Gamble with Entitlement Wild Card

By Martin Riordan*

The entry of “training entitlement” now agreed by COAG, is the new wild card for Australia’s VET reform.

The Commonwealth proceeded with its $1.76B proposal for entitlement, wrapped in the promise to extend income contingent loans. Yet it pushed for agreement on its plan without transparent modelling on the educational impact, nor guarantees on the financial capability of states and territories to sustain this new training entitlement plan, nor quality indicators.

That all Premiers and First Ministers supported the ‘entitlement’ plan in return for $1.76B came as no surprise. Clearly the funding promise prevailed amid extremely tight financial conditions for states and territories.

For higher education, the Commonwealth had invested in the Base Funding Review, a comprehensive financial review under Dr. Jane Lomax-Smith, with enormous input from Vice Chancellors and agencies across the tertiary education sector.

For industry, this COAG agreement will be a real gamble. The clear message in focus groups in 2011 to directors of Skills Australia for its VET Roadmap, was insisting on improved quality and greater workplace training.

The heritage of the states and territories as shareholders of TAFE, yet purchasers of training, did not stop -- once again -- the Commonwealth dealing directly and discreetly with state and territory officials, and ultimately elevating this to Premiers at the COAG level.

For industry and providers, there proved little coherent consultation. The Ministerial and senior Department ‘consultation’ meetings contained little to no detail on what was on the negotiating table, and the evidence for the change. Amazingly, no data was revealed on the Commonwealth’s own review of Victoria’s much troubled contestable funding, and over-subscribed entitlement model.

The National Partnership Agreement on vocational education and training was originally designed to lift training by 4 per cent. Minister Evans boasted at the Budget briefing in May 2011 he would ‘hit heads together’ to increase completion targets, and bring improved access to Australia’s vocational education and training.

Surely he was also pressured to tackle three key challenges raised by Treasury:

How can Australia lift productivity, with improved participation?

How can the 50 per cent of Australians remaining without formal qualifications, be guided into work and lessen the issues of ‘welfare to work’ which has caused disquiet in Treasury with forward estimates?
How can the states and territories be encouraged to invest further in skills?

Dr. Martin Parkinson, the incoming Secretary to Treasury, in his Edward Shann Address to University of WA last year, categorically affirmed that skills was a key issue for lifting productivity. He warned that unless participation improved, the cost in real terms would be enormous to the economy, and in fact threaten future Commonwealth budget expenditure on education and health.

*Skills Australia* was supported by *Australian Industry Group*, in seeking a minimum 3 per cent increase in real terms to training expenditure. But the Budget Papers (2011) show that the end of the Productivity Places Program (PPP) will see the gradual decline of Federal investment in training, and the $1.76B is in fact less that the real increase in the CPI, over the full term.

This Federal skills effort remains substantially below the full indexation accorded universities, and masks the rapid decline more generally of contribution to skills and training on a per student level.

Less encouraging is the deferral by the Commonwealth on modelling on the contribution of VET providers, and especially the public provider and TAFE network.

The theory that more training – especially without quality indicators - will bring more skills remains a gamble.

Victoria’s punt on open entitlement has been exposed. Dr Gavin Moodie (RMIT) and *Skills Victoria’s* own data revealed vast wastage of public funds, principally as the VET market was ‘raided’ by private colleges which otherwise had struggled with the decline of international students, and without stringent quality controls, and criterion on critical training, the skills outcome has been less than desired.

Dr. Michael Keating, now a board member of *Skills Australia*, began serious modelling with ACESS economic data in 2006, when Chair of *NSW iPART* pricing tribunal, to determine the productivity drivers of investing in quality training.

Himself a free marketeer, Dr. Keating focused on the opportunity for focussed investment in TAFE NSW, publishing evidence on how to drive once again the state economy -- with skills in the driving seat !

Sadly, despite all the consultations, the entitlement plan was progressed without evidence – certainly evidence that TAFE Directors Australia had sought to begin clear tracking of the objectives laid down in May 2011 by the Federal Minister.

Universities having benefitted hugely in financial terms by the uncapped places pledge under Prime Ministers Rudd and Gillard. However, university leadership are now having to battle their own credibility defending entry scores which dropped to embarrassingly low levels, and insisting that their quality prevails.

Kim Bannikoff, the Queensland-based educational consultant and Council Member of the Australian Qualifications Framework, cited the COAG model recently as the “wrong model” for Australia.

Speaking at a conference on TAFE Governance and Regulation, he was pessimistic that Federal objectives for more training, and to a higher quality, can be achieved.
Kim Bannikoff explained that two issues driven by the Commonwealth through its negotiations would prove to be major problems with the NPA Agreement.

First, the Commonwealth had consistently driven down the unit cost of training, to “strip out” full service provision and quality educational support for students.

Next, the Commonwealth had consistently settled for a skills product that was “to narrow”, relying entirely on Training Packages – already criticised for not offering the generic wider literacy, numeracy and learning skills identified as needed to lift productivity.

The outcome was private providers allowed to open at low cost, to operate effectively, but delivering a narrow ‘no frill’s product, and with few educational barriers to entry.

Bannikoff insisted that often the private RTOs may deliver quality, but this ‘product’ remained far removed from the full service provision of detailed vocational education and training offered by TAFE.

His pessimism was that the new COAG agreement would give the green light to open entitlement within a contestable VET framework.

His greater fear was that Australia’s 61 TAFE Institutes would be forced to respond to the narrow band of product to match private RTOs – precisely what industry had argued against.

The Productivity Commission last year proposed that governance reform was an essential component to National VET Reform.

The COAG Agreement had pledged “transitional arrangements” to support TAFEs in the restructuring planned in the sector. TDA will be seeking input to those arrangements.

Students and industry have much at stake in how training will shape after 1st July 2012.

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