who apply a substantial body of knowledge to research, investigate and develop new knowledge, in one or more fields of investigation, scholarship or professional practice.

Source: <https://www.aqf.edu.au/framework/aqf-qualifications> accessed 2 September 2024

The VET sector delivers qualifications AQF levels 1 to 6 and the higher education sector delivers qualifications AQF levels 6 to 10. We see that the two sectors are not defined by the qualifications they deliver – diplomas, advanced diplomas, graduate diplomas can be delivered by both VET and higher education institutions, and both sectors deliver a range of courses that lie outside the AQF framework. Rather, the sectors are defined by regulatory arrangements, with ASQA (the Australian Skills Quality Authority) being the national regulator for VET and TEQSA (the Tertiary Education Quality and Standards Agency) for higher education.

However, the regulatory arrangements do not deliver a clear demarcation of tertiary education institutions. Many universities are registered training providers delivering VET programs (more than those described as dual sector institutions such as RMIT University).

We should also point out that the AQF levels 1-10 do not correspond to tertiary education as defined internationally. In Box 2, we present the international classification ISCED.

#### **Box 2: The International Standard Classification of Education (ISCED)**

The International Standard Classification of Education (ISCED) is the official framework used to facilitate international comparisons of education systems. It was developed in 1976 by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and was revised in 1997 and 2011. It has nine levels:

ISCED 0 = Early childhood education

ISCED 1 = Primary Education

ISCED 2 = Lower Secondary Education

ISCED 3 = Upper Secondary Education

ISCED 4 = Post-secondary non-Tertiary Education

ISCED 5 = Short-cycle tertiary education

ISCED 6 = Bachelors degree or equivalent tertiary education level

ISCED 7 = Masters degree or equivalent tertiary education level

ISCED 8 = Doctoral degree or equivalent tertiary education level

Source:

<https://datatopics.worldbank.org/education/wRsc/classification#:~:text=ISCED%201%20%3D%20Primary%20Education,Post%2Dsecondary%20non%2Dtertiary%20Education>

AQF levels 1-4 broadly correspond to ISCED 4 (post-secondary non-Tertiary Education) while AQF levels 5-11 correspond to ISCED 5-8 (short cycle tertiary education to doctoral degrees).



To make things even more complicated, the Australian Bureau of Statistics census classification ranks AQF levels 1 and 2 below the completion of secondary education (Box 3), despite the AQF (and ASCED<sup>2</sup>, the Australian Bureau of Statistics education classification) ranking certificates ahead of secondary education.

**Box 3: 2021 Census classification: Level of Highest Education Attainment (1-digit level HEAP)**

Postgraduate Degree Level  
 Graduate Diploma and Graduate Certificate Level  
 Bachelor Degree Level  
 Advanced Diploma and Diploma Level  
 Certificate III & IV Level  
 Secondary Education - Years 10 and above  
 Certificate I & II Level  
 Secondary Education - Years 9 and below

Source: ABS Table Builder- 2021 Census counting persons 15 years and over.

While the ABS HEAP classification ranks Certificates III and IV above secondary education, this ranking can be contested. In the context of governments seeking a vocational equivalent to the academically orientated year 12, Lim and Karmel (2011) concluded that the Certificate III was different in nature from the year 12 completion and could not be considered as equivalent to year 12.

Thus we see that there is no neat framework for Australia’s post-secondary education system. Essentially there are two distinct systems, the VET sector and higher education, regulated by different bodies, with some institutions covering both sectors, and some qualifications delivered in both sectors. Taken together they are broader than ‘tertiary’ with some qualifications in the VET sector at a level below the completion of year 12. In addition, the descriptor ‘vocational’ is not particularly useful, with the higher education sector delivering many vocational qualifications (notably the professions). What is also very distinctive is the difference in funding arrangements between the two sectors, particularly the arrangements around tuition fees. In higher education tuition fees are dealt with through income contingent loans (HECS-HELP Loans) while in the VET sector some student places are fee free while other attract tuition fees.<sup>3</sup> In addition, the Commonwealth largely funds universities while States are the primary funder of VET. A further difference between the two sectors is the very large number of private providers in the VET sector (over 5,000 providers) and the large number of student places not funded by Government in VET. We also note that the delivery of education and training is common to both sectors, but research and research training only occurs in higher education.

The purpose of this paper is to provide a snapshot of the two sectors in regard to the delivery of education and training to domestic students.

<sup>2</sup> The official Australian statistical education classification (ASCED) broadly follows the AQF and lists educational qualifications as follows: 11 Doctoral Degree Level, 12 Master Degree Level, 21 Graduate Diploma Level, 22 Graduate Certificate Level, 31 Bachelor Degree Level, 41 Advanced Diploma and Associate Degree Level, 42 Diploma Level 51, Certificate III & IV Level, 52 Certificate I & II Level, 61 Senior Secondary Education 62 Junior Secondary Education, 71 Primary Education, 81 Pre-primary Education

<sup>3</sup> Income contingent loans are also available to some diploma and above programs in VET through the VET Student Loans (VSL) program.

We are interested in the stock of qualifications, the quantum of delivery, the distribution of students across levels and fields of study, age and sex, interaction with disadvantage (in particular, disability, Indigeneity, low socio-economic status and region). As well as looking at student numbers we also look at completion rates. We touch on the extent of government funding.

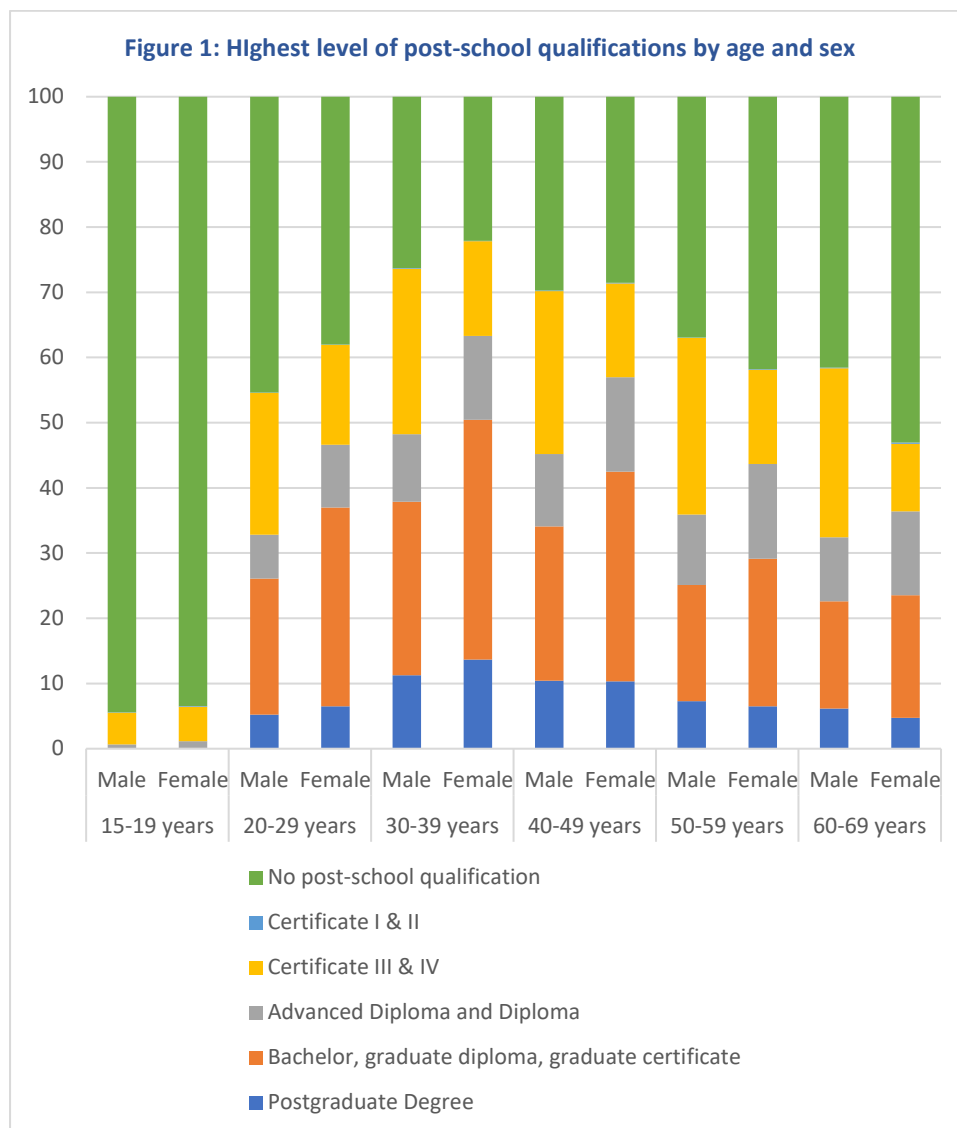
As well as looking at the latest student data, we include some historical data to capture emerging trends.

The paper concludes with a summary followed by a discussion of the implications of our findings.

Before getting to student numbers, we look at the stock of qualifications in the population.

## 2. The stock of qualifications

Figure 1 presents the highest education qualification of the population disaggregated by age and sex. Note that we restrict the qualifications to those covered by the AQF.



Source: ABS 2021 Census - counting persons, 15 years and over

This figure captures two trends. The first is that qualifications are acquired over time so that older cohorts are more qualified than younger cohorts. The second trend is that the population is becoming more credentialed over time. Putting these two trends together, we find that the most credentialed age group is persons between the ages of 30 and 39 years.

The other feature is the difference between males and females. In every age group to 50 years females have more qualifications than males, while in the age groups over 50 years the males have more qualifications than females. Not only is there a difference in the number of qualifications, but there are large differences in the type of qualification. Broadly speaking, females tend to have degrees and diplomas, while Certificates III and IV are more important for males than for females.

### 3. Domestic Student numbers

We employ two concepts: commencing students which provide a cohort view (that is, the number of persons entering the tertiary education sector in a year), and student load which captures the teaching effort (thus incorporating both the commencing cohort and those students who began their studies in an earlier year).<sup>4</sup>

In our initial data, we also disaggregate the data into education levels. This enables us to look at the overlap between the two sectors and allows us to relate the student data to the qualifications data from the Census which we presented earlier.

We begin with a snapshot for 2022. We present the data according to two measures: commencing students and full-time equivalents. The first of these captures an entry cohort, while the second is based on program enrolments and takes into account study intensity and the multi-year nature of some courses. We have also included in the table the percentage of students that are female.

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<sup>4</sup> In Higher Education, student load is measured by FTEs (full-time equivalents) with 1 representing a full-year, full-time load for one person. In VET, student load is measured by FYTEs (full year full-time equivalents). In the VET world the currency is nominal training hours, with 1 FYTE= 720 hours.

