

Strengths and Benefits of the Victorian TAFE Model



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CONTENTS

Executive Summary	3
Key Deliverables	5
The Australian Vocational Education (VE) Story	6
The Victorian Experience	8
What has happened in the other States?	9
An argument for TAFE in Regional Capitals	12
The International Perspective	13
Conclusion	15
Appendix 1: Changes in numbers of TAFE Institutes and shifts in provider and student numbers	16
Appendix 2: Victorian examples highlighting diverse foci and priorities	18
References	20



EXECUTIVE SUMMARY

The Victorian TAFE Association commissioned the LH Martin Institute to prepare a paper on the Strengths and Benefits of the Victorian TAFE system. The rationale for this paper is set against the significant changes to TAFE systems that have occurred in other State jurisdictions largely in the last four years.

Victoria is now the only State that retains a diverse system of TAFE Institutes comprised of 12 TAFE Institutes and 4 dual sector universities.

Tasmania, the Northern Territory, and the ACT have had in effect a one TAFE system for the last 10 years or more. South Australia established a one TAFE, one RTO in 2012. TAFE QLD was established in 2013, with 6 RTOs led by a General Manager, with many functions managed centrally under one CEO. In 2016 WA moved to collapse 11 Institutes into 5 with significant functions now centralised into the WA government, and in late 2015 TAFE NSW announced the process of moving from 10 Institutes into one.

Discussions with key experts and leaders in the Vocational Education sector have revealed an interesting trend in the process of making changes to the systems. In nearly all cases experts were commissioned to provide advice on the way forward. A consistent theme emerged from these reports on the need to improve the autonomy of Institutes, with varying views on some levels in regard to consolidation and specialisation of Institutes.

It is worth noting that much of the impetus for the change has come from significant changes to recurrent funding for TAFE with the establishment of more open training markets. In some cases the move to change the TAFE system was simultaneous with the establishment of a more open training market, such as in South Australia with 'Skills for All' and the establishment of one statutory authority. In other cases the impetus was the outcome of changes in the market. A contributing factor was the poor performance of individual Institutes or individual Directors. As one former Managing Director commented "great performance by one Institute reflected well on that Institute, while poor performance at another reflected badly on all Institutes".

What is significant in at least three States is that the commissioned expert advice was not supported, or was adapted to suit the prevailing view of a changing cast in the bureaucracy and/or minister and government. Variations on this theme have been reported in WA, SA and NSW; changes in key personnel at these levels either in the bureaucracy or ministry could and did mean major changes in strategic direction at crucial junctures which arguably have not always led to the best outcomes.

In terms of the Victorian system it is also worth noting that the model used to establish TAFE institutes in Victoria in the early 1980s was significantly different from the other States, with the governance model more closely aligned and deliberately modelled on the Colleges of Advanced Education. Victoria as a State has reportedly had more devolved governance in other service sectors such as in health and education. The Victorian model has therefore has a relatively long history of with more autonomous institutes employing their own staff, and having more autonomy with capital and physical infrastructure. This stands in contrast with the other States with longer periods of traditional 'public sector' TAFE systems.

The trend to consolidate Institutes has occurred over the last 20 years. In 1996, 98 TAFE Institutes operated across Australia. In 2016/17 the number will reduce to 29 (TAFE RTOs), and 12 of those will be TAFE Institutes in Victoria. It would appear to be no coincidence that between 1996 –2000 almost 4,000 private vocational education and training providers were registered, a figure that is now roughly stable at 4,500 private providers (Appendix 1).

So at the same time that the Australian system has become increasingly diverse with large numbers of private providers, the diversity of TAFE Institutes has significantly reduced, and in varying ways become increasingly centralised, with fewer high profile industry specialisations. The composition of board membership is government appointed, and the large State-wide bodies have much less regional representation at either the Board or Executive level. Arguably, large bureaucratic institutions are less able to respond to regional and specific industry needs, and have a diminished capacity to compete in domestic open training markets against highly commercial smaller private providers.

This trend is in direct conflict with international perspectives. Since the 1980s many countries have changed their approach in terms of system coordination, with a general trend that governments have moved away from having direct control over their tertiary education institutions to what is labelled as ‘steering from a distance’ or ‘the supervisory state’ characterised by a substantive increase in institutional autonomy. This in no way implies that governments are absent, but the role is less directive and controlling. It could be argued that this trend is evident to some degree in Australia in the school sector and certainly in universities, but not in TAFE.

