Trading in a state-created TVET market: the regulatory intersection of social enterprise, charity and philanthropy

Abstract

In recognition of the contested nature of developing methods to consistently identify and classify social enterprises, this paper describes one approach that relies upon cross-referencing large data sets. These empirical statistics are generated by a variety of agencies that regulate a very specific market for the delivery of technical and vocational education and training. The creation and maturation of this specific market has corresponded with major studies into the operations of social enterprises in Australia. Instead of attempting to describe features of social enterprises that trade in a variety of markets, this research first identifies a very specific market and then interrogates the information recorded in various regulatory data bases to determine the characteristics of the organisations that operate in the market. The results identify consistent interactions between charity status, the relative role of philanthropy and the type of organisations that meet the local definition of social enterprise. While the limits of this method are acknowledged, it is shown that in a highly regulated market for the delivery of outsourced government services a reliable indicator of social enterprise can be made operational.

Introduction

This paper presents a case study of the extent to which Australian social enterprises took up the option to trade in a very specific market for the provision of Technical and Vocational Education and Training (TVET). This opportunity came about when the state of Victoria (Department of Innovation 2008, 23) decided to marketise and privatise the delivery of TVET by introducing a Victorian Training Guarantee that was designed to encourage a "wider range of providers" and to give students "more choice" in accessing government-subsidised training from mid-2009. Any training provider that could demonstrate financial viability, meet minimal registration requirements and agreed to supply various types of audit information and other data sets was able to enter this newly created open and contestable market (23). A number of social and economic expectations were also built into the program including making provision for "engaging hard to reach learners, or those seeking to reconnect with learning"; assisting "learners to transition into accredited training"; building "stronger regions" through "increased choice of training provision within local communities" and giving access to "better jobs as a result of improved training opportunities" (28).

Coincidentally, the "first attempt to identify the range and scope of social enterprises in Australia" was being undertaken in 2009 (Barraket et al. 2010, 4). For the purposes of that seminal project, organisations were considered to be social enterprises if they:

- "are led by an economic, social, cultural or environmental mission consistent with a public or community benefit"
- trade to fulfil their mission
- derive a substantial portion of their income from trade and
- reinvest the majority of their profit/surplus in the fulfilment of their mission" (Barraket et al. 2010, 4).
The report of this initial investigation into Australian social enterprise found that ‘education and training (41.6 per cent) and arts and recreation services (31.7 per cent) were the two most frequently cited categories within which participating social enterprises operated’ (Barraket et al. 2010, 21). 22.3 per cent reported that their trading activity gained business through open tenders for government or other contracts while 62.7 per cent provided services for a fee (21). In addition, the dominant geographic market reach of participating social enterprises was local (62.3 per cent) and 64.8 per cent believed that their primary mission was to “fulfil a public or community benefit”. Each of these characteristics aligned quite closely with the Victorian Government’s social and economic expectations of privatisation and marketisation of the delivery of state-funded technical and vocational education and training. These various alignments provided the basis for the research question – how did Victoria's social enterprises respond to the creation and subsequent maturation of the TVET market?

The starting point for seeking an answer to this question will examine the international efforts that have been used to conceptualise social enterprise types even though it "still lacks strongly integrated theoretical foundations" (Defourny, Nyssens, and Brolis 2019, 5). Those concepts that have been commonly adopted in Australian studies will then be described (Barraket et al. 2016; Castellas et al. 2017; Barraket et al. 2010). This will be followed by a brief contemporary view of the positioning of social enterprise in Australia in relation to the support they receive from philanthropists and other funding sources including the Victorian State Government policies that have supported social enterprise.

The development and characteristics of Victoria's now reasonably mature TVET market will be examined by using the relatively large data sets that have resulted from increased training provider registration and regulatory reporting requirements. The use of these statistics has been undertaken in response to the exhortation by Defourny and Nyssens (2017, 2471) "that the arena of conceptualisation efforts should now be fed with more contributions starting from solid empirical works". Given the difficulties encountered in the development of high-level, overarching classifications and typologies of social enterprise, this paper shifts the level of interrogation from the macro to the micro. This is done by investigating the level of participation in a government-funded market for technical and vocational education and training by organisations that demonstrate the characteristics that have been attributed to social enterprises in the international literature as applied by Australian researchers and policy-makers. The main features of antipodean social enterprises include having a social/cultural/economic mission that is achieved, at least partially, by undertaking trading behaviour and reinvesting most of the profits into fulfilment of this mission (Victoria State Government 2017, 2).

