Minerals Council of Australia
Minerals Week Seminar ‘Positioning Australia in a Supercycle of Change’

Keynote Address

“GOVERNMENT POLICY PERSPECTIVES ON VOCATIONAL TRAINING AND EDUCATION”

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CHECK AGAINST DELIVERY
E&OE...
A successful company does two things; it pays a healthy dividend to its shareholders, and it takes from the profits and invests in the future. An unsuccessful business pays little or no dividends because they don’t have the profits to distribute and they borrow to keep the company afloat.

In 1996 the Howard Government took over an unsuccessful business with little or no dividends being paid, and a $96 billion government debt requiring yearly interest payments of $8.5 billion. Yet, today we are paying Australians healthy dividends and investing heavily in the future.

Just as the creation of a highly successful mining company doesn’t come easily, so too the key measures that have enabled the economy to be in such strong shape – the tough fiscal measures to pay off that $96 billion debt, the budget reforms, the waterfront reforms, the tax reform, the workplace relations reforms, the superannuation reforms, the Future Fund, independent contractor legislation, the temporary skilled migrant program, the sale of Telstra, Welfare-to-Work programs – all of these reforms have been very hard fought.

As with a business, the economy doesn’t run on autopilot. It takes hard work, vision and persistence.

This may sound like quite a political beginning to my comments today. It is, because it’s an election year and the stakes are very high for Australia. Informed decisions need to be made.

For our political opponents to pretend that we are as one on economic matters is a hoax after they have spent the last 11 years opposing, root and branch, every single one of those reforms I have just mentioned, reforms which have helped shape the great resilience of our economy.

Reforms which have enabled the Howard Government to increase annual spending on vocational and further education by 99% in real terms over the last 11 years; an ability to invest in the future.

Yet, the case for ongoing reform is as strong as ever because of the 21st Century phenomena of a rapidly ageing population, the huge challenges posed by the
unexpectedly profound emergence of China and India, the threat of global terrorism and the major issue of climate change.

When combined with over a decade of uninterrupted economic growth, severe labour and skills shortages are one consequence of this changing world.

There is no silver bullet. The response requires action on many policy fronts. It requires hard work and vision, and a far more flexible approach to work and to further education.

To meet these labour and skill challenges, the Government has been working on four broad fronts:

- first, we need to get anyone who can work into work, and encourage those who are in the workforce to stay in work;
- second, we need to re-open the ‘old-style’, dedicated technical schools, to provide choice, specialisation and self esteem to those born with strong technical, vocational or creative skills;
- third, we need to ensure that those who start an apprenticeship stay the distance and don’t drop out, and
- finally, and critically, with existing members of the workforce we need to build a culture that encourages training, re-training or topping up of skills. This must also include many of the 3.4 million in our workforce who didn’t finish school and have no technical or vocational training, and the grey market.

I know that you share my view of this need for a comprehensive approach.

I’m familiar with the work you commissioned, with the WA Chamber of Minerals and Energy, to address barriers to the employment and training of traditional trade apprentices in the mining industry.

Your work on increasing the skills of your existing workers, topping up the wages of apprentices and trainees and fast-tracking apprenticeships provides a great model for other industries.
I would like to explore a number of ways that I think we could work more closely together to address these needs.

The first response to the labour shortage that I outlined previously was to get everyone who can work into work.

On Monday I launched a report on “Indigenous Employment in the Australian Minerals Industry”. It was funded by Rio Tinto and had the involvement of several other major mining companies.

The report contained many examples of companies successes, particularly over the last decade, in employing members of the indigenous community. This is an important contribution to addressing your labour shortages, and it also provides many indigenous people with a critical career start in the mining industry.

Across our economy we have many significant pockets of underutilised labour which must be tapped.

The second response was the need to build, or re-open, centrally located technical schools in our cities and regions; technical schools which offer a comprehensive and specialised range of trade and vocational courses at Year 11 and 12 levels.

These colleges are in response to the greatest mistake we’ve made in education in Australia over the last 20 to 30 years – that was to close dedicated technical schools, and replace them with one-size-fits-all secondary colleges.

These old style, dedicated technical schools are designed to properly prepare young people who are suited to a career in the trades or vocational areas. When students in these technical schools finish Year 12 they will be one-third of the way through an apprenticeship, they will have their Year 12 certificate, they will have worked on state-of-the-art equipment and had two years of real experience in the workplace, while earning as they learn.

Very importantly, these Australian Technical Colleges have restored the links with industry in the direction of technical education in secondary schooling, and restored pride and prestige to technical training.
I am very appreciative of the support from the mining industry for our Australian Technical Colleges proposals and in particular the efforts of many of the major mining companies in managing the Pilbara Technical College and supporting the colleges in North Queensland, Gladstone, the Hunter, the Illawarra and Spencer Gulf.