**Table 3: Commencements in 2022 and Full-time equivalents, Government funded VET and domestic Higher Education.**

	Commencing students		Full-time equivalents	
	Numbers	% Female	Numbers	% Female
<b>Higher Education</b>				
Postgraduate research	7410	57.8	26830	56.1
Postgraduate other	103414	64.5	111828	62.5
Bachelor	236005	60.7	556661	59.7
Undergraduate other	29952	57.9	26010	52.9
Non-award and enabling	21595	62.9	9874	62.2
<b>Total</b>	<b>398376</b>	<b>61.5</b>	<b>731202</b>	<b>59.8</b>
<b>Government funded VET</b>				
Diploma or higher	68600	66.6	98313	74.8
Certificate III/IV	528332	50.3	313552	51.2
Certificate I/II	295504	40.8	94337	44.9
Non-AQF level	63745	56.6	9570	62.2
<b>Total</b>	<b>956181</b>	<b>48.9</b>	<b>515769</b>	<b>54.7</b>
<b>Total VET</b>				
Diploma or higher	147627	60.6	175537	67.9
Certificate III/IV	901065	47.8	512650	49.9
Certificate I/II	424437	37.6	127176	41.5
Non-AQF level	207284	51.9	15924	53.9
<b>Total</b>	<b>1680413</b>	<b>46.8</b>	<b>831296</b>	<b>52.5</b>

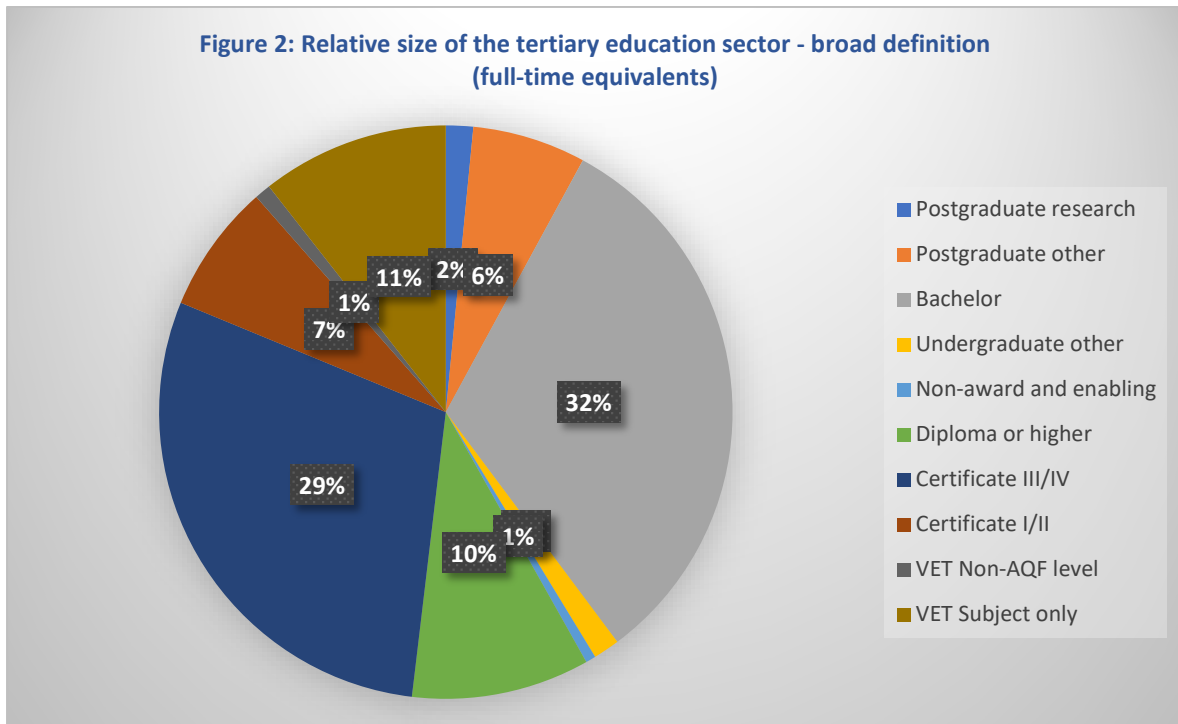
Source: Higher Education Statistics; VOCSTATS (TVA, program enrolments).

We see that VET has more commencing students than does higher education. However, the higher education courses tend to be much more substantial in length, so that the higher education sector is considerably larger than the government funded VET sector. However, if we include fee-for-service VET, the VET sector is larger than the higher education sector, even when measured as full-time equivalents.<sup>5</sup> We also note that there are significant numbers of students commencing Certificates I and II despite these certificates being virtually non-existent in the Census stock of qualifications data. It would seem that most students undertaking a lower level certificate subsequently obtain higher level qualifications.

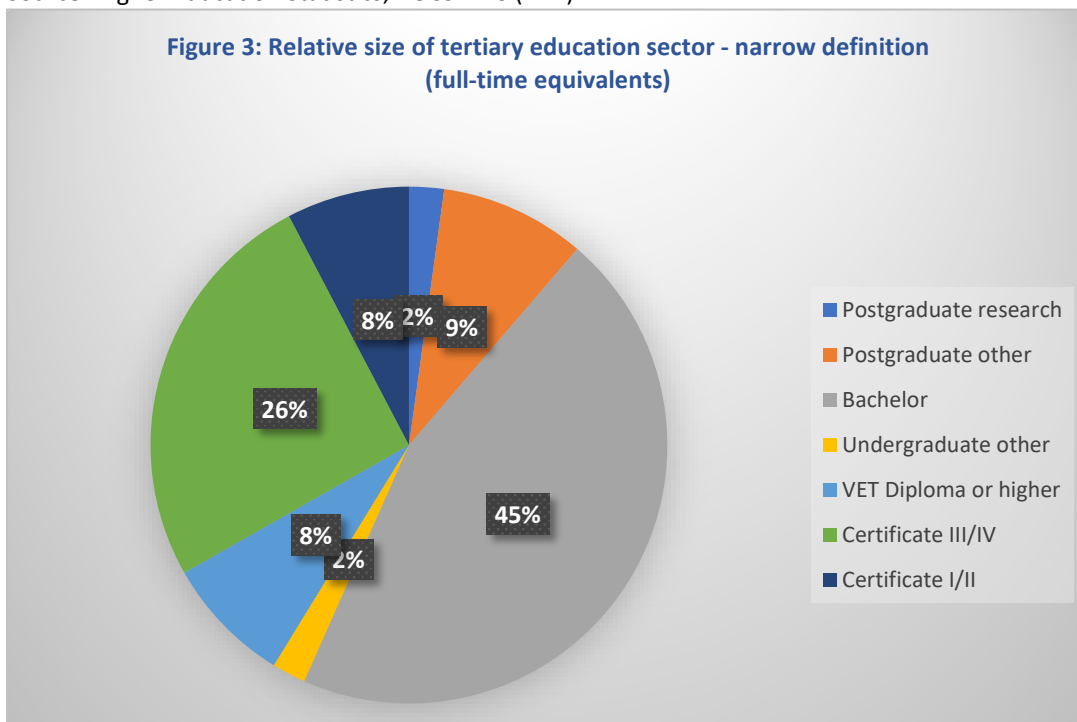
The relative size of the sectors depends on the lens we use: whether we restrict ourselves to AQF qualifications and, in the VET sector, program enrolments (thus excluding those who study single subjects) and whether we restrict ourselves to the government funded sector (thus excluding the VET courses which are 100% fee-for-service). In the following figures, we take two approaches. In Figure 2 we take the widest possible lens, including non-AQF programs in VET and higher education, non-government funded VET, and VET subjects not part of a program. In Figure 3 we take a narrow

<sup>5</sup> We note that the data presented for VET in this table refers to program enrolments. This does not count activity that consists of individual subjects. If we tabulate all subjects we find that the Government funded VET full-year equivalents increases from 515,769 to 529,705 (an increase of around 3%) while total VET (ie including domestic fee-for-service) increases from 831,296 to 1,016,183 (an increase of over 20%).

perspective, including only AQF programs and restricting VET to that part which is government funded.<sup>6</sup>



Source: Higher Education Statistics; VOCSTATS (TVA)



Source: Higher Education Statistics; VOCSTATS (TVA)

<sup>6</sup> The VET data presented here comes from VOCSTATS (TVA), with source of funding used as a filter. The NCVET also publishes a separate set of data relating to just government funded provision. These two sources differ because the latter excludes VET in schools and provision through Commonwealth specific programs.

Under the broad definition, we see that VET sector is around 40% larger than higher education, while under the narrow definition VET is around 70% of the size of higher education.<sup>7</sup>

The largest qualification category is Bachelor Degrees, followed by Certificates III and IV. These two categories account for around 60% of activity under the broad definition and 70% according to the narrow definition. We also see that under the narrow definition the next largest category is postgraduate other (mostly course work masters), followed by VET diplomas or higher.

The substance of the various qualifications is highlighted by calculating the ratio of full-time equivalents to commencements. This ratio can be interpreted as the average full-time length of attendance in the course (it incorporates the attrition rate, so that the ratio will be lower if there are more drop outs).

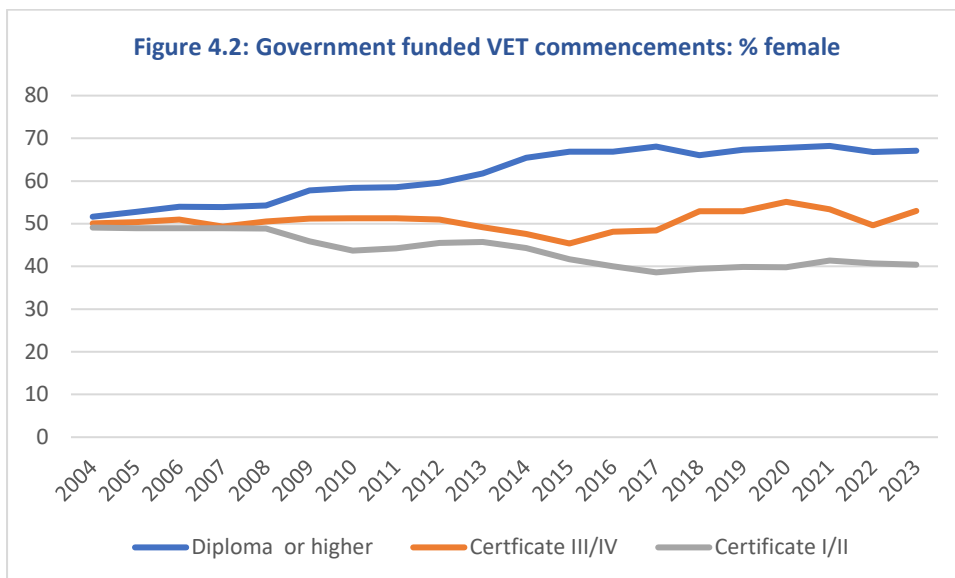
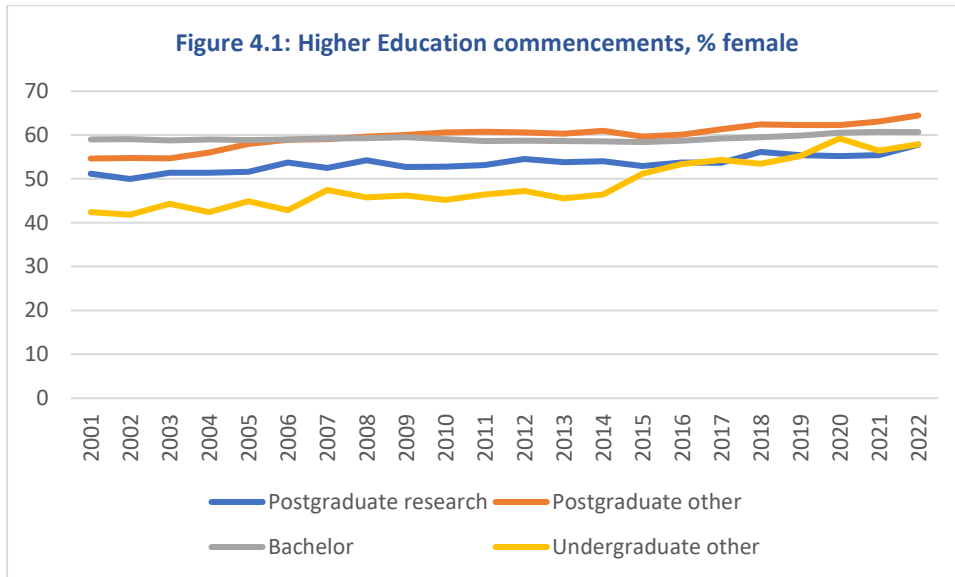
**Table 4: Substance of tertiary education courses (ratio of full-time equivalents to commencements), 2022 domestic students**

