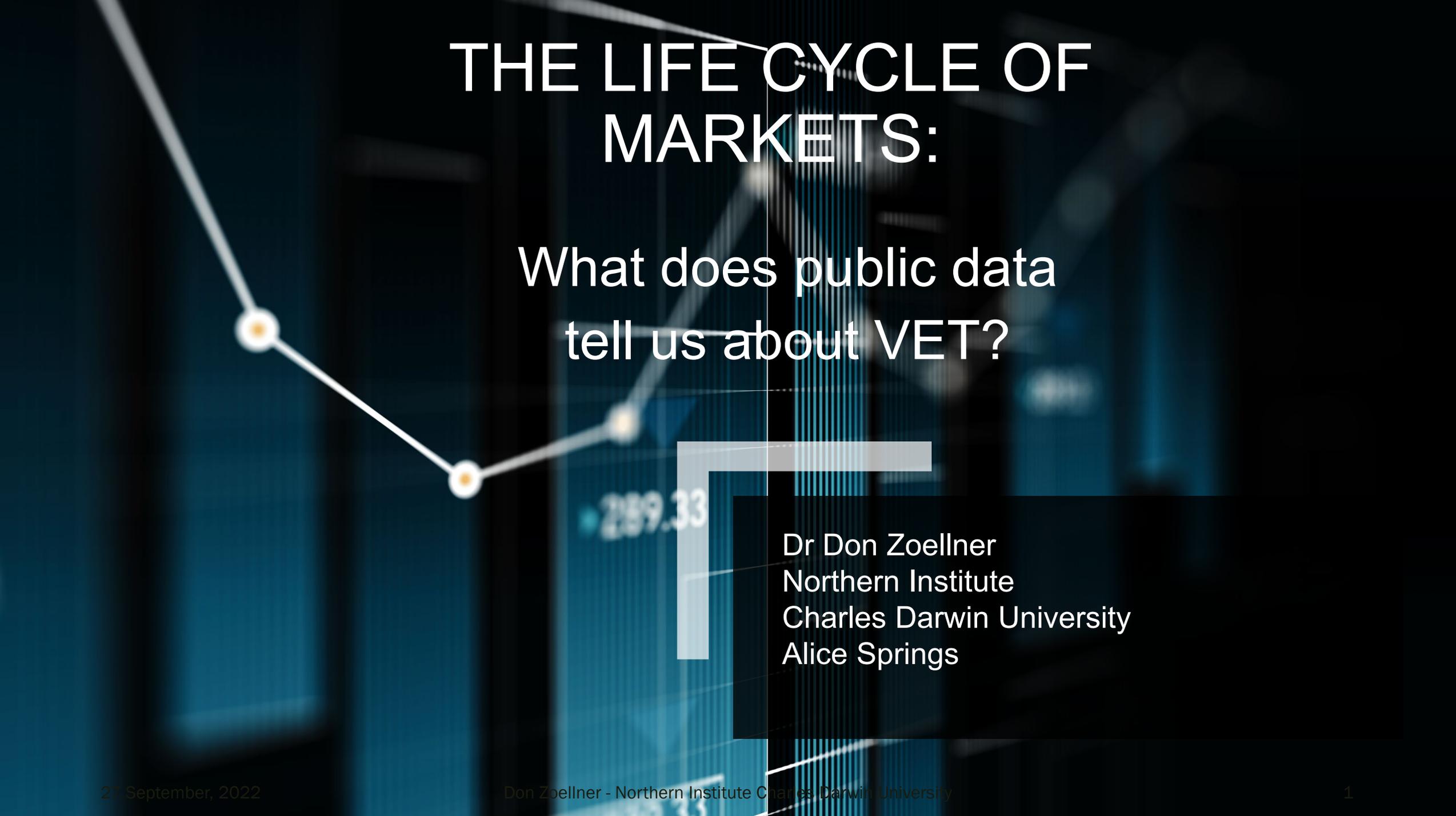


THE LIFE CYCLE OF MARKETS:

What does public data
tell us about VET?