The third measure is one that the mining industry is well aware of and that is the importance of ensuring that young people who start an apprenticeship “stay the distance”.

We now have 404,000 apprentices in training compared with 154,000 when the Coalition took office. But, on average, 42 per cent of those who start apprenticeships drop out, and 38 per cent of that 42 per cent drop out in the first two years.

The first and second year of apprenticeships can be particularly difficult. It was for this reason that in the 2007/08 Budget we introduced the “Wage Top” measure for apprentices in skills shortage areas - a $1,000 untaxed wage top-up in each of their first two years for those under 30, with a $500 fee voucher each year. That is a total of $3,000 to encourage many of these young apprentices stay the distance and fulfil their talents. On top of that we provide a $4,000 employer incentive, a $13,000 wage subsidy for mature age apprentices, a $1,000 trade scholarship, an $800 tool kit and a $1,000 regional incentive. This is a very significant program aimed at encouraging apprentices to see their training through.

The fourth front in the Federal Government’s efforts to address the labour and skills shortage is to train and re-train those who are already in the workforce.

Too many adults don’t have the school qualifications or the skills training for effective participation in the modern workplace.

And we have millions of other workers who are trained, but from time to time must now seek further training to stay ahead of the technology demands of today’s workplace. It is why the Australian Government last year committed $837 million to boosting skills and qualification levels among both older Australians and those in mid-career with a package that included Work Skills Vouchers which allow an individual to access up to $3,000 worth of training.
Such has been the popularity and success of this scheme that in less than five months we have issued over 14,000 vouchers, with 640 training providers providing 6,200 courses, including distance learning.

Yesterday, the Prime Minister announced that the number of vouchers would be uncapped for the rest of this financial year – and I encourage you to promote this program to your staff.

As the Howard Government is serious about training for every stage at every age, we know we must also be serious about how we deliver this training.

I know that the report prepared for the Minerals Industry National Skills Shortage Strategy include recommendations to explore strategies for more flexible training delivery. I share this concern; as do many others.

To meet the needs of the workforce and industry of tomorrow, training must be available in the workplace, in the home, on-line, at night, tailored to the specific needs of a large or small business, and constitute a ‘building blocks’ approach to recognised training.

It is why there is a growing focus on the ageing infrastructure, “four walls” mindset and hand-cuffed governance of many TAFEs around Australia.

The TAFE sector represents one of the greatest opportunities for microeconomic reform in Australia.

The nation’s 74 TAFE colleges, across 1,386 locations, teach more than three quarters of all vocational and technical students. The leading TAFEs are typically $100 million businesses, with a client base totalling more than 1.4 million individuals, and industry sectors relying critically on their performance.

We need to breathe life into the TAFE system. They need to be given the opportunity to be fully responsive to the users of the system – employers and students alike.

To achieve this, TAFE colleges need a measure of autonomy at least equal to that which universities enjoy. Yet many are still subjected to constraints which are from another time.
States could deliver this reform tomorrow – with the stroke of the pen if they were so minded.

Under the 4 year compact agreed with the Australian Government in 2005 (Skilling Australia's Workforce Agreement the States and Territories), the States agreed to pursue greater flexibility for TAFE institutions and a capacity to respond to local industry and community needs; more flexible employment arrangements; stronger leadership and autonomy for TAFE directors; fair and transparent performance management schemes; the ability to generate and retain revenue; the capacity to develop entrepreneurial and commercially orientated business plans; and third party access to TAFE infrastructure, in short the autonomy of TAFEs by the end of this Agreement in 2008.

Although much has been done there is still much that is outstanding and I believe progress in some important respects has been too slow and indeed in some cases the reform process has stalled altogether.

At the three quarter mark of our Agreement it is timely to assess this progress bearing in mind various independent reports.

By way of illustration:

The Victorian TAFE structure is the most devolved of the State Systems with major autonomy granted by the Kennett Government in the 90s. In turn, the Victorian TAFE sector has outperformed those in other States.

Employer satisfaction with Victorian apprentices and training delivery exceeds the national average, with 84% of employers satisfied with their apprentices and 86% satisfied with the quality of training provided by Victorian providers. Last year, Victorian TAFEs generated nearly half (47.2%) of the total national income from onshore VET course delivery to international students. Victorian providers generated $193 million in 2006, which is more than double the amount generated by the next highest earner, New South Wales.

Consistent with this devolution, TAFE Boards were given broad powers including in relation to the setting of employment conditions.
Yet now the Victorian Government wants to turn back the clock and reduce the autonomy of TAFE Boards to set employment conditions of staff and increase the centralisation of power.

