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The failed Productivity Places Program Privatisation by stealth, low quality outcomes

- More than 75% of PPP funding went to private for profit providers.
- Most of the training delivered was in low cost, high volume, non-skill shortage industry areas.
- The Productivity Places Program was an attempt to privatise the TAFE system by stealth, and is an example of the failure of the market.

The Productivity Places Program was a clumsy attempt by the Federal government to cut costs in the TAFE and VET sector, and to increase the share of the so-called VET market held by private for-profit providers. Though it succeeded in these objectives, it failed students, industry and the community.

The Productivity Places Program was a hastily cobbled together election initiative of the Rudd government. The \$2.1 billion program was supposed to provide 711,000 'new' or 'additional' places over five years. It did not. It was supposed to deliver higher qualifications in skills shortage areas. It failed to do so. It was inadequately funded, with many TAFE institutes unable to bid for places in the program because the funding allocated was less than half the costs of delivery. This skewed the program, making it attractive to private providers who focussed their activity on high volume low cost courses.

The Productivity Places Program was a Trojan Horse for the Federal government to increase competition in the VET sector. The federal government attempted to bribe states into implementing an entitlement based student demand-driven training system by allowing them to roll their share of the PPP funding into their recurrent or base funding if they did. While only one state took this offer up immediately (Victoria), the PPP immediately became a key factor in states deciding to move towards fully contestable, entitlement driven VET funding models as they have in South Australia and Queensland.

The PPP was structured in such a way as to encourage states and territories to shift recurrent funding from TAFE institutes into the PPP – and then directly out to private providers. Despite arguing that the 711,000 places announced in the program would be "new" and "additional" to existing effort, it became clear that states and territories were not resourcing their 40% share of existing worker places from new funding, but rather were shifting existing recurrent TAFE funding into the PPP. As the Mid-term Review has subsequently shown, 75% of PPP funding went to private providers. This means that TAFE funds were used to provide

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private providers with funding under the PPP. This has led directly to reduced investment in the public TAFE system and a significant cost shifting of government funding towards private providers.

An inquiry into the Productivity Places Program was announced in November 2009 (The Mid-term Review of the PPP) following criticisms of the program. The government has finally been forced to release the Review following an FOI application by the Australian newspaper. The full report can be found here:

<http://resources.news.com.au/files/2011/08/30/1226125/315557-ppp.pdf>

What the Mid-term Review of the PPP found:

- The PPP was so badly administered that it was impossible to tell who it had trained, and it was also impossible to estimate how many people had participated.
- The PPP had failed to adequately target its training to skills shortage areas. It was largely used to train special-care workers, security officers and sales representatives.
- Training delivered under the PPP was skewed to low-level qualifications.
- Providers receiving PPP funds for the first time were likely to be quality risks, but were assumed to be meeting quality standards because:

"All training is delivered by accredited [registered training organisations], which are subject to ongoing quality audit processes."

- Only 25 per cent of PPP funds went to TAFEs, which normally provide 75 to 80 per cent of vocational training in Australia.
- Prohibitive administration costs and punitive cash flow arrangements, which underestimated the real costs of training and overestimated the number of dropouts created "perverse incentives" for providers to reduce the focus on completions so as to minimise risks of exceeding the budget.

What can you do?

Governments are ruining the TAFE system. They insist on pursuing a market agenda, forcing TAFEs to compete for ever reducing funding with private for profit providers. The Productivity Places Program is one of the best examples we have of the real effects of competition, and the failure of this agenda to provide high quality vocational education in skills shortage areas.

Join the AEU Invest in Quality, Invest in TAFE campaign! Go to the campaign website at www.aeufederal.org.au/Tafe/InvQual.html and follow us on Facebook (<http://www.facebook.com/pages/Invest-in-Quality-Invest-in-TAFE/232337783470701>) and Twitter (www.twitter.com/tafecampaign)

Send a letter to your local politician by following this link:

http://www.forourfuture.org.au/tafe_lobby.html