Beyond community service obligations: the institutional logics and public value of TAFE

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Introduction

In order to shift the existing marketised and privatised public policy setting for the delivery of VET in Australia, proponents will need to provide an alternative message rather than simply pointing out that ‘we don't like what the market has done’. This brief synopsis links an emerging theoretical literature on institutional logics (Thornton, Ocasio et al. 2013) with the economic concept of public value (Mazzucato and Ryan-Collins 2019) to provide a viable policy proposition for the government provision of VET. The major elements of the existing, bi-partisan commitment to a contestable training market and the impact on TAFE will first be described, followed by an introduction to institutional logics and their ability to conceive of TAFE as a hybrid organisation. Finally, the logics and hybridity of TAFE will be linked to the notion of public value in order to expose additional roles and benefits of public provision that are not visible to market-centric outcome/output measures.

Education and training markets

The wide-spread introduction of market-based provision of education and training has its genesis in a highly influential, but remarkably short, mid-20th century paper authored by the noted American economist, Milton Friedman (1955). His basic proposition was that education was not a valid area of government activity and that public ownership of educational institutions had resulted in “an indiscriminate extension of government responsibility” in countries that were philosophically aligned with free enterprise (Friedman 1955, p. 1).

In the intervening years, this particular questioning of public ownership and provision of education and training has been highly influential in determining government strategies and has developed into a consistent set of public policy propositions that have come to be known as GERM – the global education reform movement. This related set of dogmas includes:

- provider choice and competition
- for-profit providers of education and training
- efficiency combined with higher quality
- high-stakes external testing
- narrowing of curriculum and
- the use of under- or unqualified, and therefore cheaper, teachers (Adamson, Astrand et al. 2016, p. 3).

1 The views expressed in this paper and during the panel discussion are solely based on research conducted by the author and do not reflect positions that may be attributed to the Industry Skills Advisory Council NT, the Northern Territory Government, the Australian Industry and Skills Committee or the Australian Government.
In the specific case of Australia's TAFE systems, the Productivity Commission (2012, p. 41) believed that the provision of vocational education and training by "government-owned entities tends to result in inefficiency". Put simply, the Productivity Commission (2012, p. 42) did not accept an economic case for the very existence of TAFE:

In the case of VET, 'thin' markets present the potential for natural monopoly (a market failure). A relatively low level of demand may mean that it is not profitable for a provider to operate in a certain geographic or subject specific area. Public ownership is one option, as is subsidisation of the costs of provision.

In the case of 'thick' markets, public production is arguably not justified. Potential efficiency gains lie in an expansion of competition, provided the quality of outcomes is protected. As competitive and high-quality markets emerge over time there will be opportunity to wind back on government ownership of training providers.

The general proposition that “any model of public service delivery that incorporates market elements such as user choice and provider competition is likely to be superior to models that do not” (Le Grand 2007) was refined and put into action in the United Kingdom as part of the Blair Labour Government’s so-called Third Way; an economic approach to policy that reflects the positions advocated by the Australian Productivity Commission. Professor Julian Le Grand, an economic advisor to the Blair Government, described the view that also took root in the Antipodes; “the more general point that these kinds of ideas for empowering service users could be used to achieve centre-left ends as well as right-wing ones, and that they should not therefore be automatically assigned to any part of the political spectrum” (Le Grand 2007).

In response to the Harper Review (2015) of national competition policy which recommended increased user choice and marketisation of all human services, the Australian Government tasked the Productivity Commission to identify those that would most be most suitable for market reform. As a result of their formal inquiry into the delivery of human services in Australia, only six areas where identified as being amenable to increased competition and contestability (Productivity Commission 2017)\(^2\). None of these 'amenable' services was recommended for full privatisation as had been done for TAFE. Indeed, it seems possible that as a result of events in the VET sector that there have been lessons learned but not explicitly acknowledged. The following quotes are selected from the Productivity Commission's (2017) final report and recommendations for human services delivery:

> Competition and contestability are a means to this [user choice] end and should only be pursued when they improve the effectiveness of service provision (p. 2).