	<b>Average number of years studying</b>
<b>Higher Education</b>	
Postgraduate research	3.6
Postgraduate other	1.1
Bachelor	2.4
Undergraduate other	0.9
Non-award and enabling	0.5
<b>Government funded VET</b>	
Diploma or higher	1.4
Certificate III/IV	0.6
Certificate I/II	0.3
Non-award, other education	0.1

Source: Higher Education Statistics; VOCSTATS (TVA program enrolments)

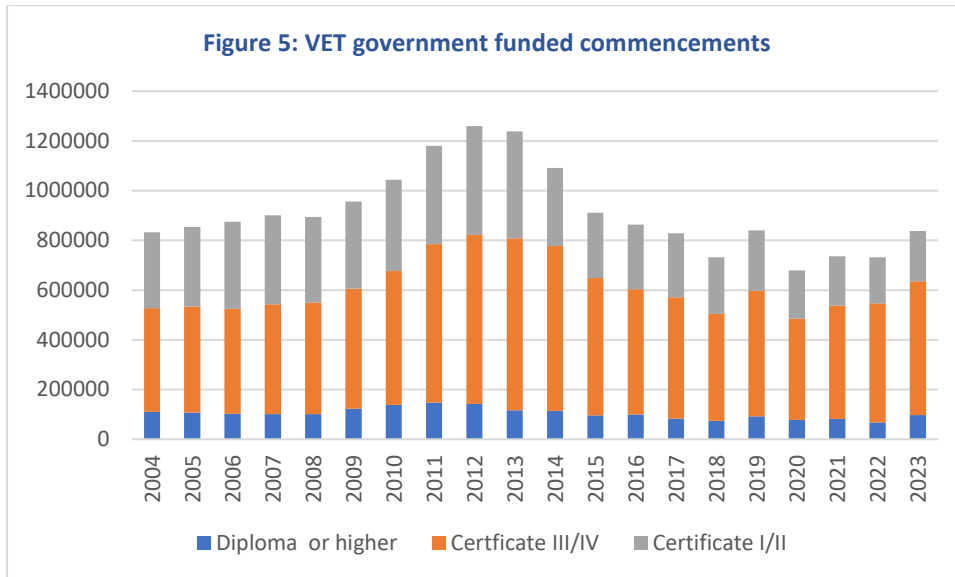
Another point to note from Table 3 is the domination of education by women in the Diploma and above VET qualification and all the higher education qualifications. This is part of a long trend as can be seen from Figures 4 and 5.

<sup>7</sup> In Figure 2, the VET categories are Diploma or higher, Certificates III/IV, Certificates I/II, VET non-AQF and VET subject only. The remaining categories define higher education. In Figure 3, the VET categories are Diploma or higher, Certificates III/IV, Certificates I/II, VET non-AQF and VET subject only. The remaining categories define higher education.



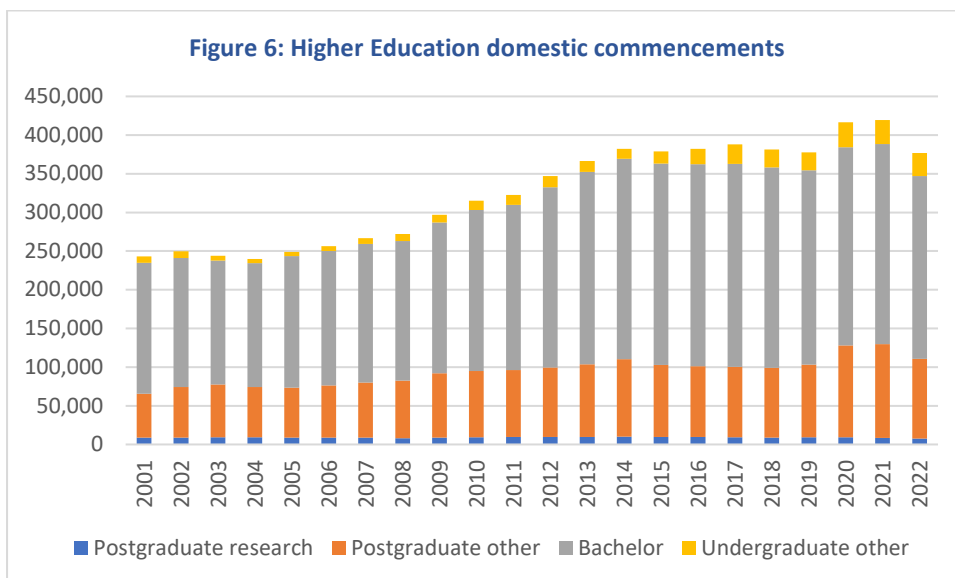
Source: Higher Education Statistics; VOCSTATS (Government-funded students and courses)

We complete this section by looking at how commencing numbers have changed over time. We present three graphs, focussing on AQF qualifications only. The first graph looks at qualifications delivered by VET, while the second considers higher education. The third graph combines the data from both sectors, but considers only those qualifications that a school leaver might choose if deciding between VET and higher education, namely a degree, a diploma or some other undergraduate award.



Source: VOCSTATS (Government-funded students and courses)

We see that commencements in 2023 are around the level of those 20 years earlier, but well below the peak in 2011-2014. It is also worth noting that Certificates III and IV have increased their dominance at the expense of both higher and lower level qualifications.



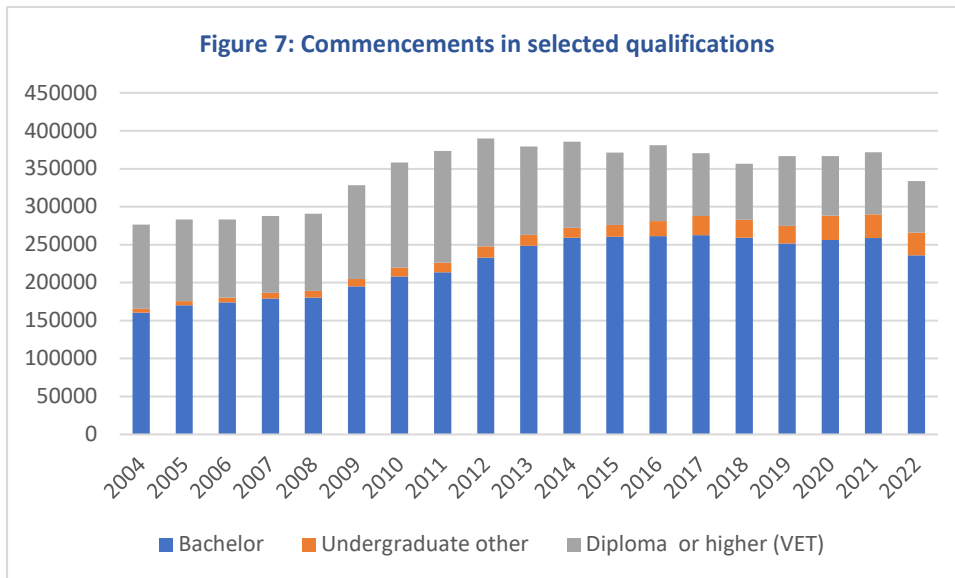
Source: Higher Education Statistics

From 2001 to 2014 it seemed that higher education commencements were ever increasing. However in the years since 2014 total numbers of commencements have been fairly static, although record numbers occurred in 2020 and 2021. In 2022 the numbers were similar to those observed from 2014 to 2019, although postgraduate (other) commencements and ‘undergraduate other’ were up at the expense of bachelor commencements. It does appear that the expansion of the higher education (domestic students) has faltered somewhat.

Finally, we look at three qualifications: bachelor degrees and the two categories that cross the VET and higher education sectors namely diplomas and above in VET and ‘undergraduate other’ in higher



education. We restrict ourselves to looking at Government funded VET, since this is the area of policy interest.



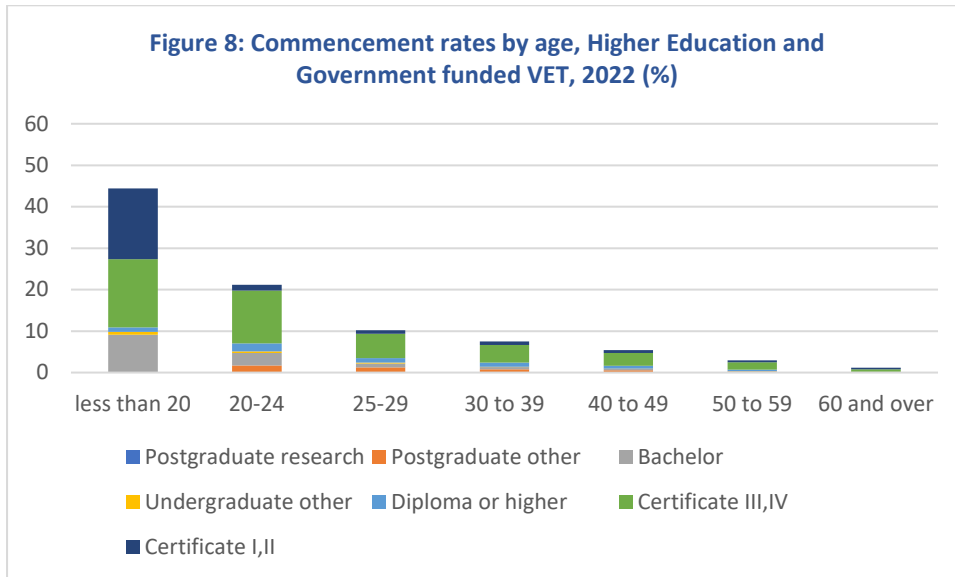
Source: Higher Education Statistics; VOCSTATS (Government-funded students and courses)

When we look at these three categories we see that commencements reached a peak in 2012 and as an aggregate have been on the decline ever since. That said, the main decline has occurred in VET diplomas and higher education bachelor degrees, with considerable growth in the ‘undergraduate other’ category. As noted earlier this covers diplomas, and new higher education sub bachelor awards such as undergraduate certificates. We also note that the higher education numbers dominate the ‘diploma or higher’ VET numbers. That is, VET diplomas are little competition for the higher education degrees. In this regard, we see that VET diplomas represented a larger share relative to Bachelor degrees in the mid-2000s compared to the last five years or so - degrees are usurping diplomas.