Given this context the Victorian TAFE system does have strengths and these include and are not limited to:

- 1** The TAFE system is more localised to regions within country and metropolitan Victoria.
- 2** The footprint of more localised TAFE is consistent and aligned with other important institutions such as local government and Regional Development Australia Committees, thereby facilitating collaboration on social and economic development.
- 3** The main campus of the Regional TAFEs is very closely aligned with either the ‘Regional Capital’ of that identified region and/or the ‘Second City’ (as in the case of the Gordon Institute in Geelong).
- 4** The number of TAFEs and dual sector institutions means that CEOs positions are spread across the State and these positions have the authority to respond to local conditions and issues (Appendix 2).
- 5** The number of TAFEs and dual sectors means that the experience and skill set of CEOs and Chairs is more diverse, which is an important mechanism for divergent and innovative strategic thinking.
- 6** A number of the TAFEs and dual sector institutions have high profile industry specialisations, and long standing relationships with industry sectors.
- 7** The system has not stipulated a requirement to have equal sized TAFEs across the State. As a result country regions are better served by having local TAFEs, which are large enterprises for their regions, and with the local authority of a CEO.

- 8** The system has greater diversity in terms of:
 - scale and size of TAFE Institutions
 - educational scope and mission of TAFE Institutions
 - type (legislative authority) – 12 stand-alone TAFEs, and 4 dual sector universities
- 9** The TAFE system has mature institutions with long standing brand recognition, higher levels of authority and delegation, and greater independence in governance.
- 10** The TAFE Institutions and dual sectors already have good levels of collaboration on strategic, education, and corporate matters.
- 11** The Victorian TAFE Association acts as an important broker between the Department of Education and Training and the Institutes, and as an agent for strategic collaborative action.
- 12** The Department of Education and Training has publicly supported the central role of TAFE in the vocational education system, and focussed on strategic collaborative effort to improve performance across the system

Key Deliverables

- 1** Desktop Literature review
 - a.** The history of the Victorian TAFE model
 - b.** Models employed in other states
 - c.** Identifying the advantages and problems with moving to a centralised approach
 - d.** Identifying the advantages and issues with retaining the present devolved system in Victoria
 - e.** Gathering historical data on numbers of public providers by jurisdiction across a 10 -15 year time course from NCVET
- 2** Discussions with several key informants involved in VE amalgamations and consolidations in the past, including their views on the positives and negatives and enablers and barriers of such an approach – as well as getting a sense of what motivated the moves to more centralised and consolidated models.
- 3** Organising and holding a forum of key VTA member organisations to prepare and test the case for the current Victorian TAFE model, and any improvements to its present operation that might be proposed.
- 4** Gathering the evidence base to support the case (This would involve a small number of case studies prepared by VTA member providers)

THE AUSTRALIAN VOCATIONAL EDUCATION (VE) STORY

The last 20 years has seen dynamic change in the Vocational Education Sector. The inexorable direction of the change has been to create an open training market for VE. Publicly owned TAFEs (Technical and Further Education) have been the institutions most affected by the changes in State and Federal government policy and the subsequent rise in importance and dominance of private providers of VE. An underlying principle for both the State and Federal governments in creating an open market has been to enhance consumer choice and ensure value for money for governments.

An accelerating trend is the centralisation and amalgamation of TAFE Institutes, driven by the view that a larger critical mass of corporate and education services will provide economies of scale. It is worth noting that this trend is also evident within higher education particularly in relation to a greater centralisation and growth of professional/corporate services. Indeed, this model is also apparent with the rise of corporate private providers. Yet from a system perspective, systems with more diversity perform better than systems with less diverse institutions.

At Federation, education across all levels (primary, secondary and tertiary) was considered a State responsibility (technically still is, under the constitution), and while the involvement of the Commonwealth has steadily grown in the other areas of education, technical and further education until the 1970s remained almost totally within the States' jurisdiction.

The growth of technical education institutions prior to and since Federation has been driven by a mix of community and industry interests, and government intervention. Some institutions were created by acts of parliament, some evolved from schools of mines and mechanics institutes, and many were driven by local community interests and benefactors. For most of the time, technical education institutions were small and local, and arguably responsive to the local community and industry and fully a State responsibility.

In the 1970s there was increasing demand for the Commonwealth to contribute to the cost of providing technical education. A number of reviews were conducted, the most significant of which being the 1974 Commonwealth report, 'TAFE in Australia: a report on needs in technical and further education' commonly referred to as the Kangan Report. In response to the report the Commonwealth provided significant funding for TAFE including staff and curriculum development, and physical infrastructure (Goozee, 2001. p.27).

During the 1980-90s Australian traineeships grew in importance and the launching of the New Apprenticeship system in 1998 allowed for User Choice funding, which was the first real opening up of the training market. Coinciding with the formation of open markets was a related reform for State governments to move from being the 'owner-provider' with the TAFE institutes as government departments being the primary delivery agency for technical education, to the State governments being increasingly at arm's length from TAFE under a 'purchaser-provider' arrangement. It was also at this time across Australia that TAFEs became less the local 'one town/one suburb' college, becoming progressively larger entities across geographical/metropolitan regions. This coincided with a move to establish TAFEs as Statutory Authorities.