> Desirable though they [user choice, competition and contestability] may be, applying these principles has proven to be neither simple nor without cost (p. 3).

> Ensuring that everyone, regardless of their means or their circumstances, has access to a minimum level of high-quality human services promotes equity and

\(^2\) End of life care, social housing, family and community services, remote Indigenous community services, health care patient choice of provider and public dental services.
social cohesion, which in turn contributes to the welfare of the community as a whole (p. 3).

The Commission recognises that there are circumstances where user choice is not desirable (p. 5).

But competition and contestability should only be pursued where they improve outcomes for service users and the community (p. 6).

Markets left to their own devices would not deliver the appropriate level, or distribution, of human services in the community (p. 7).

Expanding too far, too fast is a significant risk, and has been identified as a contributing factor to problems in previous reform processes (p. 30).

This somewhat modified positioning of the Productivity Commission Chair’s views of the positives and negatives of marketisation and privatisation were briefly acknowledged by Michael Brennan (2019), who spoke earlier in this convention, in a speech to economists in Melbourne in July of this year when he stated, “I am still scarred by VET”.

After a quarter of a century’s commitment to the training market by both major political parties, and in spite of reconsideration of the impact of contestable markets for VET by the Productivity Commission, governments find it difficult to consider an alternative public policy position. For example, the Joyce Review proposes that a contestable market with both public and private providers continues as the mechanism to allocate public funding, to determine private fee levels, improve quality and increase the system’s responsiveness to industry (Joyce 2019).

The bi-partisan enthusiasm for the imposition of open and competitive market-driven behaviours as an integral characteristic of the national training system is demonstrated by the scale of public resources governments allocate to constructing and maintaining the VET market. In the 2017 Australian Government Budget almost $800 million was allocated to activities intended to influence market behaviours or support the infrastructure of the marketplace. This consists of the following high level allocations (Australian Government 2017):

- an 'estimated actual' resource allocation of $59 million for the Australian Skills Quality Authority and its average 197 staff for regulation (p. 192)
- $648 million for Skills Development in the form of employer incentives, student loans and apprenticeship support that stimulate and/or direct the market (pp. 62 and 66)
- an allocation of $91 million as ‘Support for the National Training System’ that includes operations of the Australian Industry and Skills Committee; Training.gov.au website for provider information; the My Skills website; and some data collection by the National Centre for Vocational Education Research that is used “to inform broader market activity” (pp. 65-66).

In Victoria, which has its own VET regulatory scheme, governments made grants in the 2015-16 financial year totalling some $13.4 million, mandated registration fees of about $1.8 million from providers and furnished rent free premises worth $542,000 to the regulator.
Each state and territory also employ large numbers of personnel to manage training contracts that are allocated on the basis of competition between providers, in other words, to support a training market that has been created by government policy and maintained through the allocation of quite substantial taxpayer funds. The total amount of public funds that is spent in creating and maintaining this government policy artifice could total as much as $2 billion per year. This is in addition to the $7.9 billion the federal, state and territory governments spend on training programs and the nearly $2 billion that comes from fees and ancillary trading by providers (National Centre for Vocational Education Research 2016). The current policy settings rely upon the concept of market failure to justify public ownership of TAFE institutions in order to meet community service obligations to those residents and communities that do not receive the benefits attributed to marketised provision.

**Institutional logics**

Friedland and Alford (1991, p. 232) provided the formative introduction to institutional logics as a means to analyse organisational behaviours and practices by proposing that:

> The central institutions of the contemporary capitalist west are potentially contradictory thus making multiple logics available to individuals and organisations who can transform the institutional relations of society by exploiting these contradictions.