The information furnished by Victorian TVET providers to a range of different regulatory bodies are linked and cross-referenced in ways that have only recently become accessible. The findings suggest that, in spite of the contested nature of social enterprise conceptualisation and the lack of clarity of definition (Barraket 2008, 127), the linked data sets that have been made available by five separate regulators can be interrogated to suggest several "shared characteristics" (128) of social enterprises that are active in Victoria's publicly subsidised TVET market.

An Australian typology of social enterprise
Barraket (2008, 9) describes that the evolution of social enterprise in Australia had been "slowed by an early struggle over the value and objects of the concept, which reflects the use of market mechanisms to achieve social goals". This debate is not peculiar to Australia because "a good deal of the literature and discourses on social enterprise underline a significant move towards market activities as a distinctive feature of social enterprise; such a stance is often far from the field reality in many countries and that is not shared by various schools of thought" (Defourny, Nyssens, and Brolis 2019, 7).

Nevertheless, the use of market mechanisms for the delivery of wide range of government services has inexorably come to dominate Australian public policy and programs over the past 25 years through the application of national competition policy (Hilmer, Rayner, and Taperell 1993, Harper et al. 2015). In particular, Australian governments were early adopters of the principles of New Public Management (Hill and Hupe 2002, 110-112) that have been used to create potential market opportunities for social traders (Barraket et al. 2016, 6) where service delivery is outsourced/contracted out to a market while policy setting, funding decisions and contract management remain in the hands of government officials (Keating 2004, Quiggin 1996). In addition to the Australian Government privatising formerly public businesses, such as selling the Commonwealth Bank and Qantas Airways, it has also made a concerted effort to marketise the provision of human services that were previously delivered by government agencies acting as monopolies (Productivity Commission 2017). For example, it has been noted that:

"Australia is unique in its approach to public employment services. It was one of the first countries to contract out employment services [in 1998] and it is the only OECD country to outsource the entire delivery of its publicly funded employment services" (The Senate Education and Employment References Committee 2019, 31).

In their contribution to the International Comparative Social Enterprise Models Project, Defourny and Nyssens (2017, 2484-2485) have described these types of arrangements as one of four social enterprise types – the public-sector social enterprise model. Based on the wide acceptance of New Public Management policy implementation, the responsibility for service delivery is "transferred to private entities – among which social enterprises (sic) – although keeping these entities under public control or at least regulation" (2485). In this category the main "social entrepreneurial drive consists of a move towards marketisation" which shifts the balance between state and outsourced provision; in some cases local procurement policy might be restricted to social enterprises, but in other circumstances social enterprises might also be put in competition with all types of private providers (Defourny and Nyssens 2017, 2485). One example of the impact on Australian social enterprises of full for-profit market competition in delivering employment services has seen a massive reduction in the number of Job Network providers from about 300 (many of which were social enterprises) in 1998 to only 42 Jobactive Network providers in 2019; "forcing out small community-based organisations who are unable to achieve efficiency of scale" (The Senate Education and Employment References Committee 2019, 88).

In general the various Australian governments' approach to the advancement of social enterprises "has been characterised by marginal investment and small-scale policy developments" (Barraket et al. 2016, 7). The state government of Victoria was the first to put
an explicit focus on supporting the growth of social enterprise when it introduced a *Volunteering and Community Enterprise Strategy* in 2004 (7). This approach focused on using social enterprises to facilitate increased work integration "through intermediate labour market development" in order to improve the socio-economic condition experienced by residents living in geographic communities experiencing relative disadvantage (7). Since then several Australian states have enacted social enterprise policies while "the dominant focus of early federal government policy was thus on social enterprise as a mechanism for work integration" (8). In terms of public policy, social enterprise in Australia has been and remains intimately linked to transitioning residents into employment. Frequently these persons are categorised into one or more groups that are officially considered to be "disadvantaged" and made subject to various programs of social or economic improvement (Castellas *et al.* 2017, 24-26).

The Victorian State Government (2017, 1) believes that it provides "national leadership in social enterprise policy" with the launch of its "first social enterprise strategy" that seeks to position that state's social enterprises as "national leaders in driving employment participation and inclusive economic growth" (Castellas *et al.* 2017, 7). In spite of the unresolved challenges associated with classifying Australia's "emergent, diverse and hybrid" social enterprises (Barraket *et al.* 2016, 11), the contemporary Victorian strategy describes entities on the basis of their activities because they:

- "are led by an economic, social, cultural or environmental mission consistent with a public or community benefit"
- "derive a substantial portion of their income from trade"
- "reinvest the majority of their profit/surplus in the fulfilment of their mission" (Victoria State Government 2017, 2).

