



Victorian Independent Remuneration Tribunal

Tribunal Secretariat

By Email: enquiries@remunerationtribunal.vic.gov.au

Matters being considered by the Tribunal in the making of its Determination of remuneration bands for executives employed in prescribed public entities – Bendigo Kangan Institute (BKI) Submission

The Tribunal has requested BKI to comment upon existing remuneration settings and any impediments these have imposed in the attraction and retention of quality CEOs and Executives.

BKI is one of 12 stand-alone TAFEs in Victoria. There are five larger metropolitan based TAFEs and seven smaller specialist or regional TAFEs. The Government's current two-band system for TAFE CEOs has no doubt been designed to recognise these size differences. TAFEs in Victoria have a dual economic role (work skills development) and a social role (providing state-wide training services and providing special services to disadvantaged and second chance students) unlike most private registered training organisations (RTOs).

TAFEs are required to respond to Government policies and priorities and face rigorous compliance regimes required from both Federal and State regulators. TAFEs are expected to operate in a competitive training market yet to be collaborative as a TAFE Network. TAFEs are required to be financially sustainable in a market place where there is declining demand for training while cost drivers (especially labour costs) are increasing significantly year-on-year.

The Bendigo Kangan Institute (BKI) is a blended metropolitan and regional TAFE that was established in 2014 as a result of a merger of the Kangan Institute and Bendigo TAFE. It maintains a network of ten campuses stretching from Richmond to Echuca. It is responsible for three Centres of Excellence (centres which demonstrate best practice industry led training provision) specialising in automotive, food & fibre and health & community services training. It is a key provider for training across the prison system. It provides training in over 350 training courses to over 40,000 students annually. It hosts local, interstate and international students. Annual revenue is in excess of \$160m. In addition to its TAFE function, BKI also operates two separate businesses – VETASSESS - a major skills assessment entity servicing national and international markets with an annual revenue of over \$30m; and eWorks – a developer of on line courses for TAFEs and RTOs with an annual revenue of \$3m.

BKI employs over 1100 staff with nearly half the employees being teachers and the remaining support staff are spread over of a range of corporate and support services. BKI is governed by a ten person Board responsible to ensure the Institute operates effectively and efficiently and in compliance with Government policies and regulatory requirements.

As a public sector entity, BKI is required to comply with all relevant legislation, Government policies, Ministerial Directions and Guidelines. The Department of Education and Training (DET) and Industrial Relations Victoria oversee industrial EBA negotiations. BKI works with two major unions in the negotiation and oversight of EBAs.

BENDIGO KANGAN INSTITUTE

ABN No. 74 802 942 886 | RTO No. 3077 | CRICOS Provider No. 01218G

BKI to be successful maintains effective stakeholder relations with individual employers, industry and community groups, government and DET, students and student groups, unions and a myriad of other specialist organisations and service providers.

It is within this setting that BKI has sought to operate. Over the past ten years there have been six CEOs of BKI and the Institute has seen a high turnover of over 25 of its Executive Team. While there has been a degree of 'poaching' of senior staff between TAFEs, increasingly more appointments are now being derived from outside the TAFE Network. It is also worth noting that comparable TAFE roles in dual sector universities are remunerated at a higher level than TAFE sector equivalents.

In 2019 the BKI Board undertook a wide executive search for the appointment of a new CEO. The upper limit of \$348,000 for Band 1 TAFE CEOs was seen by a number of prospective candidates as an unacceptable remuneration either in comparison to their current remuneration or to the job requirements of the BKI CEO. Several deputy TAFE CEOs applied for the position but were not seen as having the depth and breadth of skills required to achieve the Board's strategic plans and goals for BKI. Recently appointed executives report taking a pay decrease to join BKI.

The Tribunal has requested that BKI identify relevant factors and comparators in determining the remuneration bands.

BKI would contend therefore that the existing TAFE remuneration settings and associated public sector EO directions and guidelines have impacted upon our ability to retain existing executive leaders and to attract candidates from within the wider public sector or from external markets. The Board's preference is to first source suitable candidates from within the TAFE/VET sector and/or the Victorian Public Sector given they would have relevant experience, understanding of government relations, stakeholder management and cultural alignment.

BKI has not experienced any real movement between public sector entity types (e.g from health services or water entities) into the TAFE system. Remuneration of regional local government CEO's is invariably at a higher level to TAFE CEO's which has seen several TAFE CEO's move across to local government authorities.

The 80% remuneration rule for EO's reporting directly to the CEO has created extra tensions especially when seeking to appoint important technical and specialist senior staff such as a CFO or CIO.

The Tribunal has requested commentary on the sourcing of the executive workforce (external and internal markets), length of service and separation rates.

BKI at present has an eleven person Executive Team but has experienced a high turnover over the past five years for a range of reasons but a key driver has been the offer of a more attractive remuneration package from another TAFE.

Similarly, BKI has appointed a number of senior personnel who occupied senior positions in other TAFEs. The last three COO positions have been filled from outside the sector. Similarly, our Chief Commercial Officer position has been filled on three successive occasions from outside the sector over the past five years.

During 2019 nine members of the Executive Team departed BKI (five were interim appointments) and eight new members commenced (two in acting roles).

The average tenure of EOs on a five-year contract who have departed BKI in recent years is around 20-24 months. Reasons for departure ranged from the job offered not matching the actual perceived requirements of the position, less than adequate induction and onboarding, lack of a clear strategic direction, high turnover of fellow EOs and remuneration being less than adequate and not matched to the high workloads expected of the position. So while not all the EO turnover can be ascribed to remuneration, it was a significant factor for a number of exiting EOs.

Trying to attract staff that have commercial acumen, a proven ability to drive and achieve financially viable business operations, able to deal with the nuances of the public sector and TAFE environments, and be able to be competitive at a state, federal and international level is difficult. Sourcing senior and specialist staff from external markets is a challenge given the inability to offer market competitive remuneration.

The Tribunal also invites BKI to identify any additional considerations that should be taken into account in issuing any guidelines with respect to the placement of executives within bands.

BKI has in the past advertised EO positions at a single salary point so have not had the benefit of being able to move an EO within a pay band. The proposed new VPSC EO Classification Framework with its band structure is seen as offering this important management option to address minor work value changes in an EO position. BKI would support the general principle that a new EO appointee be placed at the lower end of the band unless they are an experienced operator and/or their current TRP is at a higher level in the band and thus the band provides BKI the option to negotiate a starting TRP preferably not above the mid-point of the band. Should EO position requirements alter during the term of an EOs contract then following an evaluation capacity should be available to the CEO (excepting where it is the CEOs position) to move an EO in the band. The availability of a band structure also provides the capacity to respond to EO's who grow in the job and take on greater responsibilities and perform at higher level.

Yours faithfully



Peter Harmsworth, AO
Board Chair
Bendigo Kangan Institute