They note that neoclassical economics operates with a means-end, subject-object dualism which gives rise to organisational theories that tend to isolate organisations from their institutional and societal context (Friedland and Alford 1991, pp. 233-235) and create a situation where "dominant institutional logics are imported in such a way as to become invisible assumptions" (p. 240). The special place given to the importance of community service obligations as a rationale for TAFE’s existence would be one such example of this type of importation. Friedland and Alford believe that adequate social theory must work at three levels of analysis:

1. individuals competing and negotiating
2. organisations in conflict and coordination and
3. institutions in contradiction and interdependency.

However, most neoclassical economic managerialists analyse the formation, operation and relationships between elite controlled bureaucratic structures in ways that produce a theoretical perspective that "has places it cannot see, territory it cannot map" (Friedland and Alford 1991, pp. 240-241).

Each of the most important institutional orders of contemporary Western societies has a central logic – a set of material practices and symbolic constructions – which constitutes its organising principles and which is available to organisations and individuals to elaborate within specified historical limits. The institutional logic of:

- capitalism is accumulation and commodification of human activity
- the state is rationalisation and regulation of human behaviour
• democracy is participation and popular control over human behaviour
• family is community and unconditional loyalty
• religion (or science) is truth and symbolic construction of reality (Friedland and Alford 1991, p. 248).

Individuals can manipulate symbols and practices and can become "artful in the mobilisation different institutional logics to serve their purposes" (Friedland and Alford 1991, p. 254). Examples of this type of manipulation has been demonstrated in the construction and operation of the national training system where we have seen proponents mobilise the logic of the market (Productivity Commission 2012), the logic of competencies (Harris, Guthrie et al. 1995), the logic of capabilities (Wheelahan and Moodie 2016) and the logic of social settlements (Wheelahan 2015) to name but a few of the competing logics that have influential advocates and promoters.

Spanish researchers found that there are three institutional logics that are most relevant to understanding how competing logics are managed in public-private partnerships:
• market – implies self-interest as the basic norm and learning through competition
• state – citizenship is the norm with strategies for the common good and learning through opinion polls and elections
• corporation – aims to increase size, norms to do with the employment relationship and learning through competition (Saz-Carranza and Longo 2012, p. 333).

Each of these institutional logics display "different rhythms, velocities, temporal perspectives and timeframes" that can hinder positive inter-partner interaction because "efficiency requires fast and straight forward decisions while the common good requires diverse stakeholders – which takes longer – to generate legitimacy" (Saz-Carranza and Longo 2012, pp. 339-340). In order to achieve the required level of collaboration to ensure success of the public-private enterprise the competing institutional logics can be managed by involving and communicating with stakeholders by creating mutual learning spaces; "the coexistence of competing logics seems the only viable option in a joint venture where the parties belong to different societal sectors" (Saz-Carranza and Longo 2012, p. 347).

Skelcher and Smith (2015, pp. 434-437) argue that hybridisation "arises from a process in which plural logics and thus actor identities are in play in an organisation, leading to a number of possible organisational outcomes". These plural institutional logics are supra- organisational and abstract but can be observed as institutional actors develop relationships by utilising, manipulating and re-interpreting them. The institutional logics approach can be used to identify five "theoretical non-profit hybrid types":
• segmented – functions oriented to different logics are compartmentalised within the organisation, e.g., different teams, faculties or departments
• segregated – functions oriented to different logics are compartmentalised into separate but associated organisations, e.g., separate specialist campuses or centres
• assimilated – the core logic adopts some of the practices and symbols of a new logic, e.g., a TAFE that gains legitimacy with funders by speaking the language of contestable markets, while retaining a strong educator’s approach to staff recruitment and dealing with students
• blended – synergistic incorporation of elements of existing logics into a new contextually specific logic, e.g., TAFEs that recruit international fee-paying students, operate fee-for-service subsidiaries or operate restaurants for profit
• blocked – organisational dysfunction arising from inability to resolve tensions between competing logics, e.g., TAFEs that have rapid renewal cycles of leadership and governance membership in response to budgetary, quality or reputational issues (Skelcher and Smith 2015, p. 440, Zoellner 2019).

