Pressing for parity: how VET can command its share of esteem

John Ross
August 2025

Mackenzie Research Institute
E: tom.karmel@hotmail.com
info@mri.edu.au

For a people who fancy themselves egalitarian, Australians have a strangely hierarchical attitude towards education. Just as trades and technical occupations are generally considered inferior to professions like law, engineering and medicine, technical training is generally considered inferior to university.

It doesn't have to be this way. In Germany, another advanced knowledge economy, technical skills – and the means of acquiring them – are held in high esteem. But parity of esteem seems an impossible dream in Australia.

Vocational education and training (VET) was considered a second-best option even in the 1970s, when perhaps seven in 20 young people finished year 12, and three of them went on to university. Many people, mainly boys, left school at 15 or 16 to pursue what would often prove lucrative trades in areas like carpentry, mechanics, plumbing or boatbuilding. Some of them ended up wealthier than their bookish peers with arts degrees. But the arts degree commanded more esteem than the plumbing ticket.

VET's parity problem is arguably worse now, with degree-level qualifications gradually becoming de rigueur in areas like childhood education and aged care. Employment in such areas is booming, and vocational institutes risk losing a lot of business if they cede training rights for these occupations.

It's not the first time VET has come off second best in a territorial squabble with higher education. Universities waste no opportunity to eat VET's lunch. Many policy developments – the uncapping of undergraduate university places in 2012, the introduction of discounted online certificate courses during the coronavirus pandemic, the rollout of "FEE-FREE Uni Ready" courses following the Australian Universities Accord – have enabled public universities to open up new income streams by recruiting from the traditional student base of TAFE, the public VET provider.

The reverse can also occur. A free TAFE initiative introduced in Victoria in 2019 was blamed for a decline in applications to the state's universities the following year. But overall, the direction of traffic in these sectoral battles favours higher education. A 2022 study by the Mackenzie Research Institute examined why commencements in VET diplomas outside health and education fields had declined by around 50 per cent between 2004 and 2020. "Higher education has expanded at VET's expense," it concluded. "In many fields, the higher education expansion is mirrored by VET contraction."

Universities have been well-placed to absorb traditional VET students because structural arrangements – in particular, their almost exclusive access to Commonwealth-Supported Places (CSPs) and fee-free income-contingent loans covering upfront tuition costs – have worked in their favour.

While the distinctions between the sectors are hazy, VET generally encompasses qualification levels between certificate and advanced diploma, delivered with an emphasis on job readiness rather than broad underpinning theory. Both approaches have their advantages, but attitudes towards VET – within government, academia and the community – often overlook its strengths in student support and real-world relevance.

Attempts to integrate tertiary education by creating practical structural pathways from VET to HE, and vice-versa, have largely faltered. Seamless integration was the great unrealised aspiration of former University of South Australia vice-chancellor Denise Bradley's higher education review in 2008 and the Australian Qualification Framework review conducted in 2019 by her panellist Peter Noonan, whose recommendations have been gathering dust ever since.

Six public universities – Central Queensland, Charles Darwin, Federation, RMIT, Swinburne and Victoria – are "dual sector" institutions encompassing TAFEs as well as universities. And many universities have developed pathway arrangements with standalone TAFEs and private colleges.

These arrangements guarantee entry into degrees for VET students who meet academic benchmarks. Many also grant diploma graduates credit of anywhere between one-twelfth and one-third of the requirements for degree completion.

Advanced standing arrangements are not necessarily easy to manage, given the different content between VET and higher education courses. Vocational certificates and diplomas don't generally have as much of a theoretical focus as degrees. Even when pathway arrangements entitle diploma graduates to a year's credit towards degrees, the students may need to take some of the degrees' first-year subjects.

But these challenges can be overcome, as demonstrated by the fact that universities routinely grant advanced standing to international graduates of Australian VET courses. The bigger problem is that even in the dual-sector institutions, pathways between VET and higher education often depend on ad hoc personal interest rather than properly entrenched structural arrangements. When key figures in university middle management retire, gain promotion or change employers, the pathways they've championed often wither.

VET institutes also suffer reform and market disruptions far more onerous than those inflicted on universities. TAFEs are frequently under restructure and their viability has been imperilled by open market experiments like the Victorian Training Guarantee from 2009. The VET FEE-HELP program squandered around $8 billion of skills funding on often poor-quality private training between 2009 and 2016. VET's share of public education funding plummeted by around 30 per cent between the mid-2000s and the mid-2010s.

More recently, the government's Fee-Free TAFE scheme has put pressure on both public and private VET providers. Around 90 per cent of Fee-Free places are offered through TAFEs, which are sometimes funded inadequately for the training they provide. As public institutions, TAFEs

are pressured to strike relatively generous enterprise agreements with their staff; consequently, teaching costs are considerably higher for TAFEs than most of their private sector competitors.