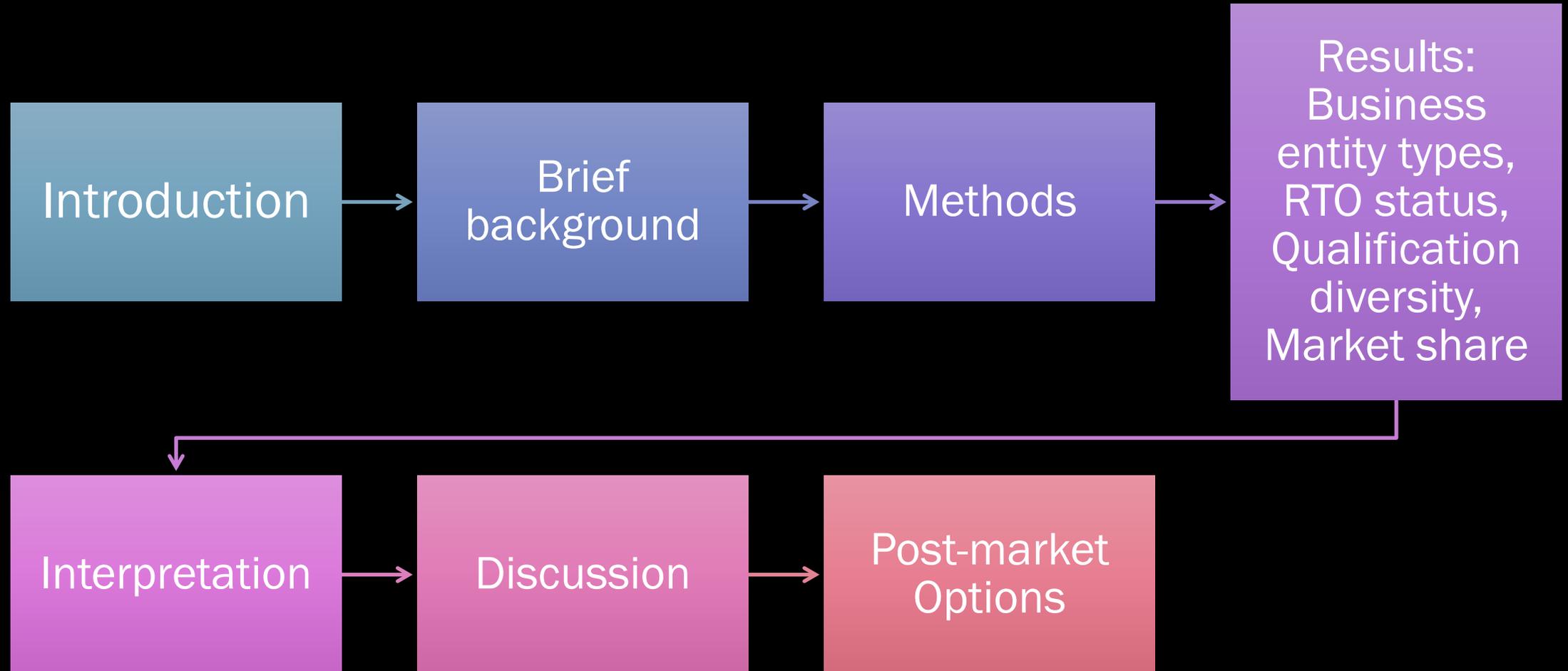
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The usual disclaimers

The views expressed in this presentation are purely personal, based on my own research

- Not the Australian Industry Skills Committee
- Not the Industry Skills Advisory Council NT
- Not Charles Darwin University
- Not the National VET Regulator Advisory Council
- Not the Australian or NT Governments