It is suggested that "multiple [organisational] identities can be managed" in cases where "organisational identity comprises those characteristics of an organisation that its members believe are central, distinctive and enduring (emphasis in original) because "multiple identities need not be in competition" nor universally held by organisational members" (Pratt and Foreman 2000, pp. 20-21). The benefits that come from leaders actively managing the multiple institutional logics that underpin different organisational identities include having the "capacity to meet a wider range of expectations and demands than similar entities with only one identity" (Pratt and Foreman 2000, p. 22). This multiplicity is clearly one feature that distinguishes a TAFE institution from a small niche training provider or those that are frequently found in the enterprise training sector of the national training system.

Pratt and Foreman (2000, pp. 26-32) propose that there are four managerial responses that leaders can use to deal with multiple organisational identities, each with their own logic:

• compartmentalisation where all current identities are preserved and no synergies are sought among them, e.g., maintenance of faculty, department or school units
• deletion occurs when one or more identities is removed, e.g., reducing the scope of qualifications on offer or closing a delivery site
• integration by fusing multiple identities into a distinctive new whole, e.g., the creation of the dual sector universities in Victoria, the Northern Territory and Queensland and
• aggregation through retaining all institutional identities and forging links between them, e.g., creating pathways and articulation arrangements such as found in many VET in Schools programs or links between TAFE and Higher Education providers.

As a result of viewing TAFE and its place in the national training system in terms of the institutional logics analytic method, it is argued that the public provider is a hybrid organisation (Zoellner 2019). Kickert (2001, p. 135) describes that "the public sector is densely populated with hybrid organisations, that is, organisations that exist in the intersection of two distinct spheres – the public and the private". Kickert (2001, p. 136) believes that the impact of the retreat of the welfare state has led to many of the non-privatised public agencies being transformed into hybrid organisations; "These organisations are expected to function like a business: to be efficient, customer-driven and client-oriented; yet they perform tasks that are inherently public". Others have similarly described, "even government departments might be deemed to be hybrids where they exhibit the characteristics of Weberian bureaucracy and new managerialism" (Skelcher and Smith 2015, p. 443).

State and territory governments are faced by a dilemma of not wishing to relinquish control of vocational education and training provision while implementing national competition policy. It is clear that dualistic specification and representation of policy options is not producing the types of options that might better place TAFE in the contemporary political,
social and economic environment as a useful public policy response that can give effect to
government priorities. By re-conceptualising TAFE as being more akin to a hybrid social
enterprise that can successfully manage multiple institutional logics at the same time, novel
policy options can be considered that allows for TAFE to resume its position as a site of
aspiration for both individual learners and their prospective employers (Zoellner 2019). This
new narrative and perception could also allow for governments to acknowledge and make
use of the important role a stable hybrid institution can play in giving effect to socio-
economic policies and implementing change.

The introduction of institutional logic theory as a mechanism to analyse the contemporary
national training system provides TAFE with a new rationale and means to describe its
importance to our advanced market democracy. The nascent conceptualisation of TAFE as
a hybrid organisation allows the public provider to acknowledge and use its historically
diverse origins to demonstrate its strengths and capacities to policy-makers. State and
territory governments have not relinquished control over their training systems to the federal
government for a very important reason – vocational education and training is a very
ubiquitous policy and program solution that can be tailored to address almost every social
and economic problem that arises (Zoellner 2013). VET is too useful to hand over and is one
of the few things that the jurisdictions still have under their direct control. And each of them
has a massive investment in their public providers that can be made to be responsive to
local ministerial and cabinet direction in ways the market can never produce.

Applying institutional logics to TAFE

By understanding its now-theorised organisational hybridity as a result of successfully
engaging with multiple institutional logics, TAFE can embrace diversity to distinguish its
capabilities from most private providers who are sector specific and frequently so small as to
have limited capacity to tackle broader social and economic issues that require cross-
disciplinary thinking and responses. By understanding hybridity, TAFE can move past the
public versus private shibboleth by learning from the way in which social enterprises have
positioned their organisations. Due to the impact of competition policy which predates the
national training system, contestability for some portion of public expenditure is not going to
disappear. The question for TAFE is how does it find its space and demonstrate its impact in
the intersection of the state, market and community?