Beginning in Victoria in 2008 with the introduction of the Victorian Training Guarantee, the States progressively introduced major reforms that allowed funding to follow the student, with TAFE becoming only one of many providers able to access government subsidies for the delivery of training services. Each State introduced a version of the student entitlement model, and in most cases the demand for training exceeded the supply of funds available at the State level.

The introduction of contestable markets, with market designs that vary considerably from State to State, has applied considerable pressure to traditional TAFE Institutes. The State reforms have also facilitated the rapid rise of private providers as major players in the delivery of vocational education and training, and the formation of new models of corporate private providers with a national reach. The release in 2015 by NCVER of the Total VE activity shows for the first time the extent of the change, with providers being required to report both publicly and privately funded VE.

The Commonwealth (often with the endorsement of the States and Territories) has driven the need for national consistency in areas such as regulation, training packages, and data. Yet in many ways Australia still has eight separate VE systems with States pursuing individual agendas which has resulted in significant variations in delivery across jurisdictions. This tendency for the States to have different agendas from the Commonwealth is starkly illustrated by the recent story of TAFE systems, with four States making wholesale changes to their TAFE Institutes and moving to largely centralised single systems.

THE VICTORIAN EXPERIENCE

The Kangan Report marks the birth of the modern day TAFE system, yet TAFE in the mid 1970's in Victoria was a complex and confusing mix of organisations, "two entirely self-governing technical colleges, ...a number of self-governing institutions combining advanced education and TAFE elements,...technical colleges administered by the Education Department and...technical secondary schools also administered by the department" (Goozee, 2001, p.41).

The combination of schools and TAFE in the one Department is a model that has plagued TAFE in Victoria and elsewhere. It created a lack of clarity about the purpose and identity of TAFE. This was seen to be an issue in Victoria when attempts were made in the early 1980s to separate TAFE from the Department of Education.

By 1981, reform had progressed and 31 colleges of TAFE were created, with 29 of these being entirely separate from technical schools and CAEs. However, it wasn't until 1986 that TAFE was entirely separate from other sectors of education. "This decision was historic in that the Schools Division would no longer be recognised as a provider of TAFE in Victoria. The announcement also marked the abolition of the 113-year-old Victorian Education Department and the establishment of a new Ministry of Education" (Goozee, 2001, p.71).

Of significance in these changes was the principle of autonomy, with a constitution and governance of the new TAFEs based upon the CAE model that included the direct employment of staff. As time progressed, in 1987 the TAFE Board was replaced by the State Training Board (STB). The STB had a greater focus on industry engagement and industry needs. In 1990, 15 industry Training Boards were established, with 4 more the following year. The major function of these boards was to develop industry training plans, yet the TAFE colleges retained their level of autonomy, although they were now required to enter into performance agreements to gain access to funding.

The two colleges of Collingwood and Preston were amalgamated into the Northern Metropolitan College of TAFE (now Melbourne Polytechnic), and in 1990, the 31 TAFE colleges and private providers were recognised under the Vocational Education and Training Act of 1989. At the same time, a number of institutions were still administered by individual acts, including the Victorian University of Technology, The Victorian College of Agriculture and Horticulture, Swinburne Ltd, Gordon Technical College, the School of Mines and Industries and Ballarat Ltd. The number of dual sector universities in Victoria is unique in the Australian context, and this diversity of institution structure is one of the strengths of the Victorian system.

Further amalgamations occurred as a result of a Ministerial Review of TAFE Institutes in 1997. Three Institutes were amalgamated to form the Chisholm Institute, with one campus of the Barton becoming part of Kangan Batman. The Eastern Institute was merged with Swinburne, and the Western Melbourne Institute merged with Victoria University. The University of Ballarat was merged with the School of Mines, and the Ballarat and Wimmera Institutes.

The last couple of years have seen some additional mergers, largely driven by the pressure of unfavourable financial results, with several Institutes opting to capitalise on significant structural reform funds. This has resulted in a merger between Bendigo and Kangan, and an abortive merger between the Gippsland TAFEs and Federation University (the former University of Ballarat), which has left the Gippsland TAFEs as the stand alone Federation Training.

WHAT HAS HAPPENED IN THE OTHER STATES?

Over the last four years, the TAFE systems in South Australia, Queensland, New South Wales and Western Australia have experienced significant centralisation of executive and corporate control and a reduction of the number of Institutes. It is important to note that this is still sensitive, some reports remain confidential, and the transition is still a work in progress. For the systems experiencing this change, the most senior leaders are alert to criticism of their models. For this reason independent experts and former senior executives are not specifically named.