### The age distribution

In the two figures below we graph ‘commencement rates’ by age. The commencement rate is the number of commencements divided by the population of the age group in question<sup>8</sup>. By dividing by the population we essentially account for the different numbers in the age groups (for example, a ten year age group will be larger than a five year age group), and thus allow us to compare participation across age groups. The graph restricts VET to ‘government funded’ VET.

<sup>8</sup> Population figures are from Australian Bureau of Statistics, December 2023 Population - Australia



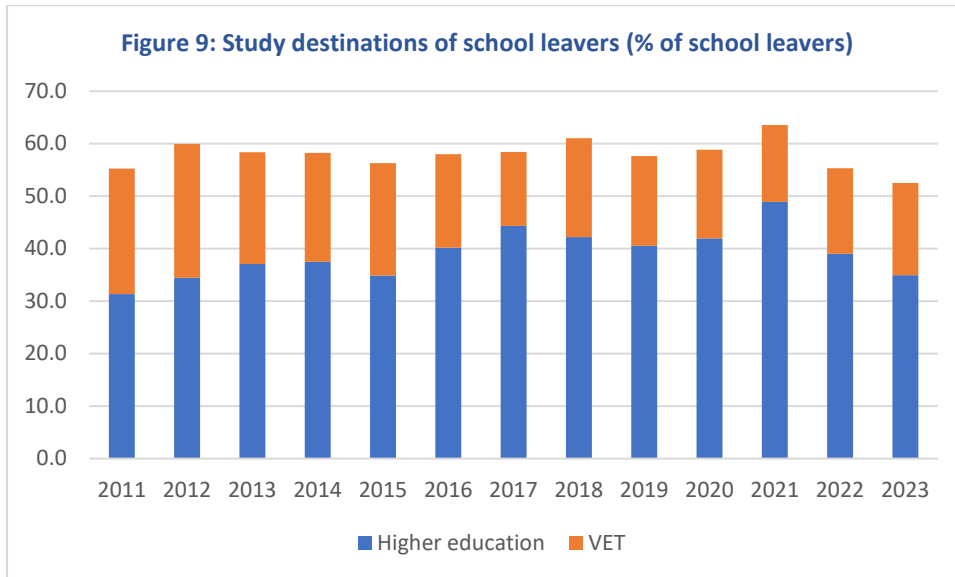
Source: Higher Education Statistics; VOCSTATS (TVA): ABS population statistics

Several points emerge. First bachelor degree commencements are concentrated in the 15-19 years and 20-24 years age groups. By contrast, commencements in Certificates III and IV occur across all age groups, with significant numbers up to the age of 60 years. We also see that commencements in diplomas dominate commencements in degrees for age groups over the age of 25 years. Finally, there are very large numbers of commencements in Certificates in I and II, but these become very small for older age groups. Overall, bachelor degrees very much relate to young persons, whereas the VET Certificate III/IV and diploma qualifications relate to all age groups. Post-graduate qualification commencements are relatively small and are concentrated in the 20 to 40 age groups.

## School leavers

A further comparison we make is based on the destinations of school leavers, based on the ABS Survey of Education and Work. Each year the survey obtains a snapshot of the educational participation of persons who had attended school in the previous year but were not attending in the year of the survey (as at May). The following chart shows the percentage of school leavers attending higher education or VET (which combines those attending TAFE and Other Institutions)<sup>9</sup>.

<sup>9</sup> Note that there was a minor change to the methodology in 2017. School leavers must be aged between 12-24 years for 2011 to 2016 and 15-20 years thereafter.



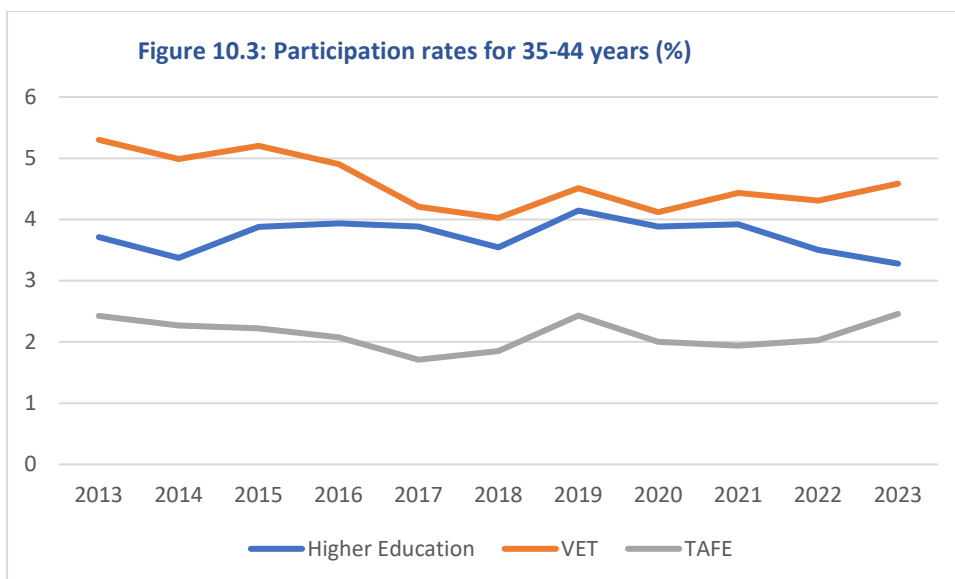
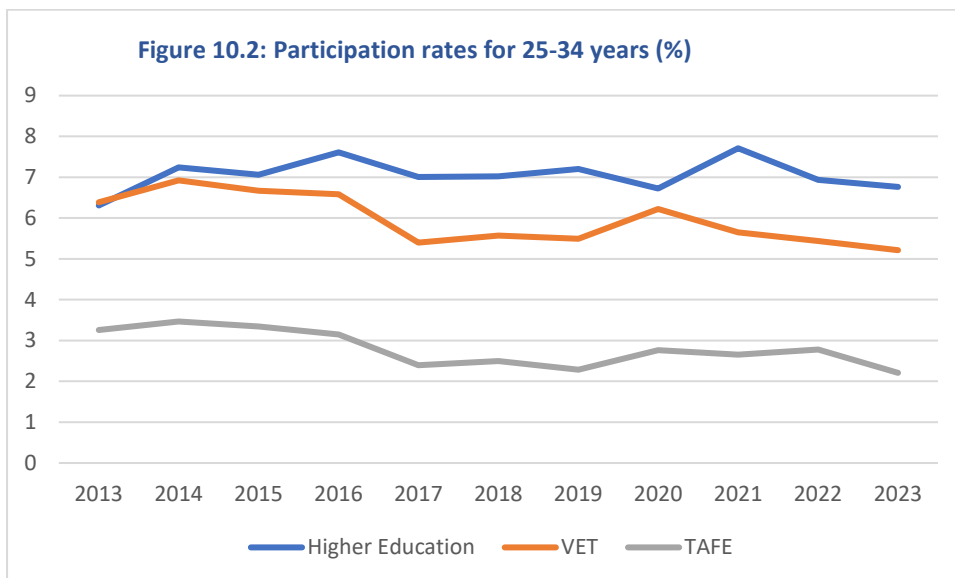
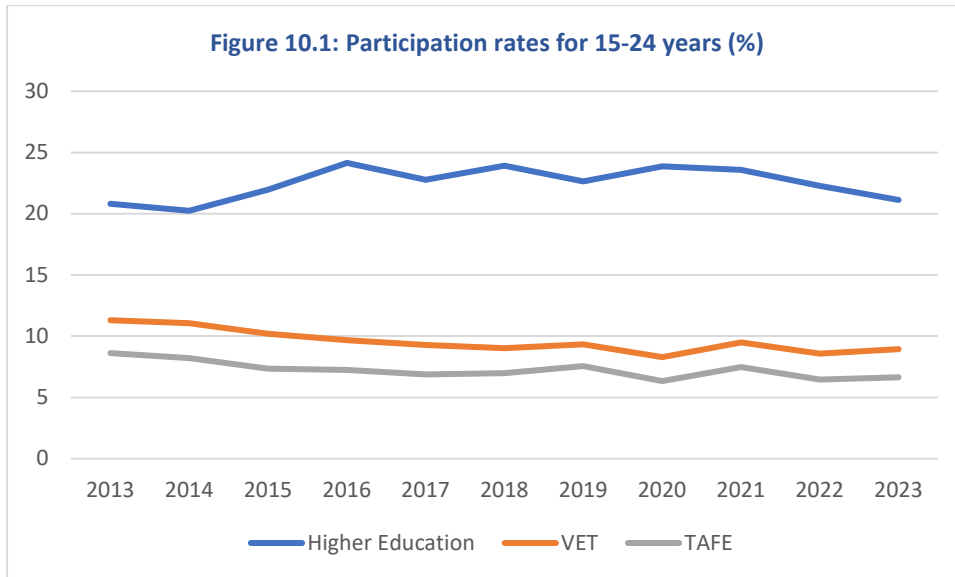
Source: Survey of Education and Work

