A new and compelling narrative for the directors of Australia’s public providers

*Dr Don Zoellner, Charles Darwin University*

**Introduction**

Australia’s public providers of vocational training, still known in some states as Technical and Further Education (TAFE), are struggling for their very survival. According to Craven (2015) “going into a meeting of TAFE directors is like entering the depressives’ ward in a run-down hospital” due to chronic underfunding by governments and competition from an “infestation” of cut-rate private providers. This paper briefly examines some of the causes of this situation and suggests some positive ways for the leadership teams of the public providers to reposition their institutions in what is become a consistent bipartisan pro-market policy environment.

**Competition policy**

The state training systems were introduced to market forces as a result of the training sector specific Deveson Report (1990) and the more general Hilmer Report (1993) into Australian competition policy. These documents served as the modern incarnations of policies designed to give effect to capitalist markets as described by Adam Smith (2009) in 18th century Scotland. He believed that aside from a necessary minimum, state intervention stifles the equalising process of competitive exchange and creates monopolies, protectionism and inefficiency and “that the road to equality and prosperity should be paved with a maximum of free markets and a minimum of state interference” (Esping-Andersen 1990, p. 9-10).

In international comparisons Australia is an archetypal liberal society with traditional work-ethic norms where the state encourages the market either actively by subsidising private schemes or passively, by only guaranteeing a minimum level of support (Esping-Andersen 1990, p. 27). This positive view of market-driven approaches remains alive and well in the most recent national review of competition policy. It makes the following recommendation regarding the provision of human services:

> Each Australian government should adopt choice and competition principles in the domain of human services. Guiding principles should include:

- User choice should be placed at the heart of service delivery
- Governments should retain a stewardship function, separating the interests of policy (including funding), regulation and service delivery
- Governments commissioning human services should do so carefully, with a clear focus on outcomes
- A diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services and
• Innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services (Harper et al. 2015, p. 26).

This market bias is underpinned by an unwavering belief in the power of consumer choice. Advanced liberalism believes managing the economy is not sufficient justification for government to be active in a range of social activities when it is possible for a market which maximises the personal entrepreneurial disposition of the individual (Miller & Rose 2008, pp. 97-98). And these distinct clients/customers/consumers are active, choosing, responsible, autonomous persons obliged to be free and to live life as if it were the outcome of choice (Miller & Rose 2008, p. 19).

Public training providers operate in an environment known as ‘new public management’ (Hill & Hupe 2002, p. 110). The making of policy and allocation of funding is at the core of this style of governance while the actual production of goods and services is placed at a distance. One variant is known as the funder-purchaser-provider model. In the case of vocational education and training, the minister is the funder, purchasing is done by a government agency and providers can be sourced from an increasingly privatised market. In many areas of the economy, governments have progressively withdrawn from service provision as markets matured in fields such as air travel, banking, insurance and, increasingly, essential services. “From the perspective of the public taxpayer, there is a great reliance on market forces to regulate the activities of these for-profit providers and ensure efficient and productive use of public funds” (Yu & Oliver 2015, p. 27). While the levels of political and community tolerance for the brutal efficiency of the share market to sort out the poor performance of stock exchange listed corporate training providers are not yet clear, the rapid destruction of Vocation’s shareholder value from $3.35 to 8.5 cents (Loussikian 2015a, 2015b) serves to positively reinforce the views of those who advocate for markets in training.

Market failure: the rationale for public provision

On the other hand, there is recognition that markets are not perfect. Education is an activity that putatively yields positive externalities (benefits) for society at large in addition to the benefits directly derived by the recipient. These public goods provide a rationale for government intervention – through subsidy, direct public sector production or regulation – to compensate for the tendency of the market, if not prodded, to produce insufficient output (Wolf 1993, pp. 20-21). In particular, the Productivity Commission (2012, p. 60) recognises that an Australian vocational education and training free market would result in a number of ‘market failures’ and produce sub-optimal outcomes from a community-wide perspective thus justifying public provision. The pursuit of equity objectives can also warrant government intervention.

Non-market failure

However, the Productivity Commission (2012, p. 60) also recognises the possibility of ‘government failure’ in the provision of vocation education and training services. “Our understanding of the production technologies associated with education is remarkably limited and is associated with considerable uncertainty and ambiguity” (Wolf 1993, p. 53).

Public providers stand accused of ‘non-market failure’ due to:
• Disjunctions between costs and revenues
• Uncertain technologies
• Politically rewarded time discounts
• Distributional inequalities (unmet demand, lack of responsiveness)
• Single source production
• Absence of a termination mechanism
• Unanticipated side effects (Wolf 1978, 1993).