The Victorian Government has imposed a Multi-Enterprise Certified Agreement on all State owned VET institutions, including dual sector Victorian Universities and all Victorian TAFE colleges. Consider the case of the four dual sector institutions. Rather than being able to exercise institution based employment agreements for all their staff, they are forced to maintain a differentiation between their TAFE staff and University staff, with TAFE staff fettered by the AEU controlled Certified Agreement.

This seriously undermines the Victorian Government claims to operate a devolved system.

Last year in *New South Wales* the Independent Pricing and Regulatory Tribunal (IPART) report to the NSW Government supported VET as a key element in a whole of government strategy designed to increase the supply of skilled labour, improve labour market outcomes, and, ultimately, raise economic growth. The report recommended developing a system-wide culture characterised by entrepreneurship and innovation.

In particular, it recommended:

- Removing the constraints on commercial revenue retention.
- Negotiating future industrial agreements so that any change in pay and conditions is linked to productivity agreements and provide institute directors with greater flexibility to attract and retain key staff.
- Allowing a more commercially focussed and accountable business framework for TAFEs in NSW.
- Sub-leasing real estate and any equipment to third parties and retaining the proceeds at the institute level.
I applaud these recommendations. The New South Wales Government has not responded to the recommendations nor provided any suggestion in their VET Plan update for 2007 that changes are proposed to enhance the authority and autonomy of TAFE Directors.

While Queensland has made significant progress, the Queensland Government still vests authority for TAFEs with the Chief Executive Officer of the Queensland education Department.

TAFE Councils are relegated to the status of Advisory Committees and their Directors are accountable to remote bureaucratic authority in Brisbane rather than to the Council.

Queensland needs to improve their efficiency and direct more funds to training delivery and less to administration. Queensland TAFEs should also be allowed to access more funds from industry by delivering responsive training.

In recent years TAFE in South Australia has undergone substantial reform with a reduction in the number of TAFE institutes to three: Adelaide North, Adelaide South, and country.

The efficiencies created through this rationalisation have, however, been at the expense of training delivery with no commensurate reductions in administration costs of their bureaucracy or Institutes.

In addition, the South Australian Legislation places all authority in the hands of the Minister and his Departmental Secretary, rather than with TAFE Councils, in terms of how TAFE Assets are utilised, or staff are employed or deployed.

The Tasmanian system remains largely under centralised control. TAFE Tasmania is required to seek the approval of the relevant Minister to enter into joint ventures, partnerships or any other arrangements.

Forming or participating in a Company or Trust arrangements requires the approval of both the relevant Minister and the Treasurer.

And now I turn to Western Australia.
As this group would well know, Western Australia continues to enjoy the immense wealth arising from the mining boom.

But it has failed to invest much of this wealth in building and enhancing its infrastructure and its capability for skills development. The Australian Government has invested more funding for capital infrastructure including for TAFE and the three Australian Technical Colleges.

The Western Australian Legislation currently requires the approval of the responsible Minister to participate in business arrangements relating to the provision of education and training for certain purposes.

During 2006, the Western Australian Department of Education initiated proposals to change “TAFEWA” employment arrangements to strengthen the accountability of TAFEWA managing directors and staff to the Director General of the Department of Education and Training. While I understand these plans have been shelved for TAFE Directors it is still being proposed that the responsibility for selecting and managing TAFE staff would be removed from the TAFEs and given to the Director General of Education.

Such moves would clearly undermine the autonomy of TAFE Directors and are a serious concern to the Australian Government and question the WA Government’s implementation of their agreement with the Australian Government.

Through our annual $1.2 billion VET funding agreement with the States, the Australian Government is endeavouring to drive change towards a more responsive and flexible system with increased competition, more performance-based employment contracts and far greater responsiveness to industry.

For our part in the 2007/08 Budget we have announced important reforms to FEE-HELP to assist students who are pursuing a VET diploma or advanced diploma in a registered training organisation such as a TAFE.

FEE-HELP will be extended to full-fee-paying students in Diploma and Advanced Diploma courses that are accredited as VET qualifications, where agreed credit for a university degree is available to the student.
This will ensure it’s easy for VET students to apply their skills in studies at university and get credit for what they’ve already done. It will also encourage those already with trade qualifications to build on them.

But there is more that can be done. Our TAFEs should at least be granted the autonomy enjoyed by our universities.

So with that in mind, I am announcing today that during the upcoming negotiations for the next four year funding agreement between the States and the Commonwealth, I will put on the table a proposal to align our funding model in VET with the one we use for universities – that is negotiating with the States in relation to the provision of student places as opposed to teaching hours.

