

A NEW DEAL – Alistair Crozier

- Everyone agrees that Australia's labour supply and skills shortages require urgent attention from governments, industry and providers. That's perfectly obvious from the last couple of days, so I'm not going to go over that territory again.
- COAG saw the imperative to prioritise human capital as requiring cooperation from not only Federal and State governments, but regulators and industry to get an agreed quick fix.
- However, it seems to me despite the greatest will for action from all parties, the sheer complexity of the machinery of government, which has to pass from the Commonwealth, through the States to the service delivery points means that some commentators are saying that the COAG agenda has stalled in many important areas.
- The Business Council of Australia cites many examples of dysfunctional Federalism. The BCA reports that weaknesses and inefficiencies in Australia's federal system are now costing Australians at least \$9 B per year.
- Unlike many areas of COAG's attention, the VET sector is already working within a national training framework. TAFE Institutes are servicing industry and individuals and communities - nationally and internationally.

- So my first suggestion this afternoon is that I would like to see the VET system take the next step to a fully integrated system with national funding and coordination. I think this is necessary to facilitate innovation in the TAFE system.
- National funding would recognise the reality that most TAFE's operate across State boundaries, as well as internationally, and that we are actually already working to an agreed national framework.
- National funding would need to be accompanied by new governance arrangements for TAFEs in some states, with the consequent reorganisation of State Training Authorities, and a reduction in the number of Commonwealth/State co-ordinating committees.
- National funding would also make it easier to introduce Fee Help to TAFE with repayments via the ATO. There seems to be a growing acknowledgement that TAFE clients shouldn't be discriminated against through not having access to Fee Help if they need it and not just for full fee paying Diplomas.
- National funding provides the opportunity to re-look at the quantum of funding for TAFE. There is clearly a surplus in Commonwealth coffers, as indeed in State coffers – but the money gets dissipated

when there are bilateral responsibilities and this is at a time when the economic situation in Australia has never been better to give TAFE what Craig Thomson referred to as some “financial headroom”. I liked that term!

- In the next decade, of the 4M people who will need post school qualifications, 62% will require a VET qualification and 38% will require a higher education qualification. With the exception of a couple of industry sectors like engineering, the provision of HEd is about right but on current data, we need to double the number of people with VET skills within the next 7 years to provide the skills needed just to maintain our standard of living.
- So even if national funding is too slow in coming, Swinburne has researched an innovative solution to maximise the use of existing public funding. There is an opportunity for a redistribution of the funding between higher education and TAFE.
- In a nutshell, Swinburne data tracked over 6 years clearly demonstrates that students who enter higher ed directly with low ENTERS, say below 65, have a poor chance of successfully completing their degree. However students with similar lower ENTERS who complete a TAFE qualification first and who then receive credit for their TAFE studies in the degree, end up with at

least the same level of success as exit year 12 students with enters above 85.

- Earlier this year, Ian Young, the Vice-Chancellor of my own University also floated the idea of redirecting HE funding to TAFE and, because of the differential cost structures between HE and TAFE, this allows the extra TAFE places to be fully funded with the balance of funds able to remain in HEd; thus increasing the HEd funding rate – a win/win for both sectors. Rolling this model out more widely across TAFE could be facilitated more easily if TAFE were nationally funded.
- This would also help to break down sectoral boundaries (even if creating significant upheaval for my Higher Education colleagues!!) Education sectoral demarcations make little sense to the users of the system. In Victoria the work being done through the VRQA on the credit matrix is trying to address this.

- So in order to reframe, refresh and make a fresh start, I think we need to facilitate TAFE's role in developing, not just a skilled Australian workforce, but an innovative workforce.
- As David Hird said this morning: The business and research communities are pretty much in agreement that Australian businesses will only become more profitable through innovation.
- Innovation is not just about invention of products but about people and services. One definition that I came across recently is that "innovation is the deliberate use of new ideas to optimise social and/or economic value".
- There are more and more cases of business profitability through new ways of doing business. This is only achieved through having a culture of innovation in organisations; and building the capability of individuals to work together; and by organisations which may have formerly been competitors finding areas of genuine collaboration – adjust as Craig outlined in Scotland.
- Innovation is a human capital matter. Skill development, collaboration, and organisational learning and capability development go to the heart of innovation success.

- I think that TAFE has a critical role in fostering and managing innovation.
- I think TAFE is well placed to meet this challenge and for example the TAFE Specialist Centres in Victoria are just one response to this.
- In Victoria the move of the Office of Training and Tertiary Education out of the Department of Education into the Department of Innovation, Industry and Regional Development recognises not just TAFE's critical role with industry but also TAFE's central role in contributing to the Innovation Agenda.

- However there is currently no national vision or framework for innovation in Australia. In high innovation economies like Finland or Ireland, their success is partly because training has never been a party political issue, but an agreed national focus. Current funding and reporting requirements in Australia militate against innovation. We need structures and funding mechanisms which facilitate the establishment of collaborative relationships, strategic alliances and industry clusters, rather than putting additional layers of bureaucracy in the way.
- So, Virginia, my final suggestion for reframing and refreshing is that we need some sort of a New Deal for TAFE. This would be characterised by:
 1. Collaborative national leadership and funding structures, which may be able to be facilitated more easily after the next Federal election. We need some sort of 'new national accord' between the employer bodies, the ACTU, States and Territories and the VET sector. We must move beyond the status quo where resources are wasted when every time the Commonwealth comes up with one scheme, and the States propose an alternative scheme and where employer

organisations want to control not only the provision of advice but strategies arising from that advice.

2. We need national funding for TAFE accompanied by a rebalancing of funding between HE and TAFE which will create more places where the economy needs them.
3. We can facilitate TAFE to be both innovative in its own business, and in developing Australia's innovation capabilities; and more appropriate governance arrangements for TAFE Institutes would certainly facilitate this as Michael Keating and Craig Thomson put so succinctly earlier today.