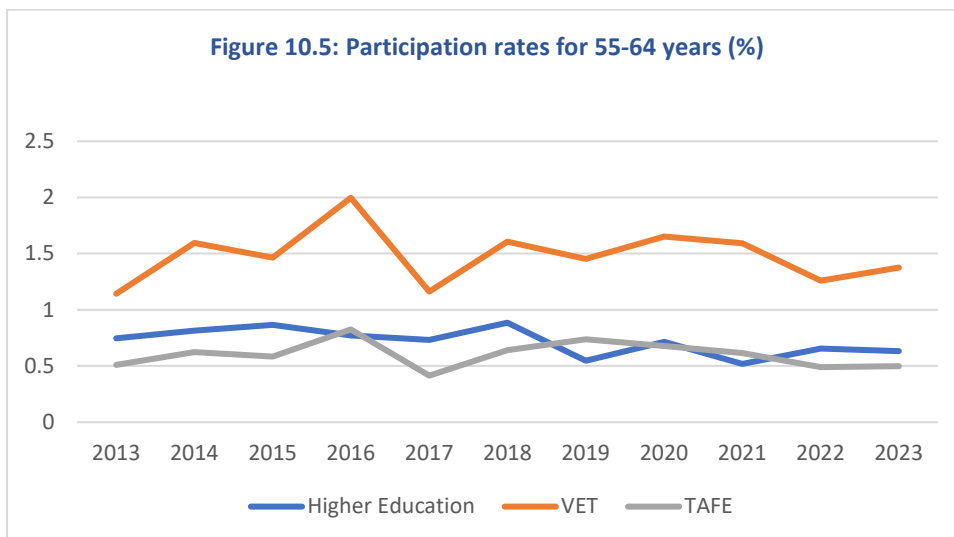
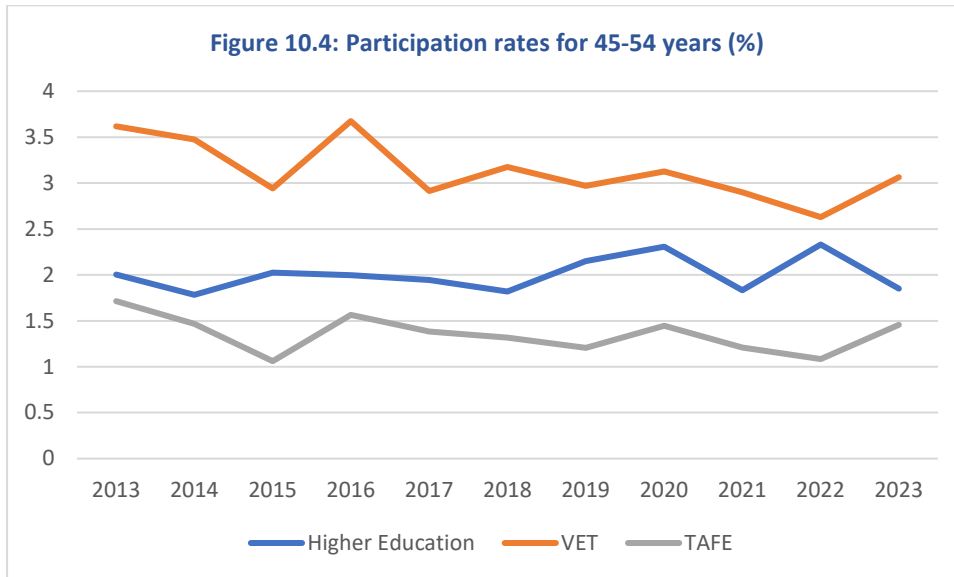
There is some sampling variability in the data but nevertheless some patterns emerge. First, the proportion of school leavers going directly on to further study has generally been between 50% and 60% apart from 2021 when the proportion was 63.5%. Perhaps this figure was particularly high because of the COVID-19 dislocation. The second feature is that higher education dominates, and since 2011 that dominance has increased. That said, the shine seems to have worn off higher education with the proportion of school leavers undertaking higher education the next year falling in 2022 and 2023. In 2023 the proportion stood at 35%, the lowest point since 2012. There has been some growth in the percentage of school leavers going to VET since 2021. However, the percentage in 2023 is considerably lower than the percentage ten years earlier.

### Trends in participation

The Survey of Education and Work allows us to look at the trends in educational participation focussing on individuals at a point in time, thus ensuring that there is no double counting when individuals enrol in multiple courses in a year. In the following figures we plot age specific participation rates for higher education, VET and its subset TAFE.<sup>10</sup>

<sup>10</sup> The Survey of Education and Work categorises education into higher education, TAFE, Other institution/organisation. We combine the last two categories as 'VET'.





Source: Survey of Education and Work

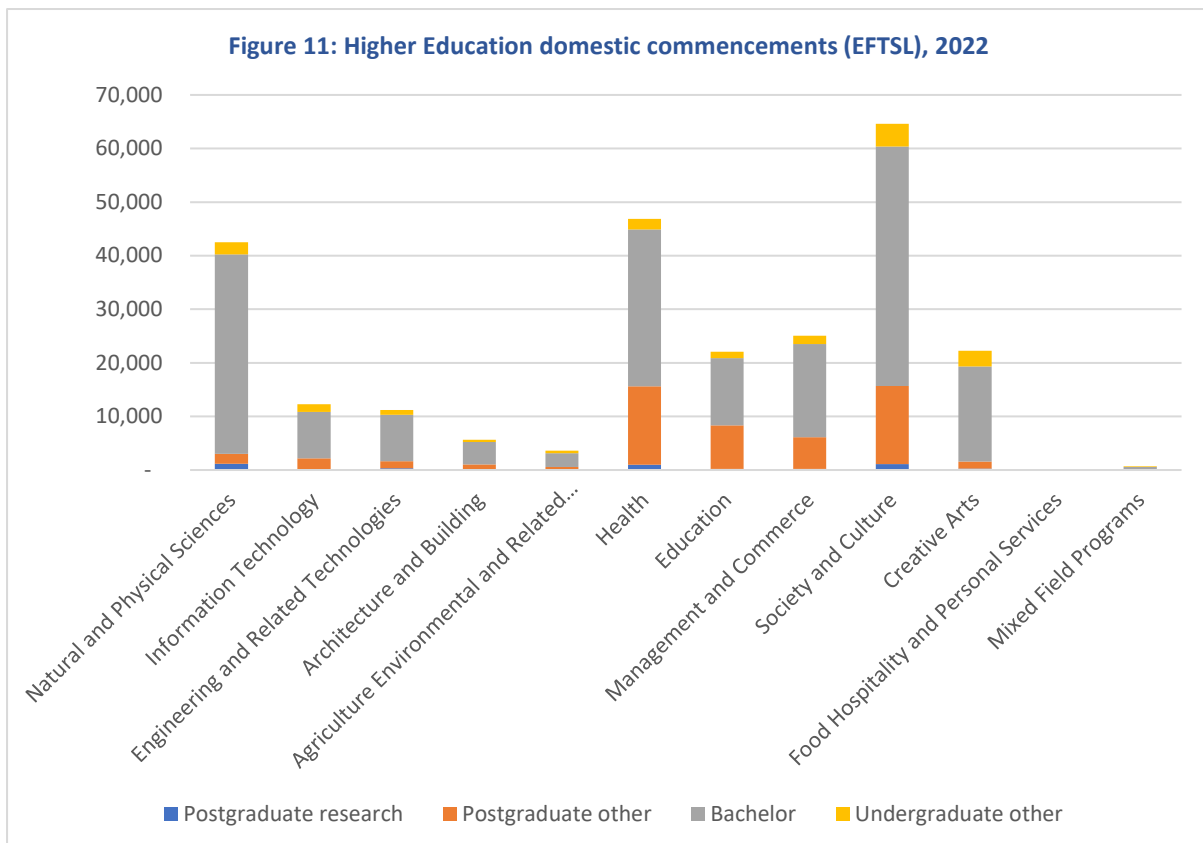
We note that there is sampling error associated with these estimates, so the estimates jump around somewhat. Nevertheless, we can draw some broad conclusions:

- Higher education participation dominates VET participation for the 15-24 years and 25-34 years groups.
- By contrast, VET participation dominates higher education participation for the older age groups 35-44 years, 45-54 years and 55-64 years. VET is more important for adult learning than is higher education.
- TAFE is by no means the dominant player in the VET space. In fact, higher education participation is greater than TAFE participation in all age groups (apart from the 55-64 years group where participation for both groups is less than 1%).
- In the important group 15-24 years (the age group with the highest participation rates, higher education participation has been on the increase except for the last couple of years. It seems that the apparent never ending increase in higher educational participation has ceased, at least for the time being. There are no obvious trends in higher education participation in the other age groups.

- VET participation generally has been on a downward path, with noticeable declines in all age groups except the 55-64 years group where VET participation has been around 1.5%.

## Field of study

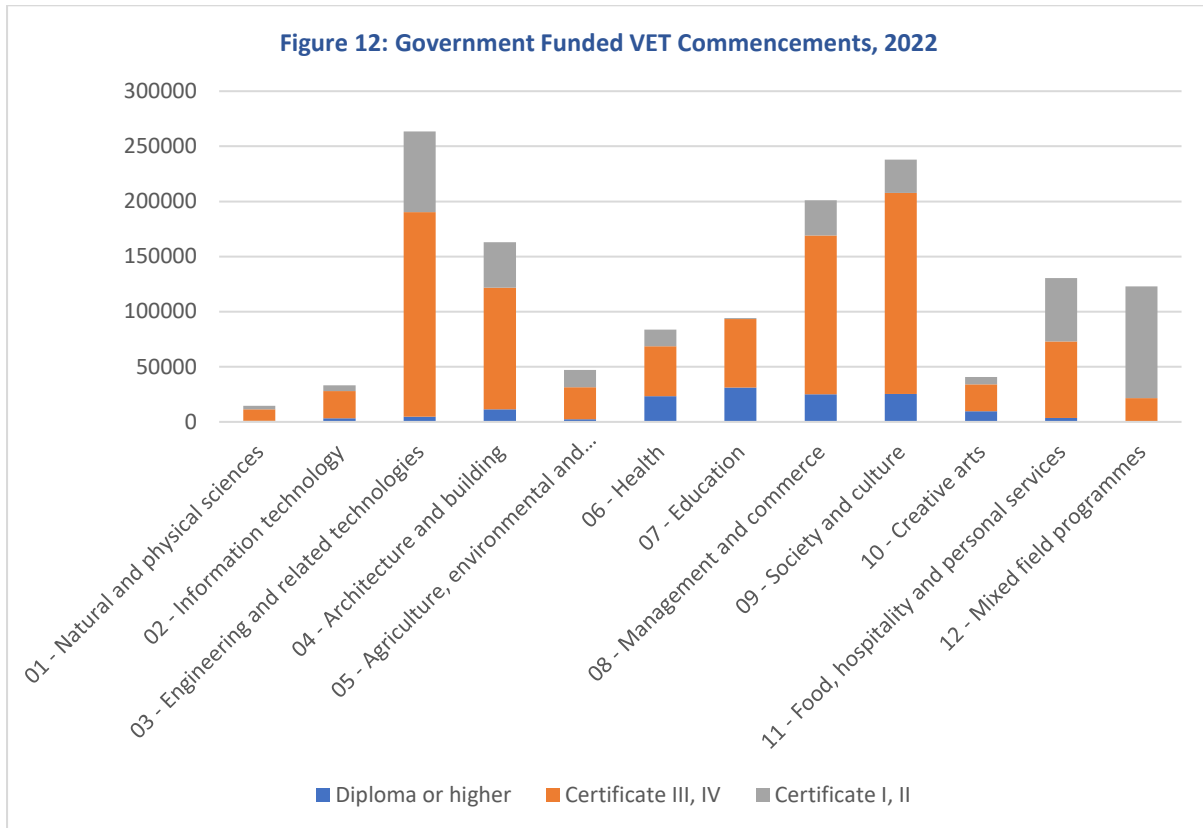
In the following figures we present the distribution of commencements by field of study. The VET and higher education data are based on slightly different concepts: the VET commencements count the number of persons commencing a course, while the HE commencements are expressed in terms of student load (full-time, full-load equivalents).<sup>11</sup> Nevertheless, the figures clearly show that there are significant differences between the sectors in terms of field of study,



Source: Higher Education Statistics

In higher education we see that the largest fields are Society and Culture, Health and Science, with large numbers also in Management and Commerce, Creative Arts and Education. We also see that 'Postgraduate other' (essentially course work masters degrees) are very significant in Health, Society and Culture, Education, and Management and Commerce. This is possibly a product of credential creep where bachelor degrees are no longer necessarily the entry level qualification into professional jobs.

<sup>11</sup> Publicly available higher education data does not provide a table of field of study by course level commencements. Such a table is only published in terms of student load.



