

## On the 10<sup>th</sup> anniversary of the 2012 National Agreement for Skills and Workforce Development - Contestability and Australia's TAFE system

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On 27 July 2020, the Prime Minister and the Premiers and Chief Ministers of the state and territory governments signed a new Heads of Agreement which is supposed to be the basis of the next national funding agreement for the Australian VET system. The new agreement was due to be in place by 1 January 2022 but has not yet been finalised, presumably because the parties cannot agree on its content. However, all Australian governments have indicated that they support:

*a viable and robust system of public, private and not for profit providers, with **contestability** in VET markets, to ensure high quality training and student choice.*

Ten years after the signing of the 2012 National Agreement for Skills and Workforce Development (NASWD), and the National Partnership Agreement for Skills Reform which first introduced contestability as a requirement for access to commonwealth funds for the TAFE system, it is clear that governments at all levels have learnt nothing from the damage done to the system by contestability and market reforms.

It is timely to remember what was in these agreements, where the policy came from, and what damage these policies have done, and continue to do, to the TAFE system.

In April 2012, all States and Territories and the Federal Government signed the National Agreement for Skills and Workforce Development, and the National Partnership Agreement for Skills Reform. The agreements were supposed to deliver almost \$9B to the VET sector over the following five years. This funding was the Federal Government's share of funding in the sector. The mechanism contained in the agreements which forced the introduction of contestability was a requirement to implement three key "structural reforms" in order to access a component of the funding. These "structural reforms" were:

- The introduction of a national training entitlement for the first qualification up to a CIII, to be accessible at any RTO, public or private.
- Increasing the availability of income contingent loans (ICLs).
- Encouraging responsiveness in training arrangements by facilitating the operation of a more open and competitive market.

The first reform – entitlement funding – effectively removed funding from TAFE, and attached the funding to individuals, who could then expend the "vouchers" at a public or private provider of their choice. Private providers were incentivised to cherry-pick cheap and easy to deliver training. The second reform – making income contingent loans more easily available - was a mechanism to increase the uptake of a student loan system introduced with the support of both major political parties in the period of transition between the Howard and Rudd governments. The introduction of these loans was a bipartisan project aimed at shifting the costs of vocational education from governments onto individuals. These loans were perceived to be an important way to encourage the development of a competitive market.

The third and final reform was an overarching condition to require competition for funding and for students perceived as a mechanism to break TAFE's monopoly on vocation education.

TAFE was not mentioned once in the 2012 National Agreements, but these agreements changed the TAFE sector forever. What followed was a wholesale shift in delivery from the TAFE to private for-profit providers, who moved rapidly into the market, offering incentives like laptops and cash to students in return for enrolments. Students hopes and dreams were destroyed, TAFE teachers lost their jobs, and communities lost their TAFE colleges.

The VET FEE Help scheme grew exponentially because of this weakening of conditions of access in the 2012 National Agreements, from a \$25 million allocation in 2009 to more than \$4 Billion in 2015. More than seventy five percent of the funding for VET FEE Help went to private-for-profit providers. There was no fee regulation in vocational education (providers could charge whatever they wanted), and the only limit students had on what they could be charged, and therefore have to borrow, was the \$100,000 individual cap. In many cases, no training was delivered, and no qualifications issued. It took many years for some of these debts to be cancelled, as a reluctant Federal Government refused to take responsibility for the fraud which occurred.

Those who signed the 2012 National Agreements could not say that they did not know what would happen. Victoria had already led the way, introducing full competition for government funding through a student voucher system in 2007 and 2008. Following the introduction of this policy, Victorian TAFE's share of this artificially created market declined from an already comparatively low 66% in 2008, to only 45% in early 2012. During this same period, the private provider share of the market grew from 14% in 2008 to 46% in 2012 - an increase of 370%. For the first time in Australia's history, TAFE became a minority provider in one state, with several others following suit.

This resulted in the proliferation of fly-by-night private providers, delivering training in a fraction of the time it took in TAFE colleges, and the growth of high-volume, low-cost training (i.e., Fitness Instructors) in areas of the economy which were distinguished by their reliance on insecure work, and in which there were no identified skills shortages. The costs of training for individual students, often the most disadvantaged in society, rose by many thousand percentage points, with a whole generation of young and mature age workers forced to incur debt for qualifications which were of dubious quality, and which had no use in the economy.

The Victorian Government experiment effectively led to the massive growth of large private providers who gamed the system and used their Victorian funding and experience to position themselves to move into interstate markets as every state and territory in Australia implemented the market reforms required in the 2012 National Agreements.

What followed were punitive and damaging cuts to TAFE which undermined the capacity of TAFE colleges to successfully compete for funding and resources in the increasingly deregulated market. In many states, funding cuts to TAFE preceded the implementation of 2012 National Agreement reforms, weakening and diminishing the capacity of the public system. State government budget cuts to TAFE in Victoria were quickly followed by budget cuts to TAFE in NSW, South Australia, and Queensland, as these states moved to position their own TAFE institutions to meet the conditions of the then newly signed 2012 National Agreements. Following the lead of Victoria, these jurisdictions actively incentivised the private VET sector at the expense of the public TAFE system.

The impact of the 2012 National Agreements continues to be felt to this day. The proportion of funding allocated contestably was close to 50% in 2020, despite policies such as "free" TAFE places (in restricted areas of so-called skills shortage). This is because the mechanisms for allocating

funding have changed so dramatically, even if, under some state governments, the funding currently favours TAFE. There is nothing in the current arrangements to give TAFE colleges any certainty over future resourcing, and indeed, in many states, funding continues to be cut.