In this way individual TAFEs would be free to decide what courses, the number of places in each course and the method of delivery – in the workplace, at home, on-line or at the TAFE.

I know that the mining industry has had some important positive experiences with TAFE and flexible training. My point is this – that sort of flexible training should be the norm and not an exception.

The TAFEs are a wonderful national asset with thousands of talented and dedicated staff. They should be given the opportunity to take true responsibility for their business, free to respond to industry and students demands.

The iron glove of the unions must be removed.

In any changes we must preserve some of the real strengths of the VET sector – many developed through State and Federal cooperation over the last decade.

In the VET sector we see strong industry engagement at the national level. We have given Australian business a stronger voice in national planning and priority setting through the National Quality Council. The Industry Skills Councils are also tasked with developing the competencies and training packages which ensure that training programmes deliver the skilled workers required for Australia’s industry and enterprises, and are consistent and recognised across Australia.
Another key feature of our system is the well developed quality assurance arrangements which allow industry, employers and students to have confidence in the qualifications delivered. The Australian Quality Training Framework provides the basis for Australia’s nationally consistent, high quality vocational education and training system. The standards for registered training organisations and state and territory registering/course accrediting bodies provide the common foundation for ensuring the quality and integrity of training and assessment services of registered training organisations.

The national recognition of training qualifications means that students trained in one state or territory can have their qualifications recognised in any other state or territory across Australia.

I look forward to discussing a number of these matters with my state counterparts at the upcoming meeting of the Vocational Education Ministers in June.

**Opposition Policy**

As you can see, the Government has a comprehensive plan to address the skills and labour shortage but, as I said at the start of my speech the mining industry, like every other Australian, will have to make a choice at the next election. I have outlined the Government’s commitments and now I would like to move to the proposals put forward by the Opposition.

Labor’s policy is one dimensional.

Any commitment of funds to technical education must be acknowledged, but the direction of Mr Rudd’s recent proposal would be a huge “wasted opportunity”.

If Labor wins the next Federal election, the push to reintroduce a large number of dedicated technical schools will be lost; it will be actively and ideologically opposed by Labor.

Mr Rudd’s proposal to assist with a modest up-grading of existing technical facilities and equipment in all of Australia’s 2,650 secondary schools will provide some
assistance to the thousands of secondary schools that already provide a reasonable “introduction” to some technical areas of study, but it will perpetuate the one-size-fits-all approach to secondary education. And, the misplaced orientation towards university would continue.

While any introduction to vocational studies is obviously worthwhile, it does not seriously prepare those students with strong technical and vocational talents for a career in the trades.

Mr Rudd’s $2.5 billion sounds like a lot of money. But spread over 10 years, and across thousands of schools which have principally an academic focus, in practice it will barely touch the sides in raising the status and focus on specialised technical studies. There is more to technical training than putting an oven or lathe into a classroom.

As the Dusseldorp Skills Forum has observed, “...if it (Mr Rudd’s proposal) just adds another workshop at the end of the school yard... then it is a wasted opportunity”.

As well, it ignores the question of where will the thousands of technically skilled staff be sourced who have industry-standard skills and knowledge, and a graduate qualification in teaching.

Unfortunately, on these matters, Mr Rudd has been unduly influenced and constrained by the Australian Education Union.

The Education Union is implacably opposed to the Howard Government’s new technical schools because they don’t control them. The new technical schools are governed and led by local industry and local educators – a far cry from the stranglehold exercised by the Education Union over public secondary education in Australia.

As well, the Union sees an education system which promotes specialisation, quality which can be measured and reported, diversity and competition as elitist and abhorrent; to be opposed at all costs.
Education Union ideology drove the closure of specialised technical schools over the last 20 to 30 years, to be replaced by one-size-fits-all secondary schools. Australia is now paying a heavy price.

For these reasons Labor’s policy approach is to try to patch up a 20th Century mistake in technical education, rather than strike out and help to create a 21st Century solution.

If Mr Rudd had followed the lead of the Howard Government, rather than the dictates of the Education Union, and had promised this money for dedicated technical schools, it would provide specialised technical training at Year 11 & 12 levels to 100,000 students, as opposed to further help in introducing vocational subjects to students across all secondary schools.

Conclusion

In the coming decades, Australians with trade and technical skills will be in demand.

It is predicted that over 60 percent of jobs will require high quality technical or vocational qualifications yet currently only 30 percent of the population have these skills.

It is vital that we continue to make the necessary reforms.

It means thinking outside the four walls in which we have imagined vocational education and training. It means giving trades the status they deserve, and giving TAFE and other and other institutions the flexibility they need to provide for the needs of the community and industry.

Thank you.