There is one final consideration that has been used in developing classifications and categorisations of social enterprises in Australia - the role of philanthropy. Philanthropic involvement in social enterprise development is a private activity. Survey results from the first attempt to identify social enterprises in Australia suggests that these donations constituted less than 10 per cent of overall social enterprise income, but rose to 15 per cent for social enterprises that were fewer than five years old (Barraket *et al.* 2010, 28-29). The second version of this report was published six years later and found that "philanthropy appears to be playing a proportionately more significant – albeit still relatively small – role in financially supporting social enterprises" (Barraket, Mason, and Blain 2016, 32).

More recently Knowles (2018, 6) reports that "the top three trends in larger business giving are:

- increased engagement with social enterprises
- greater focus on generation of social impact and
- investing in fewer, better resourced organisations".

Wealthy Australians are increasingly using tax-advantaged private ancillary funds to "move away from hand-outs" causing "charity leaders to begin to reposition their organisations as sustainable social enterprises" (Knowles 2018, 2). Business giving is also in transition because "they like working with social enterprises" that can prepare business cases instead
of seeking hand-outs; this business-to-business approach allows corporate donors to "support charities that align with their own brand and business aspirations" (7). The trend of minimal impact of philanthropic giving on social enterprises (Barraket et al. 2016, 10) looks unlikely to change, except in the case of a few very large enterprises, because "90 per cent charities share just 6 per cent of all donation income; the 94 per cent goes to the top 10 per cent of fundraising charities in Australia" (Knowles 2018, 13). In Australia, 11 out of 20 of these top revenue raising charities are universities and seven out of the remaining nine have strong religious affiliations (McLeod 2018, 28). However, it does seem that philanthropic donors will have some influence on the operations of all social enterprises as they increasingly demand more robust measures of social impact as a result of their giving (Knowles 2018; 6, Barraket et al. 2016, 10).

Having established that Australian social enterprises generically have a mission and are not-for-profit organisations that trade in a market, including those that are created when Australian governments outsource service delivery, the next section moves from the macro to the micro by briefly describing the origins and nature of the Victorian government-funded market for the provision of technical and vocational education and training market.

**The creation and maturation of a TVET market**

Since the late 1980s, TVET has been repeatedly identified by governments at state and federal levels as being one of the human services that could be more efficiently delivered and made more responsive to industry and economic needs through marketisation (Deveson 1990; Kemp 1998; Australian National Training Authority 2003). In part this was due to an Australian policy alignment between TVET and labour market programs that were designed to address multiple social and economic issues. Some examples include:

- re- and up-skilling of the workforce in the face of globalisation in the impact of new technologies (Australian Committee on Technical and Further Education 1974, Department of Trade, Australian Council of Trade Unions (ACTU), and Trade Development Council (TDC) 1987)
- the creation of traineeships to address high levels of youth unemployment (Kirby 1985)
- efforts to increase Aboriginal and Torres Strait Islander employment (Australian National Training Authority 2000) and
- increasing the skill levels of selected equity groups of persons that have demonstrated considerable disadvantage in labour force participation (Myconos, Dommers, and Clarke 2018; Falk et al. 2004; Dawkins 1990).

The long-standing public policy desire to marketise and privatise TVET delivery as a mechanism to increase skill levels and consequent employment was given considerably increased impetus through two national partnership agreements between state, territory and federal governments. The National Agreement on Skills and Workforce Development (Council of Australian Governments 2008, 6) required the states to facilitate "the operation of a more open and competitive training market" in exchange for substantial amounts of national government funding. This policy of marketisation was reiterated several years later in the National Partnership Agreement on Skills Reform (Council of Australian Governments 2012) which retained the commitment to "open and competitive markets" involving both
public and private providers "to enable all working age Australians to develop the skills and qualifications to participate effectively in the labour market" (1). Guthrie and Clayton (2018, 5) describe that the state of Victoria led the nation in the implementation of these market reforms by displaying "considerable zeal".