Source: VOCSTATS (TVA)

In the VET sector the large fields are Society and Culture, Engineering and Related Technologies (containing many of the trades), Management and Commerce, and Architecture and Building. VET diplomas and higher are significant in Management and Commerce, Society and Culture, Education and Health.

Two fields are notable in being virtually restricted to one sector: Natural and Physical Sciences in the higher education sector and Food, Hospitality and Personal services in VET. Education is interesting - while in both sectors the sectors cater for quite different areas: school education in higher education, and early child education and VET training in the VET sector.

### Full-time and part-time attendance

One importance difference between the sectors is that full-time study is the dominant mode in higher education while part-time study is the norm in VET. This no doubt is related to the importance of school leavers in higher education relative to VET.

**Table 5: Percentage of domestic commencing students studying full-time, 2022**

	% full-time
<b>Higher Education</b>	
Postgraduate research	74.6
Postgraduate other	37.2
Bachelor	81.0
Undergraduate other	54.1
Enabling/non award	37.3
<b>Total</b>	<b>65.1</b>
<b>Government funded VET</b>	
Diploma or higher	38.1
Certificate III, IV	17.2
Certificate I, II	11.9
non-AQF	19.5
<b>Total</b>	<b>17.2</b>

Source: Higher Education Statistics, VOCSTAT (TVA)

We see that overall around two thirds of higher education commencements study full-time compared to 17% of VET. In higher education the proportion is over 80% for students commencing Bachelor degrees. In VET the proportion is highest for those undertaking diplomas and above (around 38%), but this is less than half the proportion for those commencing a Bachelors degree, and less than those commencing some sort of sub bachelor undergraduate award.

## 4. Equity considerations

In this section, we present a snapshot of participation for various equity groups. For VET we show the numbers for both Government funded VET and total VET. We restrict ourselves to the AQF qualifications. Because of data availability in the publicly released data in some tables we have had to split higher education commencements into two categories: postgraduate and undergraduate.

### Indigeneity

In the following table we present the proportion of commencing students who reported being Indigenous.



**Table 6: percentage of commencements that identified as Indigenous, 2022**

	<b>% Indigenous</b>
<b>Higher Education</b>	
Postgraduate research	2.4
Postgraduate other	1.8
Bachelor	2.2
Undergraduate other	3.5
<b>VET Government funded</b>	
Diploma or higher	4.8
Certificate III, IV	6.1
Certificate I,II	8.6

Source: Higher Education Statistics, VOCSTAT (TVA)

We see that the representation of Indigenous students is considerably higher in VET compared to Higher Education, and is highest in the Government funded courses. Within VET, though, we see that there is a bias toward lower level courses, with the highest proportions being in Certificates I and II, and the lowest in Diplomas or higher qualifications.

## Disability

**Table 7: Percentage of commencements with a disability, 2022**

	<b>% with a disability</b>
<b>Higher Education</b>	
Post-graduate	9.0
Undergraduate	10.7
<b>VET Government funded</b>	
Diploma or higher	8.9
Certificate III, IV	7.5
Certificate I, II	8.2

Source: Higher Education Statistics, VOCSTAT (TVA)

Higher education reports a slightly higher percentage of persons with a disability compared to the VET sector.

## Low SES

The measure of socio-economic status that is available for both sectors is based on assigning post-codes to geographic areas defined by the Australian Bureau of Statistics based on the SEIFA index of education and occupation. A complication is that in VET data collection, post-codes are assigned to areas representing quintiles of the population, while in the higher education data collection the areas represent quartiles of the population. Nevertheless, the table below shows that the VET sector is considerably more orientated to disadvantage.

**Table 8: % of commencements who come from low socio-economic areas, 2022**

<b>Higher Education</b>	<b>% in lowest quartile</b>
Post-graduate	16.2
Undergraduate	17.7
<b>VET Government funded</b>	<b>% in lowest quintile</b>
Diploma or higher	16.1
Certificate III, IV	21.7
Certificate I, II	24.7

Source: Higher Education Statistics, VOCSTAT (TVA)

While VET caters for those of low socio-economic background we note that low SES students are underrepresented among those undertaking diploma or higher qualifications, while they are over represented among those undertaking certificates, especially Certificates I or II.

### Non-English speaking background

The higher education measure is based on the variable ‘Students from a Non English speaking background’ while the VET measure is based on the variable ‘Is a language other than English spoken at home’. It is possible that there are conceptual differences between the two measures, but the difference in representation between the two sectors is striking.

**Table 9: Percentage of commencing students from a Non-English speaking background**

<b>Higher Education</b>	
Post-graduate	3.9
Undergraduate	3.4
<b>VET Government funding</b>	
Diploma or higher	21.8
Certificate III, IV	15.2
Certificate I, II	17.8

Source: Higher Education Statistics, VOCSTAT (TVA)

We note that the proportion of VET commencements from a non-English speaking background is higher for diploma and above qualifications than for the certificates.

## Regional and remote

**Table 10: Percentage of commencements from regional and remote areas, 2022**

	% Regional	% Remote
<b>Higher Education</b>		
Post-graduate	19.0	1.3
Undergraduate	19.3	0.9
<b>VET Government funding</b>		
Diploma or higher	24.0	1.2
Certificate III, IV	32.3	2.2
Certificate I, II	32.0	3.4

Source: Higher Education Statistics, VOCSTAT (TVA)

We see that regional areas have a much higher share of commencements in VET than is the case for higher education.<sup>12</sup> That said, the share of VET commencements that regional and remote areas have is higher for certificates than for the diploma and above qualifications.

## 5. Completion rates

Completion rates have been of interest to policy makers for some time, although there has always been debate on whether incomplete courses have value in themselves.

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<sup>12</sup> The Higher Education measures are based on a student's permanent home address at the commencement of study.

**Table 11: Completion rates of domestic bachelor students at universities<sup>13</sup>**

Commencing year	9 year completion rate	External students 9 year completion rate	Part-time students 9 year completion rate	6 year completion rate
2005	73.7	46.7	49.3	67.0
2006	73.5	46.3	49.0	66.8
2007	73.6	46.5	49.1	66.6
2008	74.0	47.3	49.2	67.2
2009	73.9	48.4	49.4	66.8
2010	73.0	48.8	48.6	66.0
2011	72.9	48.6	48.4	65.8
2012	71.7	48.5	47.9	64.5
2013	70.5	46.9	45.5	63.3
2014	69.8	46.2	44.8	62.4
2015				62.3
2016				62.6
2017				61.8

Source: Higher Education Statistics: Completion Rates of Higher Education Students - Cohort Analysis, 2005-2022

**Table 12: Completion rates of VET students (%)**

	2017 cohort	2018 cohort
Diploma or higher	56.5	56.7
Certificate IV	52.0	51.8
Certificate III	46.4	47.5
Certificate II	41.2	42.5
Certificate I	28.4	36.0

Source: VET qualification completion rates 2022, National Centre for Vocational Education Research

We see that completion rates for higher education domestic bachelor students are considerably higher than the VET completion rates, despite that the courses are considerably longer. However, a number of features are worth commenting on. The first is that some students are very tardy in completing their courses, such that the Department of Education follows students for 9 years for what is a 3 or 4 year course. The second point is that the completion rates for external and part-time students are very much lower than the overall completion rate. Thus the single most important factor behind the lower completion rates of VET students is the high proportion of part-time students as we saw earlier. In this regard, in VET the completion rates of the Diploma or higher courses are higher than the lower level qualifications and this corresponds to higher proportions of full-time students. The completion rates for Certificates I are particularly low but this may not matter given the likely poor return from these low level courses; what is more important is the extent to

<sup>13</sup> The analysis defines students as belonging to a Table A or Table B institution (Universities) depending on where they commenced their course.

which the courses lead to students completing higher level courses (we saw earlier that here are very few individuals in the Census reporting that their highest qualification was a Certificate I or II).

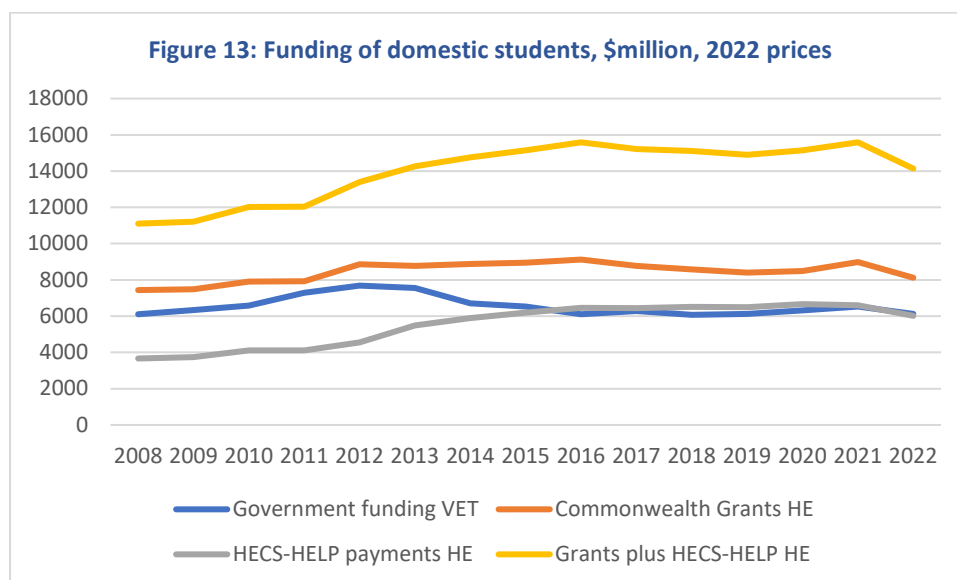
## 6. Funding<sup>14</sup>

Our focus is on government funding for delivery to domestic students. The data come from the Productivity Commission’s Report on Government services for VET and from the Department of Education Higher Education Finance Publication for the higher education numbers.

We stress that the data refer to funding provided by Government not the cost of delivery – we do not know exactly how much is spent on the delivery of teaching. For example, in higher education the split between research and teaching is not transparent, and the very considerable overheads support both teaching and research.<sup>15</sup> In respect of VET we have excluded the imputed cost of capital.

### Government funding for domestic students

Data on the principal sources of funding for domestic students in vocational education and higher education are shown in Figure 13.



Source: Productivity Commission 2023 Table 5A, Productivity Commission 2017, Table 5A, Higher Education Statistics Finance, Adjusted Statement of Financial Performance for each HEP

Vocational funding increased sharply to 2012, then declined and plateaued. It was less than 10% higher in 2021 than in 2008. For higher education the Commonwealth Grants Scheme, the major grant for the education of domestic higher education students, grew by about 25% by 2016 and then declined somewhat to be only 20% higher in 2021. However the funds available to higher education are enhanced by the 80% growth in fee revenues funded by HECS-HELP loans. The sum of Grants and

<sup>14</sup> Gerald Burke provided much of the material in this section. However, any errors remain my own.