When all of these shortcomings are added together, the advanced liberal democracies around the world are continually attracted to individual choice in a standardised market as recommended by the previously mentioned Harper Review. In response, the federal, state and territory governments have created, mostly financed and regulated a vocational education and training market resulting in a “policy disaster that makes the Charge of the Light Brigade seem well organised” (Craven 2015). The overwhelming policy appeal of individual’s selecting between alternative providers has produced a system that provides choice without regard to if people wanted it, if they could exercise it effectively, provider sustainability or even links to industry/business demand (Shove 2003, p. 40). The various government bureaucracies that control funding, policy and regulation have produced a market where choice is the ultimate outcome rather than skills acquisition – a classic case of goal displacement driven by internal agency priorities (Wolf 1993, p. 109).

The contemporary training policy environment

Those who choose to invoke an appeal a bygone era between 1945 and 1990, when an ‘Oxbridge-inspired’ adult education sector was operating, face serious policy challenges (Marginson 1993). A number of key policy contributors believe that it is during this period that the middle class appropriated the ‘working man’s university’ of TAFE (Kell 1994). This resulted in public funds being used to broaden the cultural and aesthetic horizons of the reasonably well-off at the expense of increasing the skills of those who would be able to make a greater economic contribution to the national economy leading to improved personal and community circumstances. Peter Noonan, the long-experienced bureaucrat turned researcher, stated in an interview that any attempt to describe TAFE as educational rather than economic is ‘ahistorical’. This appropriation of the vocational education and training sector ameliorated arguments in favour of non-market interventions in the name of equity. One result is that the role and need for large government-operated training systems has become subject to an increasingly strict economic analysis of costs and benefits.

While the recent electoral defeat of Victorian and Queensland state governments suggest that the conventional wisdom that training matters carry little weight at the ballot box may be changing, it does not provide the basis for complacency and a return to the ‘golden era’ of TAFE (Goozee 2001). The dominance of markets and individual choice at the macro-economic policy level will ensure the pressure on public providers will not subside. There may be some slight changes to funding arrangements, for example, we have recently seen the introduction of a levy on large employers to fund apprenticeship training in the United Kingdom (Evans 2015) and the extension of income contingent loans to higher level qualifications in the Australian training sector (Ross 2015). However, both of these changes have been used to stimulate market-driven choice while simultaneously reducing public expenditure on training and shifting the cost to employers or individuals. In addition, public training providers should not rely upon the ‘sunk cost fallacy’ as the basis for continued
support from state and territory governments, they are quite willing to close campuses and divest themselves of the land and facilities (Queensland Government 2013).

It is also important to note that state and territory governments, despite having a long commitment to owning and operating public training systems, do not necessarily have to be in this position. For example, the youngest state-level jurisdiction, the Northern Territory, has never established a public TAFE system preferring to contract arm’s-length providers to deliver vocational training in a quasi-market. This has given that government considerably more training policy flexibility and less potential for conflicts of interest in Cabinet meetings (Zoellner 2013). The recent decision by the Council of Australian Governments (2015; Craven 2015) to actively investigate reform of the federation by handing over control of the national training system to the Commonwealth Government suggests that the states and territories are willing to explore different approaches to vocational education and training (VET).

There is one significant proviso included in this decision that reflects the importance of being able to deploy training as a public policy response to problems that face the states and territories:

Leaders agreed to consider a shift in responsibility for VET to the Commonwealth provided States and Territories could elect to remain TAFE providers within a national system (Council of Australian Governments 2015).

Quite simply, vocational education and training remains a ‘common sense’ response to most public policy issues that require government intervention. The state and territory leaders are clearly not willing to relinquish their ability to use the formal training system to achieve desired outcomes. It is in this space that TAFE directors need to develop a compelling narrative that will redress the continual decline of their institutions’ fortunes witnessed in recent times.

**Six positive actions to reposition public provision of training**

The first action suggested is for public training providers to urgently shift from being perceived as just another public sector bureaucracy to being viewed as a friendly, responsive partner with those who rely upon a highly skilled labour market. This can mobilise a range of strategies, some of which will be much easier to implement than others. For example, every position description for jobs in the colleges could explicitly list a requirement to develop and nurture a relationship with important external friends. Possibly the most difficult area will be modernising industrial awards and enterprise agreements in order to make your institutions more flexible and creative in response to the macro-economic commitment to choice-driven markets. If these awards and agreements still resemble those developed for school teachers, there is a fundamental misfit of your organisational objectives and the operating environment. As described by the Victorian Auditor-General (2015), many of that states’ providers have not been able to respond to funding changes in a timely and/or financially sustainable way. The development of a training labour force and work practices that meets the contemporary policy and funding environment is crucial to the very survival of many public providers – this will be very hard work indeed, but ultimately necessary.