South Australia in 2012 moved to separate the three TAFE Institutes, Adelaide North, Adelaide South and Regional from the government department into one statutory authority. This was in preparation for the move to an open market model, based on the Victorian Training Guarantee (VTG), known in SA as 'Skills for all'. The two responsible senior bureaucrats commissioned an independent report on the three Institutes, confidential to the Minister. The report recommended the status quo; retaining the three Institutes within the statutory authority, with some provisos that it was possible to consolidate delivery in the metropolitan region and most definitely to retain TAFE SA Regional as an independent Institute.

However after the establishment of the new statutory authority and the appointment of the TAFE SA Board, the two senior bureaucrats who had supported the status quo found themselves with a much reduced capacity to influence as they were no longer in direct control of TAFE. This was exacerbated by the reduced influence of the three managing directors who were moved out of their roles to work on TAFE SA wide initiatives, while acting managing directors were put in for 6 months. The changes in SA shifted the balance of power and the different thinking of the new TAFE SA board, along with the advice of a major consulting company and a newly appointed interim CEO quickly moved to a model of one TAFE, one RTO.

Early in 2013, all TAFE SA staff were asked to vote on the strategic structure of a one TAFE SA, and that this received high levels of endorsement. However at this point the new TAFE SA board had already made the decision to dissolve the three Institutes as announced in the 'Stronger as one' communique. "To be in the strongest position possible, the TAFE SA Board has determined we will become one organisation, rather than three institutes. Making changes now will enable us to become a viable public sector training business delivering valued education and training to our students and industry customers well into the future" (2013, p.3).

The rationale for the changes was further explained "as TAFE SA transforms ...we will be reducing duplication and streamlining the way we operate. ...TAFE SA must remain viable well into the future. Over 60% of our budget is spent on wages, so whilst we can make operational efficiency savings, we will need to continually adjust our workforce and delivery methodologies" (2013, p.7).

The point about the change in SA, is that a loss of key influential decision makers, the rise of new power brokers and rapid changes at Ministerial level (a consistent trend common across the country) meant that strategic directions could change rapidly.

Queensland was certainly aware of the strategic directions of SA, and high level officials engaged with SA in their developing model. The model in Queensland has some important differences, and could be argued to be a halfway house as TAFE Queensland retained 6 separate RTO registrations and at least one high profile brand 'Skills Tech'.

The Government response to the Queensland Skills and Training Taskforce report released in November 2012 listed a series of reforms and these included promoting "... a more open and competitive VET market,[refocusing] the role of the public provider, TAFE Queensland, [and] carefully consider[ing] TAFE asset rationalisation...[to] open up public training facilities to other providers." (2012, p.7) The taskforce recommended a rationalisation from 13 individual TAFE Institutes to 6 regions and the closure of a number of sites, and this was outlined as below:

- Far North Queensland region (from 26 to 15 campuses)
- Fraser and Sunshine Coast region (from 13 to 8 campuses)
- Western Corridor region (from 16 to 11 campuses)
- Brisbane Metropolitan region (from 15 to 5 campuses)
- SkillsTech Australia (from 6 to 2 campuses)
- Gold Coast region (from 6 to 3 campuses).

The Government response commented that "amalgamation of institutes offers an opportunity to reduce overhead costs, achieve economies of scale and create a more financially sustainable public provider capable of competing effectively in the training market while maintaining a local focus" (2012, p.17).

TAFE Queensland brand now has 6 regional geographic sub-brands; importantly the high profile sub-brand of 'Skills Tech' has been retained. The 6 RTOs operate with some level of independence with 6 General Managers (formerly Institute Directors), and with a suite of Chief Officers located in Brisbane, including the CEO, Chief Operating Officer, Chief Financial Officer, Chief Academic Officer, Chief Human Resources Officer, Chief Information Officer, including several Executive Directors. The level of centralisation has continued since 2013 with an expansion of functions and staff located centrally.

In Western Australia the existing 11 institutes were collapsed into five in 2016, with the 5 new Managing Directors recently appointed. The decisions in WA have been in the face of independent publicly available advice to the contrary. The Independent Review of the Vocational Education and Training Sector in Western Australia 2013-14, led by Margaret Seares, outlined a series of recommendations focussed on greater accountability and autonomy, increased funding, and the important role of the regional State Training Providers (STPs i.e. TAFE).

Recommendation 6 suggested the Minister review the reporting requirements and role of the STP, and the relevant Act and regulations "...with a view to some of the responsibilities and accountabilities being devolved to the Governing Councils". Recommendation 7 referred to a new reporting framework covering a range of measures that could be used for reporting purposes "...and as a measure of the STP's level of maturity and ability to manage under a 'light touch' approach." Recommendation 8 called for "...a clear statement on the State's position regarding the autonomy of the STPs and the consequent accountabilities and responsibilities of their Governing Councils," and most importantly in recommendation 11 "...the complete devolution of responsibility for the performance reviews of the MDs of the STPs to the Chairs of the Governing Councils" (2013-14, p.7-8).