Meanwhile, changes to visa processing arrangements have undermined the recruitment of lucrative international VET students, forcing some private colleges out of business. TAFEs have never been big earners from international education – a situation that appears unlikely to change any time soon, as the federal government introduces mechanisms to limit overseas student numbers.

With the settings stacked against them, it's little wonder that TAFEs and their private sector counterparts don't command parity of esteem. Yet there are plenty of reasons for students to consider VET a first-best option – for their initial expedition into tertiary education, at any rate.

For starters, price. Even when Fee-Free TAFE places are unavailable, VET courses often have lower annual tuition fees than higher education offerings in similar disciplines – particularly for students who fall within a broad range of concession or exemption categories. In particular, indigenous Australians and people on income support are not charged for tuition at TAFE.

For other groups, VET Student Loans cover most or all of the tuition fees of many courses at or above diploma level. Certificate-level students must find the money to cover their course fees upfront, but this can spare them the burden of student debt borne by their peers in higher education. These debts can be substantial, notwithstanding Australia's generous income-contingent loans. Fees for most arts, business and law degrees now exceed $50,000 – a sum that rises over time due to indexation of loan balances.

VET also provides significant opportunities for students to support their studies with meaningful work in related areas. Most students need paid jobs to survive these days, irrespective of where they study, but for university students this often entails part-time hospitality, retail, cleaning or construction work. VET students – apprentices and trainees, at any rate – have access to structured training jobs in relevant disciplines which offer genuinely useful work experience while helping to pay the bills. University students' work experience mostly goes unpaid by employers, although the federal government has introduced $331.65 weekly payments for teaching, health and social work students on compulsory payments.

VET also tends to involve hands-on, practical teaching in relatively small classes – a mode of learning that appeals to many. While online instruction is a prominent feature of all tertiary education in the post-COVID world, VET tends to be more face-to-face than university. Its teachers tend to have more relevant industry experience, and more time to spend with their students.

Satisfaction and outcomes surveys consistently put VET ahead of higher education. Around 89 per cent of VET graduates profess satisfaction with the teaching and overall quality of their courses, compared to about 79 per cent of bachelor's degree graduates.

Some 80 per cent of VET graduates claim to have secured work in fields or positions directly relevant to their courses, compared to roughly 72 per cent of higher education graduates who say they have jobs that fully utilise their qualifications.

VET also caters to occupations that seem relatively immune to the threat of subsumption by artificial intelligence. Jobs in some professions that normally require degrees are gradually being supplanted by generative AI. Bots are performing work traditionally done by lawyers, accountants, journalists, creative writers, software developers and even teachers and doctors, to some degree. The technical and caring roles largely performed by VET graduates, on the whole, are not easily assumed by AI.

VET is also gaining political favour over a university sector that is often portrayed as self-serving, poorly governed and lacking career relevance. Fee-free TAFE was one of the key election platforms that helped return Labor to government in the May 2025 election. The main higher education-related policy – an overhaul of student loan repayment arrangements, including the elimination of 20 per cent of outstanding debt – was an electoral appeal to university graduates that provided almost no benefit to universities themselves.

In its final report in 2024, the Australian Universities Accord recommended two attainment targets for achievement by 2050: for 55 per cent of people aged between 25 and 34 to have higher education degrees, and for 80 per cent of working aged people to have tertiary qualifications at apprenticeship level or above. But the government has only adopted the broader tertiary target. The 55 per cent goal is rarely if ever cited by politicians, suggesting that Labor has made a political choice to prioritise VET over higher education.

Training minister Andrew Giles says vocational qualifications, not degrees, are needed to fill the most critical workforce shortages. “How many lawyers or history majors does it take to build a house?” he asked at a June 2025 employment conference.

In its December 2024 labour market update, advisory body Jobs and Skills Australia (JSA) reported that almost two-thirds of employment growth in 2024 had come from occupations with VET pathways. Yet pro-university arrangements championed by both sides of politics had been driving students away from VET for years, according to JSA commissioner Barney Glover, a Universities Accord panellist and former Western Sydney University vice-chancellor.

Glover told the *Australian Financial Review* that uptake of higher education qualifications had grown by 67 per cent over the decade to 2021, compared to 25 per cent for vocational qualifications. “We need to rebalance that to meet the jobs of the future,” he told the newspaper.

By any measure, universities are in the political outhouse. The Labor Party, traditionally an ally of the academy, has scored points by mounting an inquiry into the governance of what it

describes as a "lawless sector". The probe is examining matters like "wage theft", conflicts of interest and discretionary expenditure on executive office upgrades.