Presentation Outline



The working hypothesis

VET markets are not an aspiration that are yet to be achieved

The introduction of VET markets exemplifies successful policy implementation

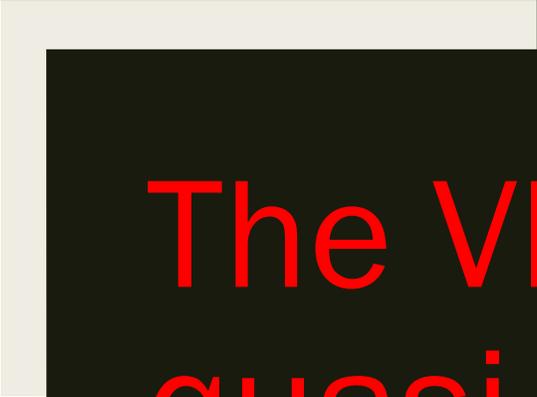
Just because one disagrees with the policy does not mean that it was unsuccessfully implemented

Indeed, the VET quasi-markets have followed a predictable life cycle and are mature

Providers require new thinking about how to deal with either market revival or post-maturity options and move beyond the 30-year-old rhetoric of markets as aspirations

Competitive markets are only one option from economic theories

Now that the VET quasi-markets are in the decline phase it might be better to look at other options such as system optimisation and/or public value management



The VET quasi- market design features

- **Choice**: provider, location, courses/qualifications, market share and funding – the key rationale
- **Competition**: innovation, increased quality and efficient pricing
- Many providers
- **New Public Management**: more efficient, contract away responsibility for failure
- **Heavily regulated**: both RTOs and formal training products
- National Consistency and 30 years' of bipartisan support

Three related research questions



what have been the realised benefits of VET marketisation?



is the market still achieving the original policy intention?



has time taken a toll resulting in counter-productive outcomes?

Corporate Market Life Cycle

Birth: owner/leader dominated providers leading product innovation

Growth: larger/departmentalised expansion, formalised provider organisations

Maturity: stability and efficiency are goals, fewer innovations, more bureaucratic

Revival (maybe): product and market diversification, more innovation, formal controls

Decline: funding decreases and product lines become antiquated

The five smallest VET markets

Northern Territory

Australian Capital Territory

Tasmania

South Australia

Western Australia

20% of the national population, 19% of providers, easily compared to determine national consistency

Provider diversity, regional subtleties, legislative and regulatory changes more apparent compared to the three large markets

Method and Data Sources

National VET Register reflecting the three regulators of RTOs: ASQA, WA and Victoria

Australian Business Numbers – some indication of how long operating (ASIC)

Australian Securities and Investments Commission – for-profit business regulator

Australian Charities and Not-for-profits Commission – not-for-profit regulator

Used Government-funded and Total VET Activity Reports: **market share** and **training products**

Used these non-traditional VET data sources to determine the provider structure of the VET market in each jurisdiction

Market diversity determined for business **entity type**; **regulator** and **initial RTO registration** year; **initial active ABN** year

Business Entity Types

From ASIC and ABNs

Eight entity types from most to least:

Private companies

Other incorporated entities

Government entities

Public companies

Discretionary trading trusts

Family partnerships

Fixed unit trusts

Sole traders

Characteristics

- Similar % in all 5 markets
- Not all active in each market
- Private companies just over 50% in the 5 combined markets
- 75% are for-profit entities in the 5 combined markets
- Not-for-profits range from 21% in WA to 40% in the NT
- For-profits range from 80% in SA to 60% in the NT

Table one: RTO registration/regulation summary for each jurisdiction

Jurisdiction	Current RTOs	ACNC regulated	ASIC regulated	Government entities	RTOs registered >1992
WA	388	51 (13%)	305 (79%)	32 (8%)	783
SA	176	25 (14%)	140 (80%)	11 (6%)	360
ACT	90	20 (22%)	60 (67%)	10 (11%)	165
TAS	57	11 (19%)	41 (72%)	5 (9%)	134
NT	47	14 (29%)	28 (60%)	5 (11%)	83
Total	758	121 (16%)	574 (76%)	63 (8%)	1525