This enthusiasm was demonstrated in this state's response to the first skills national agreement:

The Victorian Government is taking the lead by delivering a major reform of the Victorian training system over the next four years. Government subsidised training will be focused on individual and business needs, led by individual and business demand and delivered by capable, flexible and competitive providers, both public and private (Department of Innovation 2008, 7).

Providers that wished to participate in this new market faced relatively low barriers to entry that included being registered with the Victorian Registration and Qualifications Authority, demonstrating financial viability, passing audits when inspected in the future and supplying nationally consistent TVET data (Department of Innovation 2008, 23). In order for the open market to function, it was important that a large number of new providers were able to participate in a relatively short timeframe.

This market was also designed to increase "choice of training provision" in regional areas leading to "better jobs as a result of improved training opportunities" (28). In addition, $A10 million of government funding was made available to providers to ensure that potential students who were "significantly disadvantaged in the labour market" and for other "people [who] find it difficult to enter the training system" (16) would have access to training that was intended to assist them to secure employment. As noted earlier, Victoria's first foray into support for social enterprises was undertaken on the basis of people and place as the site of social policy interventions that included consideration of geographic community locations, work integration and intermediate labour market development (Barraket et al. 2016, 7). In addition, Australian social enterprises have been historically active in "education and training and/or special support services to particular social groups, including Indigenous people, women returning to work and refugees" (Barraket et al. 2016, 15).

This new TVET market was conceptually linked to the same public policy considerations that were used by the Victorian Government to support social enterprises. The first survey of Australian social enterprises, taken in 2009 just as the Victorian TVET was being substantially outsourced, indicated that the most common area of operations of social enterprises, more than 40 per cent, was education and training (Barraket et al. 2010, 18). Given the close links between public policies encouraging an outsourced fully contestable TVET market, the large percentage of social enterprises with an education and training mission and support from the Victorian State Government to increase the variety of providers; it could reasonably be expected that a significant number of social enterprises would have taken up the opportunity to trade in the new TVET market.

Before describing the research methodology and findings regarding the participation of social enterprises in the now mature Victorian TVET market, it is worth noting that the marketplace has been altered significantly from its original 2008 design. The open-ended guarantee of a government subsidy produced an unsustainable increase in government
expenditure that resulted from a large increase in providers enrolling large numbers of students; total annual funding limits were subsequently introduced (Department of Education and Early Childhood Development 2013). This market reached its maximum number of students enrolled in 2013 (498,000 students) and as a result of major reductions in public funding the number of students had declined by 37.8 per cent to 314,600 students in 2017, the most recent year for which verified data is published (National Centre for Vocational Education Research 2018, table 10).

Even though most states referred their powers to the national TVET regulator upon its introduction in 2011, the Victorian state regulator also still registers about 300 training providers that only operate in the state (Australian Skills Quality Authority 2016). Training providers seeking government-funding and wishing to issue nationally recognised qualifications must be registered with one of these two regulators. All registered training organisations have had to progressively respond to considerably increased levels of reporting and auditing at both state and federal levels due to poor quality provision of TVET services by a significant number of providers (Australian Skills Quality Authority 2014; Birmingham 2015; Ross 2015; Ross and Butler 2017).

While the overall process has become quite complex due to increased government regulatory intervention in the market, an organisation or sole trader that wishes to operate in the Victorian TVET market must meet a fairly simply-stated set of requirements. The enterprise must be registered with the Australian Skills Quality Authority or the Victorian Registration and Qualifications Authority. This is completed by demonstrating compliance with eight legislated "national standards" regarding quality delivery and student outcomes in addition to demonstrating an ability to deliver and assess competence in a variety of "training products" that include skill sets, certificate/diploma-level qualifications and industry-wide training packages consisting of a variety of occupationally-linked qualifications (Bowman and McKenna 2016, 43). Successful applicants are then placed on the national register of Registered Training Organisations (Training.gov.au 2018) which includes the list of products they are allowed to deliver in the TVET market, also known as their "scope" (Bowman and McKenna 2016, 21). In addition, all TVET providers that wish to participate in the Victorian Government-funded training market must register for an Australian business number (ABN). It is a unique 11-digit identifier designed to facilitate interaction between businesses and all levels of government as well as for certain tax purposes (Australian Taxation Office 2019).

