

Paper

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by

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Thank you for that introduction and thank you for the invitation to deliver today's keynote address to TAFE Directors Australia's inaugural National Convention.

As the single largest provider of training in Australia, TAFE is a pillar of vocational education and training in our nation. TAFE today has around 75 per cent of vocational education and training enrolments and around 85 per cent of all vocational education and training contact hours.

With over 50 TAFE Institutes and even more campuses around the nation, TAFE remains central to the social and economic needs of local communities around the country.

TAFE is represented in every corner of our nation and in many instances, is the only provider of services to local communities in outer metropolitan, rural, regional and remote parts of our nation.

Labor appreciates the essential role that skills, education and training will play in securing Australia's place in an increasingly competitive global economy.

Labor has called for an Education Revolution to address precisely this need to secure our nation's future.

Kevin Rudd and Labor's vision is for Australia to be the best educated country with the best trained workforce in the world.

Our central thesis is very simple: only by investing more in the skills, education and training of our people and our workforce will Australia be able to meet the economic challenges of the future.

That is why we argue that greater investment needs to be made from early childhood education to schools, to Universities to vocational education and training, and on the job training and ongoing professional development.

The need to make a greater investment in on the job training and the professional development of our workforce is to ensure that the skills of our existing workforce are kept up to date.

There is of course considerable evidence linking investment in education and economic growth:

- OECD research shows that if the average level of education of the working-age population was increased by a year, the economy would be 3-6 per cent larger, and the growth rate of the economy would be up to 1 per cent higher.
- A recent Canadian study on literacy in OECD countries found that countries able to attain literacy scores one per cent higher than the

international average will achieve living standards – measured by GDP per capita – that are 1.5 per cent higher than other countries.

The need for greater investment begins with the very young.

All the research shows that by intervening and investing in education in the early years of a child's life, particularly those most disadvantaged or at risk, you maximise their chance of succeeding in education and in life.

The most recent figures from the OECD show that at 0.1 per cent of GDP, Australia's investment in early childhood education is one fifth of the OECD average. Australia is at the bottom of the ladder for the eighth year in a row.

Along with increasing our investment in early childhood education, we must recognise the critical importance of primary school in setting our kids up for the future by teaching them key enabling skills like literacy and numeracy and giving them a foundation for lifelong learning.

Labor is also committed to lifting secondary school retention rates. As a nation we need to ensure that many more young people complete secondary school.

School retention rates have plateaued over the past decade at around 75 per cent. Studies show that kids who complete secondary school are twice as

likely to get a further qualification, and are twice as likely to have meaningful employment throughout their working life.

An alarming number of young people do not make a successful transition from school to work or further study. The Australian Industry Group and the Dusseldorp Skills Forum in their paper *It's Crunch Time* noted that in 2007, a total of 526,000 young Australians aged 15-24 were not engaged full time in either learning or work. Of these:

- 306,000 were unemployed, wanting to work or wanting more hours;
- 45,000 early school leavers were not fully engaged in education or the workforce; and
- 107,000 young adults aged 20-24 without Year 12 or equivalent qualifications were not in education or work.

The Business Council of Australia also highlighted the problem in its recent report *Restoring our Edge in Education: Making Australia's Education System its Next Competitive Advantage*.

Its analysis shows that Australia has one of the lowest secondary school completion rates among comparable countries, and argues that:

"Australia's future economic competitiveness will depend on increasing the numbers of young people who complete 12 years of school or equivalent".

Despite this evidence, the Minister for Education, Julie Bishop, fails to see the value of increasing completion rates, saying in an interview on *Lateline* in April this year, that:

"...some students would rather leave school at 16... The point is we're not constrained by just a narrow focus on targets and numbers"

Labor is committed to increasing Year 12 retention rates to 85 per cent by 2015 and to 90 per cent by 2020, a call echoed just last month by both the Australian Industry Group and the Dusseldorp Skills Forum and by the Business Council of Australia.

While our goal is to ensure more young people complete secondary school, Labor recognises that not all kids want to go to University. It is essential therefore that these students have access to vocational education and training.

Labor's \$2.5 billion investment to build trades training centres in Australia's 2,650 secondary schools will help ensure vocational education and training

students in our schools are undertaking meaningful on-the-job training, and have their employability skills assessed at the end of their course.