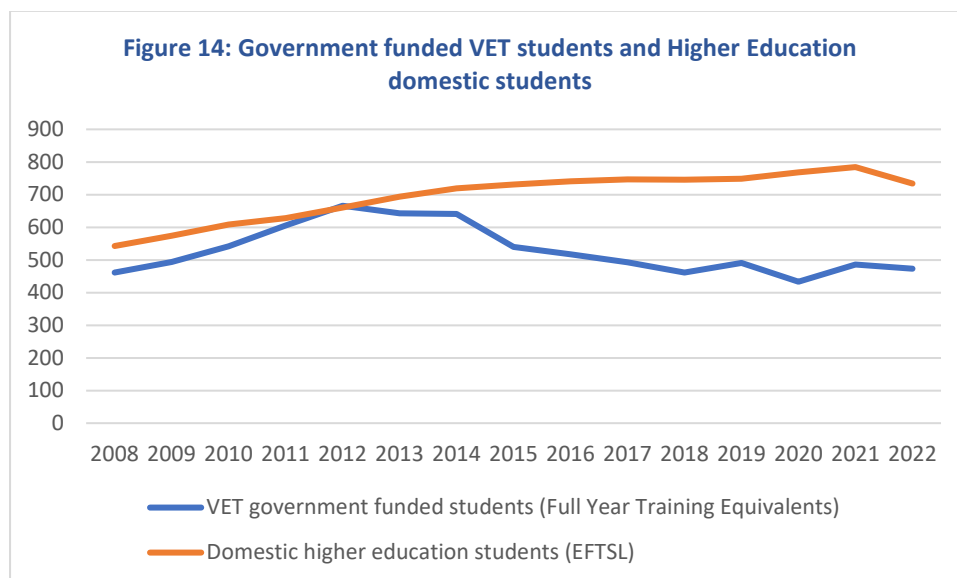
<sup>15</sup> In respect of higher education we have taken the funding data from a revenue table. We include income from the Commonwealth Grants Scheme and one-off capital and HELP Australian Government payments. We have therefore excluded income from Research Grants and ARC, Other Australian Government, State and Local Government, Upfront Student Contributions, Fee Paying Overseas Students, Other Fees and Charges, Other Fees and Charges, Other Income.

the HECS-HELP increased by over 40% 2008 to 2021. These are the funds received by the universities, rather than government funds as such.<sup>16</sup>

## Funding per student

From the above figure we see that government funding (for teaching domestic students) for higher education is around \$8.4 billion in 2022 compared to around 6 billion for VET. Taking student contributions into account (VET government funded students largely paid a notional tuition fee before the advent of the Fee Free TAFE program), while higher education students paid HECS-HELP. We see that higher education institutions had over \$14 billion for teaching domestic students while the VET providers had around half of that.<sup>17</sup>

In order to calculate a funding rate per student we need to divide the funds by the number of students, expressed in full-time equivalents (FTSL for higher education and FYTE in VET). These numbers are shown in Figure 14, while the funding rate per student calculations are presented in Figure 15.<sup>18</sup> We stress that these calculations should be taken as being indicative, because of issues of scope and what is included in both funding and student numbers.

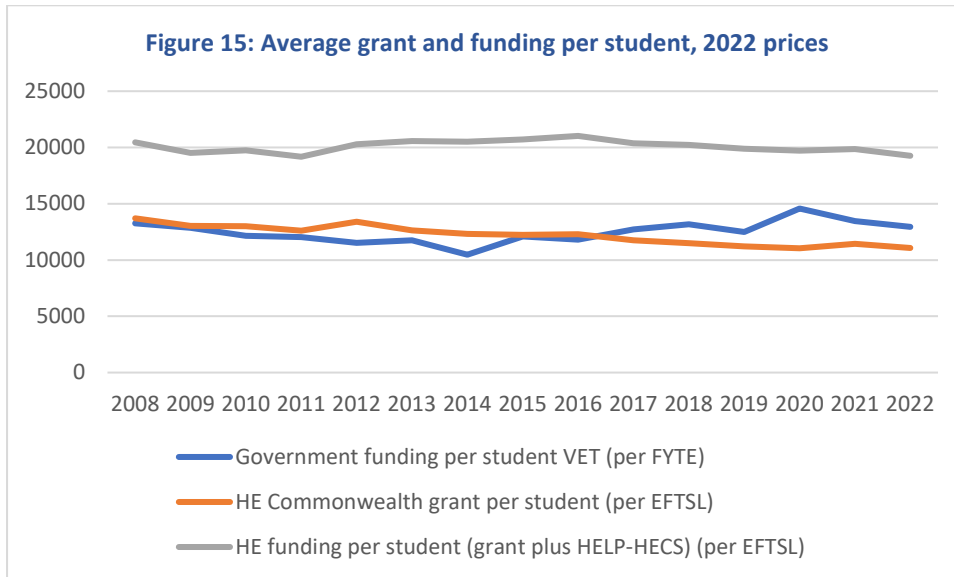


Source: VOCSTATS government funded students and courses, Higher Education Statistics

<sup>16</sup> The status of the HECS-HELP funds are ambiguous to the extent that it is a debt held by government paid back through the tax system. Bad debts or forgiveness of part of the debt (as is occurring with changes to the indexation arrangements of these loans) do not impact on the funds for teaching. Rather they impact on the cost to Government.

<sup>17</sup> The graph does not include the upfront fees paid by VET students, which we take to be about 10% of the cost of delivery. See Burke (2022) and Karmel (2024) for a discussion on the magnitude of fees and charges in VET.

<sup>18</sup> The VET numbers in the graph come from the Government funded students and course data base in VOCSTATS. The numbers are smaller than those derived from the TVA database, with the difference attributed to Commonwealth specific grants and VET in schools data that is not captured in the Government funded students and courses data base. The difference is of the order of 10%.



Source: Derived from Figures 13 and 14.

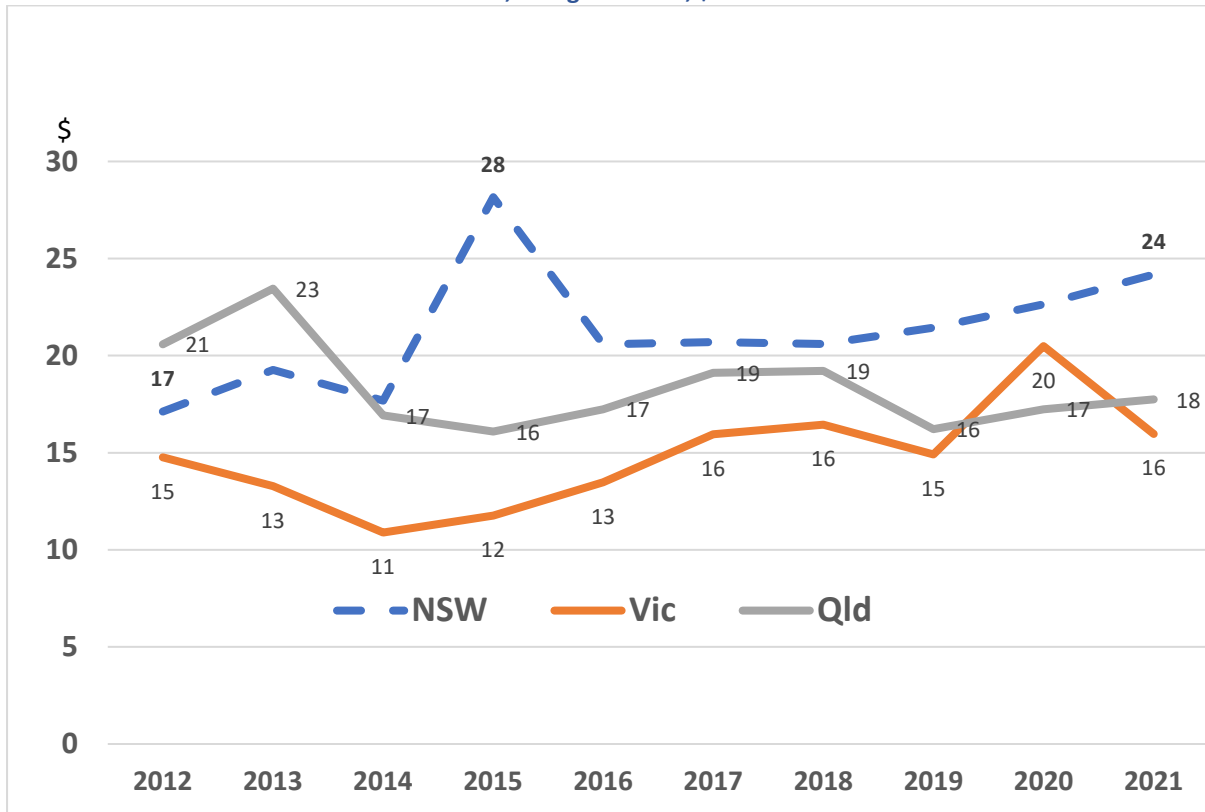
In respect of VET we see that grants per student (FYTE) declined between 2009 and 2014 from around \$14,000 to around \$11,000 before increasing back up to around \$15,000 in 2020. The trend in higher education is rather different, and we have seen a decline in the Commonwealth grant funding from \$13,000 in 2012 to around \$11,000 in the years 2018-2022.

It is interesting to see that the government funding per student over the whole period is higher for VET than it is for higher education, and the discrepancy has increased. However, the funding that the institutions receive is considerably higher in higher education than in VET. In fact the higher education funding per student has been around \$20,000 per student over the whole period. The difference between the grant and funding levels has been the contribution from students which is recovered through the tax system as part of HECS-HELP.

The contrast between the funding arrangements between VET and Higher Education is very obvious. The superior funding of higher education is due to the contributions of students rather than any government largesse. One can only speculate on the policy environment which has seen grants per student decline in higher education and a decline followed by an increase in the VET sector.

In this regard, we observe that whereas higher education has a national system of funding in VET there are eight state-based systems. The variation between states is considerable, as can be seen in the very large differences in government funding per hour of training, shown in Figure 16 for the three largest states.

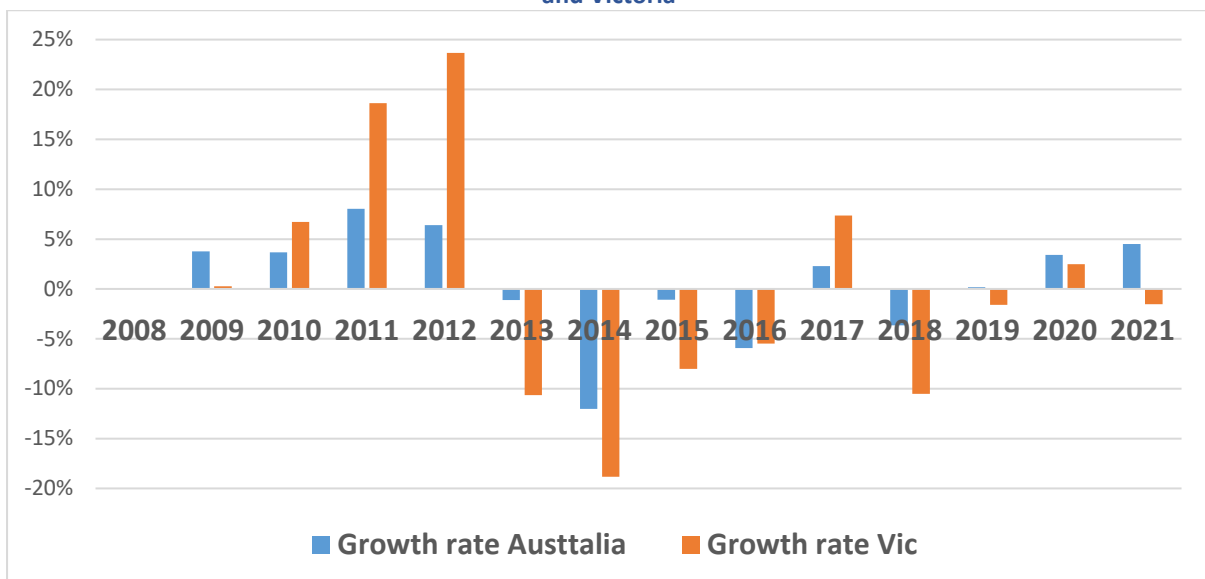
**Figure 16: Government real recurrent expenditure on vocational education, \$ per hour of training, 2012 to 2021, 3 largest states, \$2021**



Source: Productivity Commission 2023 Table 5A.3

The variation between states can also be seen in the time series data with annual movements in individual states very much larger than that observed at the Australian level. In Figure 16 we compare Victoria with Australia to illustrate this point.