Empirical methodological approach and results

In spite of the "highly contingent nature of classifying social economy phenomena" and, in particular, the challenges "classifying social enterprise by legal and governance models, or by economic activity", the recently developed capacity to cross-reference publicly available large data sets that are linked via the ABN provides a mechanism with which to conduct a detailed exploration of a singular and highly regulated market. The method is based on first identifying the specific market and then examining the types of entities that operate in this marketplace in order to determine the extent to which social enterprises deliver the Victorian Government's outsourced TVET human service. The national register for training was searched in late November 2018 to determine the number of registered training organisations (RTOs) with headquarters in Victoria. This identified 1014 active providers with
Victorian street addresses that were entitled to operate in this state's TVET market (Training.gov.au 2018).

Each of these RTOs has their Australian business number listed in the national TVET provider register which is also linked to the Australian Business Register\(^1\). A variety of corporate information about each business is recorded on this second register including its "entity type" that can be used to distinguish between for-profit and not-for-profit governance structures. The major entity types used by for-profit providers included private companies, various kinds of trusts, public companies and, less commonly, associations or sole traders. These 777 provider entities are regulated by the Australian Securities and Investments Commission (ASIC)\(^2\). These profit-seeking RTOs have been excluded from further consideration in this paper on the basis that they do not meet one of the criteria of being a social enterprise; although their domination (77 per cent) of the Victorian TVET market confirms the potential for competition faced by social enterprises from for-profit entities previously described by Defourny and Nyssens (2017, 2485). The large number of private profit-seeking RTOs also confirms that the original contestable market design remains in place, in other words, there is a market in which to trade.

Further analysis of each of the remaining 237 RTO entity types (23 per cent) that were not regulated by the Australian Securities and Investments Commission found that 191 of them were reported on the Australian Business Register as being registered with the Australian Charities and Not-for-profits Commission\(^3\). This regulatory body was established in 2013. This new regulator was introduced in between the first and second reports on the nature and size of Australia's social enterprise sector (Barraket et al. 2010; Barraket, Mason, and Blain 2016). The predominant governance structures used by these entities were listed as public companies and a range of incorporated or unincorporated associations; there were only 5 private companies, cooperatives or trusts.

In order to appear on the ACNC register, entities must meet this regulator's criteria. Standard One requires that the entity be "set up as a not-for-profit with a charitable purpose", and run "as a not-for-profit and work towards that charitable purpose" (Australian Charities and Not-for-profits Commission 2019a). The ACNC (2018) has over 57,000 organisations on its register of charities. Many of these not-for-profit entities do not consider themselves to be charities in a traditional sense, but find that the standards and regulatory requirements used by the ACNC are better suited to their business interests and operational drivers when compared to the for-profit regulation provided by ASIC. The various explanations of charitable purpose provided by the ACNC are very similar to the descriptions of the mission attributed to social enterprises. For the purposes of this paper, it has been accepted that inscription of these RTOs onto the ACNC register meets two of the three characteristics that have used to identify social enterprises in Victoria - they are not-for-profit and have a mission (Victoria State Government 2017, 2). None of the 777 Victorian for-profit RTOs were registered with the ACNC.

Entities registered with the ACNC (2018) must furnish an Annual Information Statement and audited Financial Report and these are made available on the ACNC website. The

\(^1\) https://abr.business.gov.au/
\(^2\) https://asic.gov.au/
\(^3\) https://www.acnc.gov.au/
information statement provides evidence of the entity’s charitable purpose (mission) and the financial report confirms the not-for-profit status by reporting expenditure (re-investment). Another feature on the ACNC web page dedicated to each entity is an interactive infographic that reports on five major sources of total gross income. This has been used to determine how many of the 237 not-for-profit RTOs that are trading in the Victorian TVET market satisfy the third criteria of social enterprise – deriving a significant proportion of their income from trade. The following example uses the Brotherhood of St Laurence, which is a large charity, a RTO in the Victorian TVET market and a self-identified social enterprise. In 2017 its income was generated through:

- government grants: $74.8 million or 67.15 per cent
- other revenues: none reported
- donations and bequests: $6 million or 5.42 per cent
- goods and services: $25.9 million or 23.25 per cent
- investments: $4.7 million or 4.8 per cent (Australian Charities and Not-for-profits Commission 2019b).

The revenue from trading in the government-subsidised TVET market is recorded in the goods and services (fee-for-service training) or in government grants (for the state-funded subsidy for eligible students) depending on the income source (Ramia et al. 2018, 39). For example, an individual student might pay a training fee up front and then claim a refund from another government-funded program upon successful completion or the government may pay the RTO directly for the training provided to the student. Given the various sources of reported gross income, it can be concluded that the Brotherhood of St Laurence is a social enterprise because it fulfils all three criteria; thus aligning with an earlier analysis that also identified it as a significant social enterprise (Barraket et al. 2016, 9).