We have to recognise, however, that education and training does not finish at Year 12, or at the end of a University degree, or at the completion of an apprenticeship. One of the great challenges facing us today is ensuring that our existing workforce has the skills needed in the modern economy.

We are now well into our 16th year of continuous economic growth. We are enjoying the longest uninterrupted economic expansion in our history. And more recently, we have had the benefits of a minerals and petroleum resources boom to China.

This has come at the time we opened our economy to the world, the result of the previous Hawke/Keating Labor Government's policy framework.

That framework involved:

- Floating the dollar and opening Australia up to the competition of the global economy by bringing down tariff levels;
- Transforming Australia's industrial relations system from the adversarial, inflationary and strike-ridden system in place when the

Prime Minister was this country's Treasurer, to one based on enterprise and productivity-based gains, cooperation and consultation;

- Reforming the tax system by cutting high marginal tax rates and corporate tax;
- Deregulating the communications, aviation and financial services sectors and encouraging competition in those areas;
- Introducing the microeconomic reform National Competition Policy Package in 1995; and
- Providing for the first time a national approach to skills and training, as well as additional Commonwealth funding to the States and Territories to provide for growth in TAFE through the creation of the Australian National Training Authority.

While the minerals and petroleum resources outlook today is favourable, we need to recognise that economic conditions are ever changing.

The conditions that created the prosperity we have enjoyed in recent years will not guarantee that continues into the future.

Australia's open economy, the result of past Labor reform and the source of much current and past growth, exposes us to new competitive pressures and the need for accelerated productivity growth.

At the same time, Australia's changing demographics threaten to reduce workforce participation.

Over the next 40 years, the proportion of the Australian population over the age of 65 will double to around 25 per cent. Over the same period, the ageing of the population will see a reduction in the proportion of the population in the workforce – from 64.5 per cent today to around 57 per cent in 2046.

The Government's 2006 *Workforce Tomorrow Report* produced by the Department of Employment and Workplace Relations notes that "*over the next five years the estimated impact of population ageing is equivalent to a shortfall of 195 000 workers.*"

All of this is clearly seen today in the need for our economy to meet the ever growing demand for skilled labour.

The Skills Crisis

By the Government's own estimates Australia faces a shortage of more than 200,000 skilled workers over the next five years. By 2016 that will be 240,000.

According to the Business Council of Australia in its recent report, *Restoring our Edge in Education: Making Australia's Education System its Next Competitive Advantage*, between 2006 and 2016, the Australian vocational education and training sector will be required to provide nearly 2.5 million qualified people, of whom around 1.7 million will need to be qualified at Certificate III level or above.

This is a big challenge, made greater by the fact that, according to the Australian Industry Group, nearly 90 per cent of all available jobs require a post-school qualification, but around half of our current workforce lack these qualifications.

The Business Council of Australia has identified that a failure to address that shortage will see one in seven jobs requiring a VET qualification either being unfilled or filled with an inappropriately skilled person.

This is not isolated. Australia is currently experiencing broad skills shortages right across the economy and right across different sectors.

It extends into managerial, professional and associate professional occupations.

Looking at individual sectors doesn't offer much comfort either.

In the minerals and petroleum resources industry alone, that number is expected to be around 70,000 by 2015 – with 42,000 in my home state of Western Australia, ranging from everything from tradesmen and women to truck drivers, mechanics, electricians and further, to accountants and other professionals.

And in construction, in 2001, there were already around 100,000 building and construction industry tradespersons who were older than 55 years. It is estimated an additional 40,000 skilled tradespeople will be required over the next five years simply to cover the gap resulting from the departure of retiring workers.

Australia has a very clear need for more skills training across all sectors of the economy.

Labor recognises that skills shortages don't just appear out of the blue. They build over time.

And today's skills shortage we know has been building for the best part of a decade.

For its part, the Reserve Bank has been warning of the consequences of skills shortages for a decade or so.

Since 1997, the Reserve Bank of Australia has repeatedly said to the Howard Government that one of the capacity constraints in the economy that would adversely affect our economic growth and our prosperity is a chronic skills shortage.

First there was the November 1997 *Statement on monetary policy*:

This judgment is consistent with persistent reports of skill shortages and pressure on wages in the construction sector.

The November 1999 *Statement on monetary policy* cited:

... evidence that the strength of the labour market may be generating skills shortages in some areas.

And that:

Skilled vacancies, according to the survey conducted by the Department of Employment, Workplace Relations and Small Business, are at historically high levels.