**Figure 17: Annual growth rate in government expenditure on vocational education 2008 to 2021, Australia and Victoria**



Source: Productivity Commission 2023 and earlier



We see that in Victoria annual changes both positive and negative are much more extreme than the annual changes at the Australian level. The large changes in Victoria were driven by the early introduction of an entitlement by Victoria<sup>19</sup> which was widely exploited by fraudulent for-profit private providers (Mackenzie and Coulson 2015). Not surprisingly there was a sharp reversal in policy by 2012.

## 7. Summary

The purpose of this paper is to provide a snapshot of the VET and higher education sectors, particularly as it relates to the delivery of education and training to domestic students.

Points to emerge are:

The conceptual basis for tertiary education sector in Australia is very messy and far from coherent.

The VET sector delivers a range of qualifications from lower level certificates that educationally are not post-secondary, to diplomas that are also delivered in higher education. The VET and higher education sectors have different regulatory and funding arrangements. Some providers (including some universities) deliver qualifications in both spheres. Vocational education (in the broader sense of education for particular occupations) is delivered in universities (for example, engineering, law, accounting, health and medicine) as well as in the VET sector. However, the VET sector provides little in the way of general education, with its delivery primarily using training packages developed by industry.

The population is becoming more credentialed, with 30-39 year olds being the most credentialed age group. A bachelor degree is the most common qualification for this age group. No longer can we think of higher education as being for an elite.

The relative size of the two sectors is complicated:

- In terms of commencing students Government funded VET is more than double the size of higher education. However, VET courses are typically much shorter than higher education courses, so that higher education is about 50% larger than Government funded VET when measured in full-time equivalents.
- There is a very large part of VET that is not Government funded. If we include this then total VET (including non-AQF course and subject only study) is about 40% larger than higher education when measured in full-time equivalents. If we restrict VET to AQF programs that are government funded then VET is around 70% of Higher Education.

Tertiary education has become feminised:

- In higher education, there are more women than men studying at all qualification levels. For bachelor degrees the proportion is around 60%.

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<sup>19</sup> The Victorian initiative laid the foundation for a national partnership agreement in 2012, in which all states agreed to 'introducing and strengthening a national entitlement to a government subsidised training place to a minimum of the first Certificate III qualification which is accessible through any registered training organisation (RTO), public or private, which meets state-based criteria for access to the national training entitlement' (COAG 2012).

- In Government funded VET, there are around 75% women studying at the diploma or higher level, and just over 50% in Certificates III/IV. Men dominate only Certificates I/II.

We have become accustomed to ever increasing levels of education. But recent trends have thrown this into some doubt. VET government funded commencements in VET were at a peak in 2011, thereafter declining despite an upturn in 2022 to 2023. By contrast higher education commencements have generally been increasing, but the 2022 number is well below that of 2020 and 2021.

Degrees are usurping diplomas, VET diplomas provide little competition for bachelor degrees. This is putting the 'top end' of VET at risk.

The age distribution of students of the two sectors is quite different. Bachelor degree commencements are concentrated in 15-19 and 20-24 year groups, while commencements in Certificates III/IV are spread across all age groups. School leavers are much more likely to go to higher education than to VET. According to the Survey of Education and Work, the proportion of 15-24 year olds going to VET has been declining since 2013, although the trend has been flat since about 2019. In this context we note that participation for this group in higher education has been declining since 2021. It does appear that the apparent never ending increase in higher education participation has ceased, at least for the time being.

The two sectors have rather different patterns of study by field. In higher education the three largest fields are Society and Culture, Health and Natural and Physical sciences. In VET, the largest fields are Society and Culture, Engineering and Related Technologies, Management and Commerce and Architecture and Building. Higher education has virtually no students in Food, Hospitality and Personal Services; VET has few students in Natural and Physical Sciences.

We have noted that the age distribution of the students in the two sectors is quite different. There are also significant differences in terms of a range of other characteristics:

- Fulltime/part-time attendance. Around two-thirds of higher education students are full-time (81% for Bachelor degrees), compared to less than 20% of VET students (17% in Certificates III/IV).
- Indigenous students have a much higher representation in VET, especially government funded VET.
- Low SES students have a higher representation in VET, especially government funded VET.
- Regional and remote students have higher representation in VET, especially government funded VET
- Representation of students with a disability is quite different to the other characteristics we have looked at, being higher in higher education than in VET.

We have been comparing the two sectors in terms of student numbers. However, an important consideration is the completion rates – if we take completion as a sign of the acquisition of a coherent set of skills. In this respect, we note that higher education completion rates tend to be higher than those for VET. For the 2017 cohort, the bachelor (6 year) completion rate was 61.8% compared to 46.4-52.0% for a Certificate III/IV.

The lower completion rates for VET qualifications is largely explained by the lower proportion of full-time students in VET. To illustrate this, we see that the bachelor degree completion rate for part-

time students in higher education was 44.8% for the 2014 cohort compared to the overall rate of 69.8%.

- We note that completion rates in higher education have been falling for many years: the 6 year completion rate was 67.0% for the 2005 cohort compared to 61.8% for the 2017 cohort.
- In VET completion rates are related to the level of the qualification, with the completion rates for diplomas being the highest and completion rates for Certificates I being the lowest.

Funding. The funding of education for domestic students differs in nature between the two sectors. In higher education the institutions receive a government grant that represent a grant for higher education and a payment that corresponds to the amount owed by the student through the HECS-HELP income contingent loan. In VET, there is a government grant and, until the advent of fee-free TAFE places, a tuition fee that represented around 10% of the cost in delivery.

In higher education the total amount received by institutions grew strongly from 2008 to 2016 and has declined a little since then. The government contribution showed the same pattern. The HECS-HELP contribution peaked in 2016 and has been fairly constant since then. In 2021 the government contribution was \$8.1 billion compared to the HECS-HELP contribution of \$6.0 billion.

In VET peak government funding was in 2012, declining thereafter until 2019, with a small increase after that point. In 2022, the funding was \$6.0 billion.

So overall, higher education has been funded at a much higher level than VET, although a very significant proportion of this through HECS-HELP – a contribution by students underwritten by the Government<sup>20</sup>).

Calculation of funding per student (full-time equivalent) is difficult because of issues of scope. However, rudimentary calculations indicate that higher education institutions receive around \$20,000 per full-time student, with just over a half from the government grant and the remainder from the students HECS-HELP contribution. This overall number has been relatively constant since 2008. By contrast, VET providers received in 2022 around \$13,000 per student with funding per student varying considerably over the period 2008-2022 (in the range \$10,000 to \$15,000).

## 8. Discussion

Australia has managed to develop a tertiary education sector that is incoherent, comprising a mixture of two regulatory and funding systems, with content developed under two quite different philosophies. In international terms a large part of VET (that is, Certificates I-IV) is considered to be post-school, non-tertiary rather than tertiary education.

From a policy perspective, there are a number of points that we believe are critical.

First, over the longer term VET has been in decline and higher education is now the dominant form of tertiary education. The idea that VET is a genuine alternative to higher education is becoming

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<sup>20</sup> Only part of the notional HECS/HELP funds is paid by students – there is no interest on the debt (although it has been indexed to maintain its real value) and the Government covers debts that are never repaid. We also note that the Government will pick up more of the tab with moves to change indexation arrangements and to forgive a proportion of the debt (see The Hon Anthony Albanese, Wed 8 May, Home/media/Why \$3billion HECS Wipe Will Make a Real Difference).

harder to sustain. A bachelor degree is the largest category of qualifications. From the point of view of a school leaver, VET is only a viable alternative to higher education for a minority of students. Regulatory trends inevitably will support bachelor degrees rather than VET qualifications (child care and aged care, for example).

Second, VET is the 'equity' sector of tertiary education, with higher proportions of low SES, regional, Indigenous and older students than in higher education. Part-time attendance is the norm.

Third, tertiary education participation is no longer on an upward trajectory. VET government funded commencements in VET were at a peak in 2011, thereafter declining despite an upturn in 2022 to 2023. By contrast higher education commencements have generally been increasing, but the 2022 number is well below that of 2020 and 2021. Higher education participation has been on the increase except for the last couple of years. It seems that the apparent never ending increase in higher educational participation has ceased, at least for the time being

Finally, tertiary education has become noticeably feminised. Women have higher educational qualifications on average than men. In higher education, 60% of students commencing a bachelor degree are women. In government funded VET, there are around 75% women studying at the diploma or higher level, and just over 50% in Certificates III/IV. Men dominate only Certificates I/II. One can only speculate at the implications for this for the role of men in our society.

The underlying question is whether we leave things as they are, or we revitalise VET. We need to recognise that our VET system and its curriculum was designed in the early 1990s to meet the needs of award restructuring. However, in a modern economy VET's narrow courses are outdated and its clientele declining. VET has never been that attractive to school leavers and is even less so these days because curriculum is primarily year 11 or 12 standard and most school leavers have completed year 12.

We argue that in order to get tertiary education participation rates back on an upward trajectory we should build educational institutions that offer a genuine alternative to the research focussed universities. What we have in mind is a practically orientated institution which offers qualifications from certificates to bachelor degrees. To be competitive with universities these institutions would need to have Commonwealth Supported Places for diplomas and degrees. There are already, no doubt, some TAFEs that could develop into such an institution.

The idea is that these types of institutions are likely to appeal to those from equity groups, including men, who would favour a practical rather than academic orientation, and also enable an easier transition from VET certificates to diplomas and degrees. If we are to address issues of educational disadvantage it is VET institutions which are best placed to lift tertiary educational participation, not universities. Time to 'harmonise' VET and Higher Education and convert some of our TAFEs to Colleges of Advanced Education?<sup>21</sup>

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<sup>21</sup> We note that the Consultation paper on the Australian Tertiary Education Commission (ATEC) (proposes that *the ATEC will lead and manage Australia's higher education system, including promoting a more harmonised tertiary education system by breaking down barriers between the higher education and VET sectors.* (Australian Government Department of Education 2024, page 5)

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