A hybrid TAFE can simultaneously make impacts that meet the needs of separate but
overlapping logics that prevail in the state (i.e., governments), markets (i.e.,
business/industry) and community (i.e. individuals/organisations). Again, there are lessons to
be learnt from the social enterprise movement. Social enterprises are using institutional
logics to define and measure their impact in ways that are becoming attractive to some
governments. These organisations use hybridity, instead of the public versus private or for-
profit versus not-for-profit dualisms, to both explain and measure their contribution to public
good, the business community and the overarching policy setting of contestability.

By articulating TAFE’s unique historical capacity that arises from being an organisation that
provides the intersection through which multiple institutional logics pass it becomes possible
to move beyond the limitations of the dualistic policy contests that have dogged the training
sector for so long. For example, it becomes possible to set aside the inability to find a
resolution to the ‘parity of esteem’ between VET and higher education discussion that frequently diverts attention from the strengths and capacity of the national training system to meet emerging skills requirements. Considering TAFE as a hybrid enterprise with a very different history and role and with a unique experience and capacity makes the entire dualistic comparison superfluous. Hybrid organisations respond to and accommodate competing logics. This different position for TAFE might be represented by:

Rather than looking backwards, the application of forward-looking cross-disciplinary analytics, TAFE could provide the leadership for a new quality agenda. This could be based on a Deming-style program of optimising the operation of the national training system by operating an oligopoly (Stanley 2017) rather than the innovation-stifling regulatory compliance associated the current zero-trust market and detailed specification. By exploring and understanding the various institutional logics that converge on TAFE, novel policy options can be developed that take advantage of organisational hybridity rather than relying upon the narrow economically simplistic rationale of community service obligations to justify the existence of the public provider. Considering TAFE as a hybrid enterprise that provides a transactional intersection justifies the organisational stability sought by some who have referred to TAFEs as ‘anchor institutions’. In addition, such a hybrid organisation can be responsive to government priorities and community expectations when the existence of multiple institutional logics is recognised and directly addressed. In addition, the outcomes and impacts of TAFE can be measured and described in ways that meet this multiplicity of logics rather than using reductionist economic measures that are blind to entire areas of
social and community benefits that radiate out of a local TAFE. The point of difference and the value proposition is the hybrid TAFE’s capacity to successfully manage multiple institutional logics.

Public value

Mazzucato and Ryan-Collins (2019) describe that “the concept of market failure emerged out of neoclassical welfare economics as an abstract theoretical concept rather than a framework for guiding policy”. However, it has been employed by public policy-makers as a justification for public policy intervention in a range of areas and “in doing so relegated the role of the public sector to one of market fixing” (p.1).

This tendency has limited the theoretical development of the concept of public value and perhaps helps explain why it has not become a more powerful policy framework outside the confines of public administration and the ‘third way’ politics of the early 2000s. We argue public value theory must go beyond the market failure policy narrative towards one that is founded on a collective understanding of value creation where markets are viewed as co-created by the public and private sectors, not only created by one and fixed by the other (Mazzucato and Ryan-Collins 2019).

“The term public value does not exist in economics” (Mazzucato and Ryan-Collins 2019). In addition, market failure is only a necessary but not sufficient condition for government interventions into markets. “This sufficiency results from an assessment that the gains from intervention outweigh the associated costs due to government failures” (Mazzucato and Ryan-Collins 2019). The recognition of public value emerged in the context of public administration in the mid-1990s came about in response to perceived weaknesses of public choice theory and New Public Management in guiding public policy development (p. 3).