The Seares Report also referenced earlier work by Skills Australia and the State Training Board on the required level of autonomy for STPs. These reports released in 2009 recommended that in order for TAFEs to compete in an open training market they needed increased levels of autonomy, independence, and clearer accountability. It would appear that the Seares report has been used out of context in the most recent changes, and earlier consistent reports have effectively been ignored.

Of significance in the most recent WA changes is the centralisation of many functions to the government department, and these functions include HR, IT, finance, marketing, international, and business development, leaving the Institutes to manage local facilities and teaching and learning.

In WA the influence of key bureaucrats was significant; the previous Minister had been very supportive of increased autonomy for TAFE, but a Ministerial shuffle left a power vacuum and allowed the senior bureaucrats to lead the strategic direction. The poor financial performance by some individual institutes and lapses in judgement by a small number of individual managing directors' reflected badly on the system as a whole and added impetus for a shift in direction, and ultimately provided justification for wholesale changes.

New South Wales is in transition from 10 Institutes to one TAFE NSW and one RTO. At this point only the most senior executive have been appointed including a suite of centrally based Chief Officers. 5 Regional Managers have been announced, and a number of these are current Institute Directors. The Regional Manager roles will have greatly reduced decision making ability not dissimilar to the WA Managing Directors.

This direction is effectively an about face from that of the last couple of years. The former Managing Director in NSW commissioned a series of reviews from national experts and the Boston Consulting Group. These reports pointed to greater autonomy, with separate legal entities for the Institutes. The principle of greater independence was seen to be of central importance in driving industrial reform. The former Managing Director noted that "reform in one institution would help drive the others, and put pressure on the others"; that industrial reform is much harder with a large central organisation, and that "unions love large central models." This perspective is consistent with the Seares report from WA, highlighting that a system of independent Institutes would be more effective in achieving industrial reform.

The first report produced by Boston Consulting Group was considered in confidence to the cabinet. The 2015 public report was modified for release, and consistently compared TAFE NSW, in terms of efficiencies, unfavourably with Victorian institutes, universities and other providers. The original report proposed merging the TAFEs to 5 Institutes, and not to centralise them, but to keep them autonomous. The vision by the former Managing Director was to have *shared systems* as opposed to *shared corporate services*; collaboration was seen as central to a network of Institutions; with shared TAFE online development and international onshore and offshore marketing, but with international students enrolled into individual institute CRICOS codes. The longer term plan for institutes included owning their property, with the ability to sell off infrastructure and keep the funds, and the authority to enter into joint ventures, in the words of the former Managing Director, "a balance between competition and collaboration."

Some of the initial change process did not go smoothly, leaks from the cabinet about the asset plan which proposed the closure of 40 colleges (sites) out of 130 also caused public consternation, even though the sites identified had less than 50 enrolments. Across Australia the closure of small sites and the perception of withdrawal of services is an issue in regional locations, and one yet to be effectively resolved. A recurring theme in these system changes, evident in NSW, is that changes of personnel at the most senior levels of the bureaucracy/ government can result in reversals of strategic direction.

AN ARGUMENT FOR TAFE IN REGIONAL CAPITALS

For the Victorian TAFE network, the question mark that hangs over the regional TAFEs needs to be resolved. It is counterproductive to compare the Victorian network with Western Australia and South Australia, as both SA and WA have significantly smaller populations, larger geographic footprints, and are effectively 'city states', with the majority of the population in the capital city, and with a large disparity to the next size of regional towns and cities. The demographics of these States means that centralisation of services is a perennial solution.

The spread of population in Victoria is very different from SA and WA, with large regional cities spread across the State. These regional cities effectively function as 'regional capitals', a term and concept developed by the advocacy group Regional Capitals Australia (RCA). The RCA definition as quoted by the Regional Australia Institute is "a regional capital provides a central point to access essential infrastructure, services, business, employment and education for local residents as well as those in surrounding towns and rural areas. These cities perform a 'capital city' role within their regions' (2015, p.5). Of importance in this discussion is that the following local governments from Victoria are members of the RCA. Local government is a key enabler in regional communities, and these local governments almost exactly align with the existing TAFE Institute structure, pointing to a natural and consistent configuration of regional institutional infrastructure across Victoria:

- Greater Shepparton City Council VIC
- Ballarat City Council VIC
- City Of Wodonga VIC
- Greater Bendigo City Council VIC
- Greater Geelong City Council VIC
- Latrobe City Council VIC
- Rural City Of Wangaratta VIC
- Warrnambool City Council

The concept of regional capitals has recently been considered by a Senate inquiry into rural and regional affairs, and not only gives credence to this concept of regional cities but also second cities. The concept of second cities is one relevant to Victoria, but also to NSW and Queensland. In Victoria, Geelong is the obvious second city. The Committee for Geelong provided a submission to this inquiry and provided a definition of a second city as "...usually located outside, but close to, a capital city and increasingly provides the driving force for development in its region. It has good infrastructure, a high economic importance and hosts a University" (2016, p. 11).