Vice-chancellors' salaries have come under particular scrutiny. "There's no other job in Australia where you can be paid so exorbitantly while performing so badly, with seemingly no consequences or accountability," said the chair of the Senate's Education and Employment Committee, which is conducting the inquiry. If views like that are widely held within the governing party, TAFEs can expect to be treated more favourably than universities for the foreseeable future.

Despite all this, university continues to command esteem, because degrees are associated with highbrow occupations and higher wages. Time and again, studies have shown that the salary "premium" – the additional income the average Australian can expect from post-school credentials – is better for higher education than VET.

But even here, higher education's advantage has slipped. In an age where almost all workers are expected to have tertiary credentials, people with degrees – even master's degrees or PhDs – no longer stand out as they once did.

Higher qualifications still equate with higher earnings, but not as much as they used to. An analysis by the Mackenzie Research Institute found that in 2011, master's and PhD graduates earned 93 per cent more – on average – than people without higher school certificates or tertiary qualifications. By 2021, this margin had fallen to 72 per cent. For people with bachelor's degrees, the salary advantage had declined from 57 per cent to 53 per cent.

The salary premium for those with VET qualifications, while lower, had changed little over the decade. It had slid from 31 to 28 per cent for people with diplomas, and 17 to 15 per cent for people with higher level VET certificates. Meanwhile, the "negative" salary premium – the lower average earnings of people whose higher education credentials had not paid off occupationally – stood at about $90 a week for degree-qualified people who had ended up working as machinery operators or drivers.

In salary terms, the rewards from higher education are higher than those from VET. But so are the risks – both in the time investment and consequent loss of earning and promotion opportunities, and in the ultimate disappointment, if the credential doesn't translate to well-paid work.

Of course, work is about more than money. People should aspire to occupations that suit their passions, strengths and values. And they should choose the education most likely to land them in those occupations.

But education is a process, not a finite journey. It's more a metro than a monorail. It has intersecting lines with many possible entrance and exit points. And university is not necessarily the best place to start, even for occupations that ultimately require university credentials.

This idea does not seem to have been embraced by Australians, who cling to a one-track notion of education. A 2023 JSA report found that just 7 per cent of VET graduates progressed to higher education. In some technical fields, the progression rate was less than 1 per cent. Even in nursing, where people with degrees earn perhaps $20,000 more and have significantly broader responsibilities and work opportunities than their peers with diplomas, only 35 per cent of VET graduates make the jump to higher education.

People can save money by starting their tertiary education in VET. They can access lower or no fees, work more easily while they study, and benefit from a different pedagogical approach. If it suits them, they can progress to higher education when the time is right. Yet surprisingly few people take this opportunity. Why not?

It's partly because there's little financial incentive for universities to enrol domestic students straight into the second year of degree courses, denying themselves a full year of teaching subsidies. And it's partly because people keep seeing VET as a second-best option – and if they have their hearts set on degrees, they don't want to waste time getting there.

A 2012 National Centre for Vocational Education Research analysis compared advanced diplomas – vocational credentials – with associate degrees, which are higher education qualifications. Both required roughly two years of study, and tuition fees for the associate degrees were almost twice as high. But the associate degrees also provided around six months more credit towards four-year engineering degrees. For advanced diploma students who wanted to progress to degrees, the additional half-year out of the engineering workforce ended up costing them more than they saved in tuition fees, making associate degrees the better option for those intent on obtaining full bachelor's qualifications.

VET institutions could boost their appeal to degree-minded people by offering associate degrees and other undergraduate qualifications. Some, particularly TAFEs, do this already. But it's generally at a small scale – partly because degrees do not fit easily with the training packages that underpin VET, and partly because the funding settings are stacked against them. Few VET institutes have access to the CSPs they need to become genuinely attractive places to do degrees – notwithstanding their practical orientation, small classes and support for the educationally disadvantaged.

A handful of TAFEs have gained access to CSPs for nursing and teaching degrees. Arguably, many more CSPs could be granted to VET institutes in clearly defined occupations like early childhood education, accounting, engineering and possibly business.

Parity of esteem is as much a social construct as a reflection of institutional and funding arrangements. If students sought out educational opportunities that suited their needs rather than offering vague prestige, many may find the most propitious opportunities in VET. Governments could feel pressured to level the playing field by making CSPs and fee-free student loans more widely available. And if enough people started approaching universities seeking admission on the strength of their VET qualifications, and demanding reasonable credit, then universities would make it happen more systematically. Universities go where the money is, particularly when governments come to the party with new incentives.

JSA's recent Tertiary Harmonisation Roadmap defines students as the "fundamental actor" in the tertiary education system. It's time for students to act in a bottom-up way to achieve the tertiary integration dream that has proven so elusive from the top down. Harmonisation between VET and higher education will happen when people demand it by voting with their feet.