In addition to the 191 organisations registered with the ACNC the remaining 46 RTOs from the original list of Victorian headquartered providers were identified as state government entities: 22 schools, 11 Technical and Further Education (TAFE) institutions and 13 statutory authorities. In order to determine if they were actually trading in the TVET market, an examination of the specific training products each of the statutory authorities delivered (their scope) was undertaken. It was found that their major training activities were tightly focused upon their provision of formal training for their own employees. For example, the primary training activity included a health service teaching sterilisation skills to hospital staff, the Victorian Police delivering specialist police training and Emergency Services providing first aid for staff and volunteers. As a result, they have been excluded from consideration as social enterprises because they were not actively trading in the Victorian TVET market; rather they are seeking to provide their staff with nationally recognised qualifications. In contrast the 22 state schools and 11 TAFEs have been considered to be potential social enterprises trading in the Victorian TVET market because their scope, not-for-profit governance structures and wholly owned trading businesses are very similar to schools and TAFEs that are registered with the ACNC. They have been included in the list of 224 potential social enterprises.

Eight RTO entities that were registered by the ACNC required more detailed investigation to determine if they also met the criteria to be considered a social enterprise as the information was not immediately available in the ACNC registration details. Two were simultaneously
registered with and reported through the Office of the Registrar of Indigenous Corporations and these were consequently found to meet the social enterprise criteria, while a further six were not required to lodge separate annual reports as they were included in the reports of larger parent organisations which did fall within the Victorian Government definition of a social enterprise. By including these eight entities, a total 224 RTOs with scope to deliver in the Victorian TVET market that meet the social enterprise criteria have been identified. Of this group, one entity had its charity status revoked, one was an industry lobby group relying upon membership subscriptions, and, finally, one organisation derived its entire income from donations and bequests which meant that they were not trading in the TVET market. It is also reported on the ACNC register that only 12 charities/RTOs that operate in the Victorian government-funded TVET market derived five or more per cent of their gross income from philanthropic sources. In fact, the vast majority of organisations reported no income sourced from gifts and bequests.

As a result of cross-referencing the published information from various regulators the initial list of 237 of Victorian Registered Training Organisations has been reduced 221 (or 93.2 per cent) that are either registered with the ACNC or are identified by their ABN as state government entities that also have the training product scope to trade in the market. Each had substantial income derived from providing goods and services or receiving government grants for TVET delivery in the government-funded market. It is also worth noting that many of the larger social enterprises also traded in the provision of a wide range of other outsourced, mission-related human services. These include disability services, counselling, homelessness, rehabilitation, aged care, child care and, most prominently, employment-type services.

Main findings and discussion

Victoria is the home to more social enterprises than any other Australian state and "the field is mature" (Castellas et al. 2017, 7). Similarly, it also has the most extensive and well-developed contestable market for the outsourced delivery of government-funded TVET. Given that the provision of education and training was the most frequently reported industry in which social enterprises traded in the first national report in social enterprises (Barraket et al. 2010, 21), it might be expected that the creation of the TVET market in 2009 would have facilitated further or at least continued participation by social enterprises. The creation of this new market should have been familiar area of operations for social enterprises because "government is an important customer" for social enterprises with over 41 per cent of Victorian social enterprises having bid for government contracts (Castellas et al. 2017, 16).

The second national survey of the Australian social enterprise sector, based upon an amended version of the 2010 research (Barraket et al. 2010), was conducted in 2015 (Barraket, Mason, and Blain 2016, 63). It found a significant change in "the two most frequently identified industry categories" had taken place in the intervening period (Barraket, Mason, and Blain 2016, 16). Retail trading (24.5 per cent) and social assistance (22.2 per cent) had replaced education and training (down from 41.6 to 18 per cent) and arts and recreation studies (down from 31.7 per cent to 16.5 per cent). The movement away from the education and training industry was re-affirmed in the 2017 Mapping Social Impact report (Castellas et al. 2017, 23) which indicates that education and training are not in the top five missions reported by Victorian social enterprises. Those social enterprises that did "provide..."
training opportunities" to "specific groups" and "specific locations" as their main activity represent about 14 per cent (325 entities) of the approximately 2,300 social enterprises that were individually identified in the 2017 research (Castellas et al. 2017, 22).