The last point from the Committee for Geelong could equally be a University *and a TAFE*. This argument for regional capitals and second cities supports the current TAFE model in regional Victoria.

THE INTERNATIONAL PERSPECTIVE

The centralisation movement as identified in the majority of Australian States with respect to TAFE governance and management sits in sharp contrast to the policy developments in the majority of tertiary education systems around the world. With the advent of mass and universal participation in tertiary education has come the realisation of many governments that such systems become too complex to be governed from “the top”. Starting in the mid-1980s in continental Europe, there has been a continuous move to decentralise tertiary education systems by increasing institutional autonomy combined with requirements for increasing accountability. In the literature this has been described as “steering from a distance” or a move towards the “supervisory state” (see Maasen & van Vught, 1988; Neave & van Vught, 1991; Van Vught, 1998). This does not mean that the State is relinquishing its control over the public system; the control remains due to the increased accountability arrangements. Rather it reflects the recognition that complex systems are best governed by allowing differential institutional responses to different contexts. This principle of “requisite variety” finds its basis in cybernetic theory (Ashby, 1956) and has found broad acceptance in public policy and public administration.

Whilst mergers certainly have not been absent from higher education policy globally (see Goedegebuure, 2012 for an overview), they have invariably been accompanied by strengthening institutional autonomy so as to maximise the outcomes of these mergers in terms of both efficiency and effectiveness. In similar vein, there is broad acceptance in organisational theory that large, complex organisations are best managed by allowing decisions to be made at the lowest level where an issue can be addressed effectively. This is also known as the principle of subsidiarity.

Linked to decentralisation and subsidiarity is the concept of diversity. There is a good deal of consensus in the research literature that diversity in tertiary education is a good thing (Coates et al, 2013). First, more diverse systems better meet the diverse needs of students. Second, a diverse system stimulates social mobility. More diverse systems allow for different access points and progression pathways and thus allow for increased participation from a variety of equity groups. Third, the potential for experimentation and to find different solutions to persistent problems is much greater in diversified systems, enhancing their effectiveness.

All of the international experience referred to above would equally show that decentralisation, subsidiarity and diversity are not a panacea to solving all problems and issues for tertiary education systems and institutions. Yet, as also identified by the OECD in its comprehensive review of tertiary education “the governance challenge is ... to achieve the appropriate balance between governmental steering and institutional autonomy in the pursuit of a better alignment between institutional initiative and the nation’s economic and social development goals. ... The objective is to put arrangements in place which are effective and efficient in addressing national economic and societal needs” (Santiago et al, 2008, p.71). Whilst the review is explicit about the fact that there is no single model of effective tertiary education governance, nor a global best practice, it is equally clear that three major elements are required: the capacity to articulate a vision for the system, appropriate policy instruments to implement this vision, and a way of monitoring performance (ibid, p.143). To what extent these elements are present in the various Australian States reforms of TAFE discussed above remains a point of contention.

It is not only change in tertiary education policy settings that needs to be considered when reflecting on the centralisation tendencies at the heart of TAFE reforms. They need to be positioned in the context of broader societal change that is taken place. In the literature, these changes are labelled “Society 3.0” (Van den Hoff, 2014; Rotmans, 2014). Society 3.0 is described by the following characteristics: decentralisation, bottom-up change, flat organisations and networks, systems thinking, flexibility and collaboration, and a facilitating government. This contrasts with the characteristics of Society 2.0, which are: centralized, top-down, big organisations, fixed and rigid, within a directing government approach to system coordination.

At the heart of Society 3.0 is the concept of co-creation: creating value through self-organizing networks, based on shared points of view amongst the network members, the mutual discovery of paths of creation, a collective responsibility, facilitation, and open networks. These are the same ingredients that can be found in the literature on Open Innovation, which is at the core of successful innovation eco-systems throughout the world (Van Aghem and Chesbrough, 2016; Chesbrough, 2003; Goedegebuure and Schubert, 2017; Lappalainen et al, 2015).

It is not our intention to link these major societal changes and developments in a black and white fashion to the TAFE reforms discussed above and argue a “right and wrong” case. But it is clear that these reforms are based on premises that sit awkwardly with the organisational structures, principles of management and leadership, and value creation that may become more dominant in the years to come.

CONCLUSION

It is apparent that strategic expert advice and international research and policy about the value of autonomous and well governed Institutes will not protect a system from major and perverse changes of strategic direction. However, the arguments for maintaining a diverse and mature system such as the TAFE Institutes and the dual sector universities in Victoria do exist, and these need to be promoted wherever possible.