This style of strategic discussion leads to the second area – moving to the demand-side of training. One way of helping government frame problems so that training is a solution is to
identify ‘friends’ in business and industry and genuinely understand their workforce requirements. While sources of funding are becoming more diverse, governments will continue to be the major funder of skills training for the foreseeable future because of the tendency of the training market to under-produce. Governments will base their investment decisions upon the advice of employers who will also influence the choice of training provider. Having your industry-based friends advocate on your behalf with funding authorities when government decides how to allocate public funding is vital. While the traditional focus of most public providers has been on their relationship with funding agencies, the new narrative must involve employers advocating on your behalf. The old relationship with funders remains important, but it is no longer sufficient for future survival. Moving from the supply-side to the other side is the Holy Grail of training policy and developing a demand-side narrative as part of your institution’s value proposition helps to lead the conversation rather than just responding to agendas set by others.

Westminster-style government based upon ministers operating in Cabinet has evolved to include a massive publicity component that is used to get positive messages out to the public. The third area of strength for public providers is to ensure that a range of ministers can use your institution as a source of those politically important ‘good news stories’. As the former speaker of the US House of Representatives stated, ‘all politics is local’. Politicians are elected to deal with the mundane, everyday issues that confront electors. Providing ministers and local members with frequent opportunities to attend award ceremonies, openings of building and events and a steady stream of positive news, if undertaken as part of an integrated strategy of engagement, helps promulgate a new narrative.

In the fourth area and continuing with the local theme, recent election results in Victoria and Queensland as well as the South Australian decision to direct funds away from the private training market to TAFE (Department of State Development 2015) can be interpreted as a demonstration that citizens did not vote to close down their community TAFE campus. The public provider has a brand value and serves as some sort warranty for quality training, particularly when compared to so-called ‘rogue providers’ in the marketplace (Birmingham 2015). Maintaining and critically mobilising the certainty of high quality delivery to underpin employers’ and employees’ faith in the training system gives public providers a crucial role that governments are willing to fund rather than risk having the entire national system collapse – TAFE is the benchmark and needs to continuously promote this important role.

Fifth, take every opportunity to challenge the uncritical and continual repetition of the aspiration to an industry-led VET system. There is more than ample evidence that industry has been in charge for at least several decades and has produced structures and procedures that are in constant need for so-called reform. The time has come to ask a different question – has industry leadership for the national training system worked?

Finally, there is a strategic imperative to either maintain or open a dialogue with state and territory politicians and senior bureaucrats about the capacity of public providers to achieve social and economic policy objectives across a wide range of policy areas. Actively assist these governments to frame problems in ways that inevitably positions training as part of the solution (Bacchi 2009). As pointed out by the Australian Public Service Commission (2007), most modern public policies are aimed at changing the behaviour of citizens, mostly implemented by giving individuals the skills and knowledge to make ‘appropriate’ choices. The ‘common sense’ of training is very hard for policy-makers to ignore and having a
A responsive public provider is an important mechanism to ensure that the population does not make ‘wrong’ decisions in a totally free market. By making your organisation an important tool of government, there is likely to be greater support for TAFE. One need only look at the grand survivor of VET reform, the National Centre for Vocational Education Research, to see how governments treat institutions they value.

If VET is handed over to the Commonwealth Government, as canvassed in the Reform of the Federation agenda (Department of Prime Minister and Cabinet 2014), your organisations become even more important to state and territory governments. You need to reposition your institutions and stories. This will involve changing from being a victim of cabinet decisions to having a narrative of strength, capacity and willingness to be one of the most useful organisations available to implement programs across virtually all public policy areas.

**Conclusion**

The appeal of the marketplace and the desire to have citizen’s make choices will not disappear. For public providers of training this will require a new account of themselves that builds friendships and moves to the demand-side of the market to both meet governments’ policy objectives and to retain faith in a national training system. There is a future for public provision because markets’ fail and underprovide, but the leadership teams must explicitly address the issues that can lead to non-market failure. Public providers must have a compelling narrative that returns the major focus and intention of policy outcomes to skills and knowledge acquisition.

**References**


Ross, J 2015, 'ICL's rapid rise has 'reform potential'', The Australian, 11 March 2015, p. 31.


Zoellner, D 2013, 'At the leading edge: enacting VET in the Northern Territory', paper presented to Australian Vocational Education and Training Research Association 16th annual conference, Fremantle, 3-5 April 2013.