In contrast to private sector processes, strategic management in the public sector has a longer-term focus, attends to larger issues with significant impacts on performance rather than incremental issues that affect productivity, and concentrates on ends rather than means (pp. 4–5). In order to produce value, public officials must consider the entire “value chain” that leads to the intended aim of the activity rather than New Public Management approaches that only focus on one part of the value chain, almost exclusively on inputs such as staff costs (p. 5). Public value provides a mechanism to manage the trade-offs between efficiency and democracy thus allowing public institutions to envisage the public not as customers, rather as citizens in a democratic society (p. 6).

Polanyi (2001) proposed in the mid-1950s that markets were not the natural order, rather “the road to free markets was opened and kept open by an enormous increase in continuous, centrally organised and controlled interventionism [by the state]”. Following this line of reasoning, Mazzucato and Ryan-Collins (2019) reject the notion of market failure and its supposition of community service obligations. Public value is created by having the public sector set the direction and public purpose in ways that enable private and public actors to co-design, collaborate and innovate to solve societal problems. Because the institutional logic of TAFE has created a hybrid organisation, it is uniquely placed to move beyond the negative market-fixing role to a positive market-shaping and market-creating role that is
produced by the interactions between public and private actors (Mazzucato and Ryan-Collins 2019). The place of the public provider of VET is justified because it creates mission-driven public value. In summary it is proposed that “all markets and institutions are co-created by public, private and third sectors. [The] role of government is to ensure markets support public purpose by involving users in the co-creation of policy” (Mazzucato and Ryan-Collins 2019).

**Conclusion**

It is becoming increasingly apparent that the Global Education Reform Movement’s marketised and privatised approaches are not improving educational outcomes. Arguably, GERM is making things worse in a wide variety of nations, including Australia (Thomson 2016, Halsey 2018, Bonnor 2019). The total domination of a singular and rather naïve belief (Brennan 2019) in the ability of markets to solve a range of social and economic problems in general, and VET in particular, has crowded out the consideration of alternative ways of thinking about how we can optimise the delivery of vocational education and training.

The emerging alternatives that are emanating from studies of institutional logics and public value can be used to take the development policy beyond the dualistic public versus private stalemate that currently characterises Australia’s national training system. TAFE has its own institutional logic which brings certain benefits with it. It rests upon the historic Australian preference for public ownership and funding of certain functions and the rights of residents to have universal access to these (Butlin, Barnard et al. 1982). The logic of TAFE is built upon its ability to be the major institutional component of a national training system that operates on the principle of universal access. Because of this universality, TAFE can simultaneously handle the logics of many other organisations and persons by mediating their differences in ways that increase the total amount of skills and knowledge available to Australian society.

The hybrid nature of TAFE makes it an ideal institutional that can be used by public policy-makers to co-create public value. The Queensland Audit Office (2019) believes that VET can create value for students, employers and the community when TAFE Queensland “uses its resources to create value that contributes to society”. While not explicitly mentioning the institutional logics that are found in hybrid TAFE institutions, this intrinsic characteristic is accurately articulated when the recent audit report describes that “public value from VET investment is complex, due to its multiple relevant dimensions, including economic growth, social equity, sustainability and multiple stakeholders who derive benefits” (Queensland Audit Office 2019). The TAFE envisaged for Queensland creates public value by doing so much more than merely fixing market failure.

The institutional logic of TAFE is constructed upon a system’s approach to the optimisation of an inclusive public investment in education and training designed to meet the needs of individual learners, employers and society through giving Australians the skills required to participate in the workforce to the best of their ability. Keep (2016, p. 41) proposes that;

Most major strategic decisions no longer rest with [VET] management in institutions but are rather delivered by the ‘invisible hand’ of market forces. In much the same way, if markets are the dominant model then market forces and student choice become the primary ‘governance’ mechanism. By contrast, a systems approach demands very different skills and capabilities.
The institutional logics that permeate TAFE and make it a hybrid organisation allow it to create public value by co-designing and co-creating a different type of market system where public and private providers can interact and operate in the parts of the VET market for which they are best suited, rather than the existing binary winner-takes-all approach. The training system’s delivery and outcomes can be optimised, and greater public value can be created through collaboration and innovation in an environment where the public sector sets a direction and public purpose.

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