In exploring the central question for this paper, a number of interesting trends have emerged. The first of these is that changes in key personnel at department, statutory authority and ministerial level could, and did, result in major changes of policy direction. Second, poor financial performance by individual Institutes or poor judgement by individual directors was used to justify changes to the whole system. Third, well established TAFE Institutes and brands with long associations to a specific industries, location or community have been lost, and replaced with generic TAFE Institutes and brands.

Finally as public institutions, TAFEs are subject to the control of the State as the owners, and at times this relationship between the individual Institute/CEO level and the Department/ Government has been unproductive. Improved performance and accountability, financial sustainability, and strategic leadership for the network and State is expected, and will be ultimately the best protection and mechanism for innovation in TAFE and the dual sector universities in Victoria.

APPENDIX 1:

CHANGES IN NUMBERS OF TAFE INSTITUTES AND SHIFTS IN PROVIDER AND STUDENT NUMBERS

As shown in Table 1, the pattern in the last 20 years shows a gradual decline in the number of TAFE Institutes, as the Institutes amalgamated and became larger and larger entities. The last 4 years has seen a rapid escalation of this process.

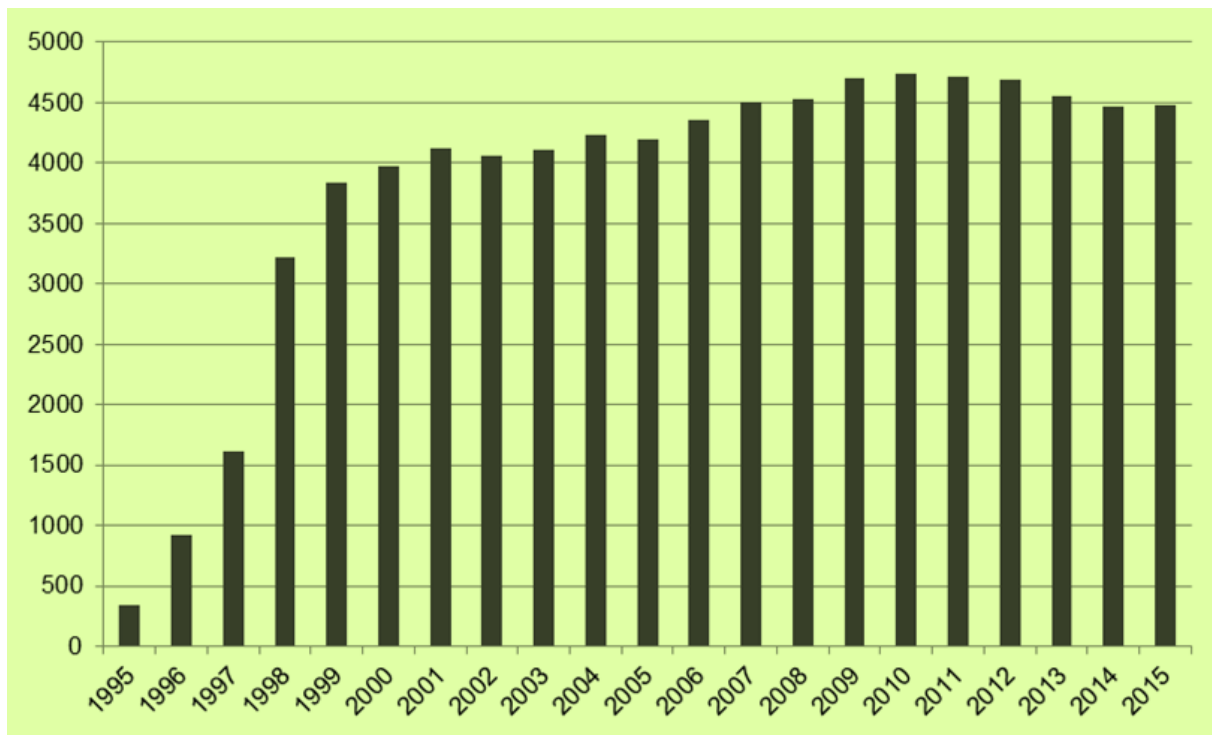
TABLE 1: Number of TAFE institutes reporting in the National VET Provider Collection by state, 1996–2014, with the proposed number in 2016/17.

	1996	2001	2006	2011	2014	2016/2017
New South Wales	12	12	11	11	11	1 (proposed)
Victoria	28	20	20	18	14	12 (plus 4 dual sector)
Queensland	16	16	17	14	14	6
South Australia	10	8	1	3	3	1
Western Australia	22	12	10	11	12	5
Tasmania	4	1	1	2	1	1
Australian Capital Territory	2	1	1	1	1	1
Northern Territory	4	4	1	2	2	2
Total	98	74	62	62	58	29

(Korbel & Misko, 2016, p.14)

Table 2 demonstrates that it is no co-incidence that as more open training markets have emerged across the Australian system, that the number of private providers has rapidly increased, and that from an early explosion of registrations that number has remained relatively stable.

TABLE 2: Number of registered providers each year (registered since 1995), 1995–2015.