Table two: initial registration year as a Registered Training Organisation

Jurisdiction	RTO<=/=2004	RTO 2005-09	RTO 2010-14	RTO 2015-21
WA	140 (36%)	94 (24%)	74 (19%)	81 (21%)
SA	80 (46%)	41 (23%)	30 (17%)	25 (14%)
ACT	36 (42%)	24 (27%)	12 (13%)	16 (18%)
TAS	24 (42%)	12 (21%)	9 (16%)	12 (21%)
NT	24 (51%)	11 (23%)	5 (11%)	7 (15%)
Total	304 (40%)	181 (24%)	140 (18%)	141 (18%)



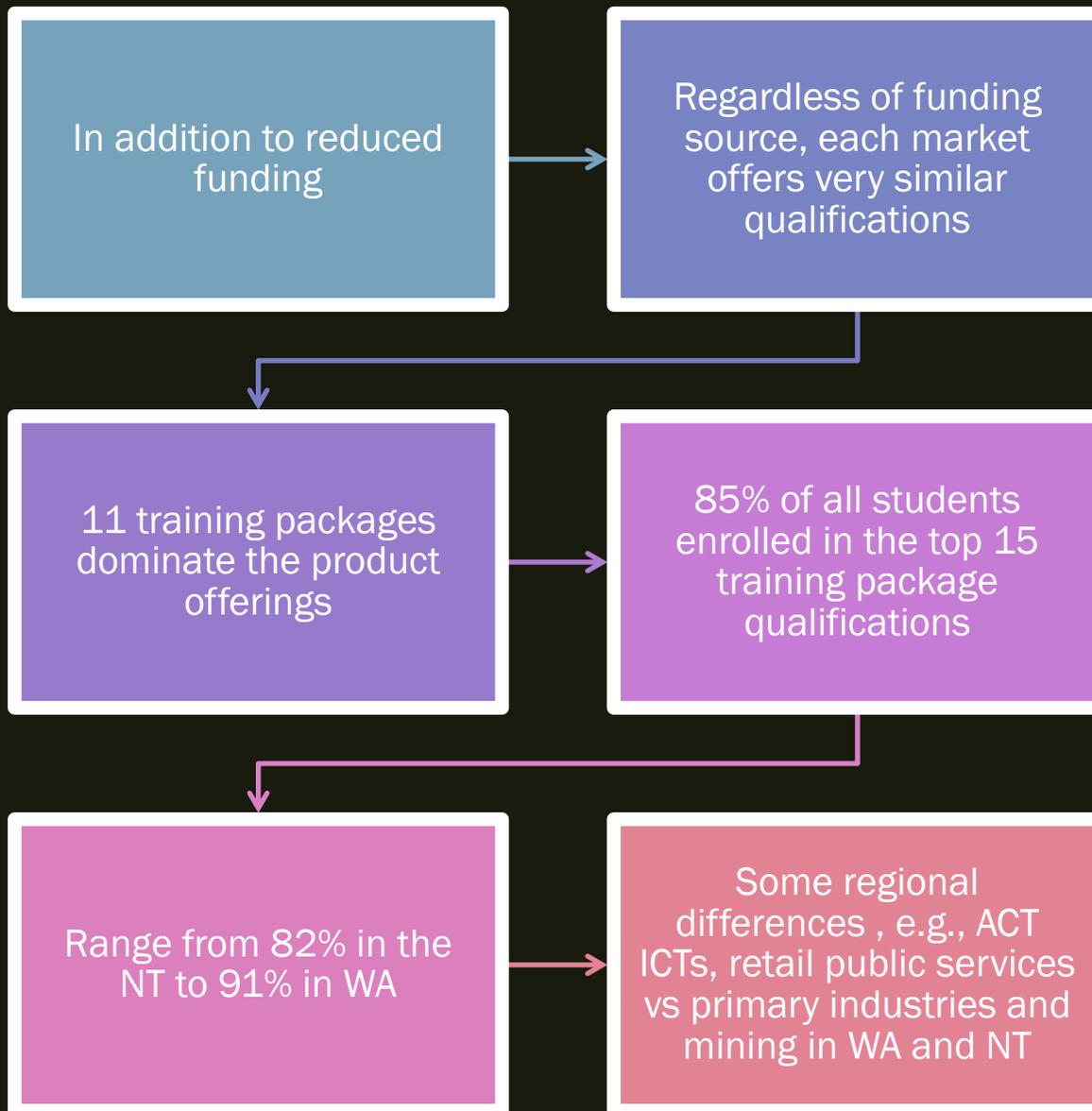
Jurisdiction	ABN</=2004	ABN 2005-09	ABN 2010-14	ABN 2015-21
WA	160 (41%)	81 (21%)	92 (24%)	55 (14%)
SA	98 (57%)	38 (21%)	17 (10%)	23 (12%)
ACT	52 (58%)	15 (17%)	11 (12%)	12 (13%)
TAS	34 (60%)	4 (7%)	12 (21%)	7 (12%)
NT	28 (60%)	7 (15%)	9 (19%)	3 (6%)
Total	372 (49%)	145 (19%)	141 (19%)	100 (13%)