In 2017, it was conservatively estimated that the total population of Victorian social enterprises was 3,500 which is "largely consistent with earlier national mapping estimates" (Castellas et al. 2017, 10). It was also reported that there is "a high likelihood that some categories of social enterprises were underrepresented - these include independent schools and universities" (Castellas et al. 2017, 9). The findings reported in this paper align with this finding having identified specific state schools and TAFE institutions that are also under-reported and meet the working definition of being social enterprises that trade in the Victorian TVET market.

Nationally consistent data on TVET provision (National Centre for Vocational Education Research 2018, table 10) reports on the number of students enrolled with three RTO types, TAFE and other government providers (TAFE), community education providers (CEP) and other registered providers (ORP). State government schools and TAFE institutions that operate as social enterprises are in the TAFE group, non-government social enterprises are generally found in the CEP category while ORPs are mostly for-profit entities. Three years have been chosen to compare the per cent of students enrolled with each provider-type; 2003 as a pre-market time; 2009 marking the start of the contestable market in Victoria and 2015 evidences a more mature market; each of these two latter years correspond with the conduct of the two national social enterprise surveys. The national results are shown in table one and the corresponding Victorian student enrolment percentages are shown in table two.

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>2003</th>
<th>2009</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAFE</td>
<td>905,400 (71.5%)</td>
<td>876,600 (68.7%)</td>
<td>575,500 (47.0%)</td>
</tr>
<tr>
<td>CEP</td>
<td>189,800 (15.5%)</td>
<td>114,400 (9.0%)</td>
<td>78,300 (6.4%)</td>
</tr>
<tr>
<td>ORP</td>
<td>163,800 (13.0%)</td>
<td>271,900 (21.3%)</td>
<td>556,000 (45.4%)</td>
</tr>
</tbody>
</table>

Table one: National provider type market share. Data is number of students enrolled (per cent of total market). Source: National Centre for Vocational Education Research 2018, table 10.

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>2003</th>
<th>2009</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAFE</td>
<td>201,600 (62.6%)</td>
<td>200,900 (51.3%)</td>
<td>127,000 (32.5%)</td>
</tr>
<tr>
<td>CEP</td>
<td>72,700 (22.6%)</td>
<td>42,100 (13.7%)</td>
<td>45,600 (11.7%)</td>
</tr>
<tr>
<td>ORP</td>
<td>47,900 (14.9%)</td>
<td>63,200 (20.6%)</td>
<td>281,700 (55.9%)</td>
</tr>
</tbody>
</table>

Table two: Victoria provider type market share. Data is number of students enrolled (per cent of total market). Source: National Centre for Vocational Education Research 2018, table 10.

The pattern of reduced TVET enrolments with TAFE and CEP providers corresponds with the introduction and maturation of the government-funded market and is evident at both national and Victorian levels. Between 2003 and 2015 that market share held by TAFE and CEP providers declined by about half while the ORP RTOs more than trebled in Victoria’s contestable TVET market which confirms this state’s purposeful public policy position which created an open and contestable market. In addition, the overall size of the market grew by
more than 20 per cent between 2009 and 2015 and virtually all of that growth occurred with the for-profit RTOs which is reflected in TAFE and CEP RTOs losing market share. Given that social enterprises are not listed in the ORP category, it can be seen that the marketisation and privatisation of government-funded TVET delivery corresponds with social enterprises reporting a change in activity away from education and training as their main industry of trading between 2009 and 2015 (Barraket et al. 2010, 21, Barraket, Mason, and Blain 2016, 16). The financial difficulties of trading in a TVET market has also been confirmed by analysis of the entire charity and not-for-profit sector which shows that of the 26 individual cause areas, education and training produces the lowest levels of operational surpluses of about three per cent (McLeod 2016, 17).