(Korbel & Misko, 2016, p.13)

As the market has gradually privatised the majority of students are now studying with private organisations, as shown in Table 3, however TAFE Institutes remain in the top end of the scale of the large providers group, delivering to large numbers of students per institution.

TABLE 3: Training organisations and students by type, 2014

Type	Providers	Students	Mean	Median	Minimum	Maximum
Schools	960	202 415	211	82	1	16 832
TAFE	57	1 115 865	19 577	16 661	680	92 530
Universities	15	83 631	5 575	657	33	18 426
Enterprises	210	90 816	432	95	1	9 069
Community	497	190 604	384	129	1	10 900
Private	2 557	2 095 171	819	204	1	104 581
Associations	221	193 821	877	238	1	22 117
Other	87	36 166	416	80	1	8 815
Overall	4 604	4 008 489	871	146	1	104 581

(Korbel & Misko, 2016, p.18)

APPENDIX 2:

VICTORIAN EXAMPLES HIGHLIGHTING DIVERSE FOCI AND PRIORITIES

South West TAFE

South West TAFE while smaller in relation to other metropolitan TAFEs is proportionally a large business in Warrnambool. A CEO based locally has the authority and delegation to respond to local needs. With youth unemployment running at around 20%, and year 12 attainment at only 50%, SW TAFE has been able to work with local partners such as the Group Training Scheme to address specific skills needs, one of the local initiatives targeted **100 jobs in 100 days**, the final result was **164 jobs**. Recent negative feedback on the delivery service to the hospitality industry, galvanised action from the top, as a result of the direct engagement with the TAFE teachers, new chefs were employed and the facilities significantly upgraded. The outcome being that the industry is now returning with apprentices being trained by TAFE. The CEO has set a direction for reinvigorated engagement and has set a figure of **40 industry engagement events a year**. Local stakeholders such as universities, local government and key industries want to engage with the CEO, **who listens, understands and can make things happen**.

Go TAFE

For Go TAFE the ability to understand and then respond to the diverse needs of regional communities is a critical role for a regional TAFE. Shepparton and Wangaratta while relatively close geographically, at only just over an hour in driving distance, yet are 'worlds apart' in terms of their economies. Shepparton is largely driven by world agriculture markets, with specific needs of refugee entrants and youth unemployment, while Wangaratta has many industries and is high end tourism and food focussed. The Regional Development Australia (RDA) structure has recognised the different needs of regions within Victoria, and moved to five locally focussed committees. **Paul Culpan CEO of Go TAFE**, and **Mark Dixon CEO at Wodonga Institute** have been selected for their respective RDA regions. Go TAFE has used its capital reserves to invest in the region, by value adding to the Skills and Job Centre, Education First Youth foyer, and by moving building trades to be co-located on what was the 'worst high school' in Shepparton. Go TAFE had the autonomy and the financial reserves to invest and self-fund three major projects for the benefit of the wider community.

The Gordon

The Gordon has a long standing respected profile in the community of Geelong, and is considered to be part of the fabric of Geelong. The Gordon is central to the regional effort to support employees and enterprises transitioning to new opportunities in the wake of the Alcoa and Ford closures. The initiative '**Skilling the Bay**' led by The Gordon, along with key partners of the Victorian Government, and Deakin University is leading skills development for new and emerging industries. As a result, the Australian first *Course in the Use of Carbon Fibre in Composite Manufacturing* was developed to build capacity in the industry to produce light weight, high performance composite components, such as wheels, sporting goods and aerospace and automotive components. The partnership between **Northern Futures** and The Gordon is now approaching its sixth year. The program assists individuals at risk of, or experiencing, long-term unemployment to re-engage in vocational education and training, with the aim of transitioning to employment. The Gordon has been engaged as the primary training provider, and is also represented on the Steering Committee.

Melbourne Polytechnic

Rod Wood CEO at Melbourne Polytechnic (MP) came to the role with diverse experience, and in depth understanding of the Canadian system. He is leading a fundamental rethink about the products and processes at MP, from a perspective that much of what is currently being taught to students will soon be obsolete. In a society with 71% of jobs significantly affected by automation, the focus is now on new models, and for this reason MP has created the **Centre of Applied Innovation**, focussing on the new and emerging needs of the workforce, and working with industry and universities in novel ways. A network of TAFEs with CEOs from diverse backgrounds allows a greater diversity of leadership and the development of original solutions.

Victorian TAFE Association

The VTA is a **demonstration of strategic collaboration**. The collaboration is evident in the approach taken by a number of VTA sponsored networks, two most relevant examples being the Regional CEO network which is working on 'front end collaboration' in relation to development of education products, and a commitment to develop shared systems, and the second being the shared enterprise bargaining process. This network approach extends to a range of functions including the Business Managers, HR managers, and the Education Leaders Network.

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