Table three: initial registration year for an Australian Business Number for current RTOs



Provider Type	TAFE	CEPs	OPs	Market Size
WA	69%	~1%	30%	-27%
SA	60%	3%	37%	-44%
ACT	63%	0%	37%	-30%
TAS	51%	0%	49%	-30%
NT	63%	0%	37%	-29%
Average	61.2%	0.8%	38%	-32%

Table four: per cent market share in 2020 and reduction of government-funded market participants



Product lines become antiquated in declining markets, lack of innovation

Interpretation

- National VET policy has mostly been achieved as the 5 markets closely resemble each other as verified by large data sets.
- Open markets achieved, 50% of RTOS have left and new for-profit RTO are entering.
- Large numbers of RTOs have traded continuously, particularly not-for-profits
- Indicators of a market in decline (>regulation, <students, <funding, <choice) render business cases for not-for-profit RTOs marginal or unviable.
- Mature markets also are where efficiency substitutes for innovation and strong financial discipline is required. For-profits specialising in those qualifications with high margins tend to dominate.

Discussion

Not joining the argument over market vs non-market delivery of VET.

Rather demonstrating by using large data sets (some unconventional) that the bipartisan public policy intention was successfully implemented.

The goal to increase choice of providers was achieved in the complex political and bureaucratic federation.

However, it is argued that these markets have matured (30 years!) and are now in the decline phase of the market life cycle.

The diversity of providers and qualifications is diminishing, the outcome is a reduction of choice – opposite to the original policy intention.

Describing markets as a yet to be achieved aspiration ignores the data and the structure of the VET markets now in decline.

Post-market option – System Optimisation

Repetitious application of marketisation has blocked consideration of more promising reforms to public service delivery.

System **optimisation**, because competition rarely produces optimal results.

Competition increases contestation rather than best outcome for consumers and society.

Integrate competition (innovation) and cooperation (e.g., expensive facilities) – oligopolies rather than monopolies.

Minimises waste (regulation), inefficiencies (marketing) and duplication (IT systems) - ~ 4,000 providers.

Triangular cooperative relationship between government, industry and competitors

Post-market option – Public Value Management

Governments serve communities by creating public value.

Accepts diversity and rejects market-nonmarket dualisms.

Also rejects concept of market failure requiring community service obligations

Public value is created by the public sector setting the direction/public purpose.

Enables private and public actors to co-design, collaborate and innovate to resolve social and economic problems.

Could be used to shift the VET market life cycle back to the revival phase through product diversification, high levels of innovation and increased formal coordination mechanisms.

Finally!

Thank you for your attendance

The published paper is available from me by
email at

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or online

<https://rdcu.be/cM3rL>