Another set of potentially useful empirical data related to typologies of social enterprises was found as a result of the cross-referencing of the regulators’ data sets - the taxation of social enterprises. It has been established that, with the exception of three, each of the 191 RTOs registered with the ACNC and the 33 state schools and TAFE institutions that trade in the Victorian TVET market are social enterprises. The Australian Business Register shows that all of those RTOs registered with the ACNC receive exemptions from paying one or more of four federal taxes, including goods and services, income, fringe benefits taxes. The 33 state entities do not receive these exemptions. Additionally, 119 of the ACNC registrants and 29 of the state entities are designated as deductible gift recipients (DGR) which means that donors can claim a tax deduction for donations made to these organisations (Australian Business Register 2018). Wealthy individuals and corporations that make significant philanthropic donations and bequests also use private or public ancillary funds (PAF), another tax advantaged structure, to make donations to DGRs (Knowles 2018; McLeod 2018, 15-19). It appears that the relationship between philanthropists and some social enterprises is facilitated and mediated through favourable federal government taxation arrangements.

This relationship will not be explored further in this paper, but its existence suggests the need for further research into the extent and nature of the interactions between charities/not-for-profit entities, social enterprise and government legislated taxation arrangements for several reasons. Philanthropists have indicated a growing preference to engage with social enterprises and have also increasingly insisted upon the development of robust measures that can be used to measure social impact. These are likely to be applied across the whole sector rather than just impact the relatively small number of large charities that currently receive the bulk of philanthropic funding (Knowles 2018). Philanthropists want to know if their donations are achieving the anticipated outcomes that are increasingly associated with their own priorities and socio-economic understandings (Knowles 2018, 7). Research into the outcomes achieved social enterprise reciprocally finds that “there is also a role for government and philanthropy to play in providing support for impact measurement” (Castellas et al. 2017, 36). The role of philanthropy in social enterprise has also been reported to be most influential in two areas. The first is impact investing and the other is in measuring the outcomes that result (Barraket et al. 2016, 10).

Conclusion

The nation-leading public policies and programs put in place by the state of Victoria have provided the setting for a case study into the extent of the involvement of social enterprises
in a newly created contestable market for the delivery of government-funded technical and vocational education and training. The research reported in this paper uses the local definition of social enterprise: not-for-profit trading entities that are mission-driven.

Cross-referencing large data sets published by market regulators produced empirical data on the extent of social enterprise activity in this singular standardised market and determined that social enterprises that trade in this market can be reliably identified. By examining the registration details supplied to the Australian Charities and Not-for-profits Commission and the scope of training of state government entities, 221 registered training organisations (out of an initial list of 1014 market providers) have been found to meet the definition of social enterprises that operate in the outsourced TVET market. By using the empirical data produced by the regulators that control various aspects of this very specific market, social enterprises can be identified in a consistent manner. Instead of commencing with the features of the entities and trying to develop a typology that works in multiple markets, this method commences with defining a specific market (the micro) and then looking for the individual characteristics of the traders in that market (the macro) to identify social enterprises.

It has also been found that rather than expanding the participation in the education and training industry, the creation of the TVET market coincided with a very significant shift in the mission and operations of many social enterprises. Prior to the introduction of the TVET market education and training was the major activity of almost 42 per cent of social enterprises and the most common area of trading. In the mature market, education and training is no longer reflected in the top five missions of social enterprises with more recent studies suggesting falls to well below 20 per cent of major industry activity.

The answer to the original research question of how did social enterprises respond to the new trading opportunity shows that the major response was choosing not to trade in this particular market at both the national and Victorian levels. While the causes of this change have not been investigated, the large increase of the TVET market share that was experienced by for-profit providers suggests that the very common mission of many social enterprises, to support particular groups of people that are disconnected from social and employment relationships, may have not been able to trade competitively within this market’s financial and contractual parameters. This is a very similar response to that found in the marketisation and privatisation of employment services in Australia, another area in which social enterprises had traditionally been active.

An increased interest on the part of philanthropists to deal with the social enterprise sector and the sector’s recognition that this will be accompanied by increased efforts to both identify and implement social impact measures provides another potential method of understanding the interaction between donors and recipients. The comparison of regulators’ data indicates the existence of special taxation arrangements for many social enterprise RTOs and these can be used to facilitate the receipt of funds from philanthropic sources. However, while the interaction of Australian tax policy, social enterprise and philanthropy might give another perspective on social enterprise, it was considered to be beyond the scope of this paper and merits a separate investigation.
Finally, it is recognised that the methodology used in this research does have at least one significant limitation. The reliance upon the regulatory data sets presumes the existence of a regulated market. In unregulated or lightly regulated markets the data required to use this method to identify social enterprises in a consistent manner simply may not exist. However, in the public-sector social enterprise type where governments are outsourcing the delivery of services there frequently are a variety of regulations, standards and reporting requirements that would support the style of analysis used in this paper.

References