The November 2004 *Statement on monetary policy* said:

... business surveys suggest that a broad range of firms are finding it increasingly difficult to find suitable labour ... These developments are consistent with survey data showing that firms are finding it increasingly difficult to attract suitably skilled labour, pointing to the possibility of stronger wage pressures emerging in the period ahead.

In November 2006, the Reserve Bank concluded that:

...shortages are widespread across most industries and skill levels...

And most recently, in August this year the Reserve Bank noted that

...labour shortages have tightened over the past year and that these shortages are constraining output.

The Howard Government ignored these calls for a decade and this complacency and indifference has led to the acute crisis Australia faces today.

Labor knows that if we are to have a skilled workforce to meet the skills needs of the future then we must plan for it. We cannot rely on the ad hoc approach taken by the Howard Government. It does not and will never work.

Labor believes that decisions about what type of workers need to be trained is best informed by comprehensive information gathered from the market and from those with a direct interest in the training system.

That is why Labor has committed to creating *Skills Australia*, a high level board of seven economic, industry, academic and training experts who will advise Government on current and future demand for skills and training.

Skills Australia will, for the first time, bring together information sourced from commissioned research and industry stakeholders to inform Australia's workforce development needs, including from the current network of Industry Skills Councils.

On the basis of this information it will provide government with recommendations about the future skills needs of the country.

Skills Australia will identify future and persistent skills shortages as well as identify industries where retraining and up-skilling of workers may be required to prevent unemployment, under-employment and skills obsolescence.

In making its recommendations to Government, *Skills Australia* will have regard to the following objectives:

- Achieving full employment;
- The competitiveness of the Australian economy;
- The promotion of innovation through skills acquisition;
- Providing sufficient numbers of appropriately qualified workers for industries of critical national importance; and
- The role of state and regional economies in contributing to the success of the broader Australian economy.

The information gathered by *Skills Australia* will be widely distributed so that the entrepreneurs, businesses and workers of tomorrow have the best available information to factor into their training and employment decisions.

The recommendations made by *Skills Australia* will help inform Government decisions to encourage skill formation and drive ongoing reform to make our education and training system more responsive to business and economic needs of the nation.

If we don't plan for our workforce needs and do not invest in training and retraining to address skills over time this impacts negatively on the rest of the economy in the form of increased costs and inflationary pressures.

Instead of doing something positive to alleviate Australia's growing skills needs, the Howard Government resorts to using rubbery figures, including by saying that 544,000 people completed apprenticeships over the last four years.

The truth, however, is that since 1996, the Government has combined traineeships and apprenticeships together, boosting the numbers of so-called 'apprenticeships'.

As well:

- of the 142,000 apprentice completions in 2006, less than half of these, or 56,000, were in the traditional trades;
- completion rates for traditional trades apprenticeships fell by 7 per cent, from 64 per cent in 1998 to 57 per cent in 2005 compared to Labor's last year in office, when 70 per cent of apprentices were completing their apprenticeships.
- the Australian Bureau of Statistics (ABS), *Australian Social Trends 2007* report found that apprenticeship rates for all apprentices have plateaued; and
- the Department of Education, Science and Training confirmed in February that it only anticipated commencements in traditional trades apprenticeships to grow by 2 per cent for each year through until 2010.

This performance is not good enough to sustain our productivity into the future. No amount of Howard Government smoke and mirrors can hide that fact.

In the absence of a minerals and petroleum resources boom, Australia's economic fortunes will be determined by our underlying performance – our productivity growth rates, and the growing challenges to workforce participation arising from long term demographic change.

The combined effects of an ageing population and a diminishing workforce over time, risk adversely impacting on our national productivity.

This is made more acute by the fact that Australia's productivity growth has declined in recent years:

- Benchmarked against the United States economy, Australia's labour productivity fell back from a peak of 85 per cent to just 70 per cent between 1998 and 2006, almost completely losing the relative productivity gains of the 1990s.
- Labour productivity growth fell from an average annual 3.3 per cent over the five years to 1998-99 to just to 2.1 per cent over the latest

five years. Since then, productivity growth has averaged just 1.2 per cent a year.

We must reverse this trend. We must increase our productivity growth.

While sound macroeconomic management and open and competitive markets are prerequisites for sustained growth, they are insufficient of themselves.

To work at its best, Government must invest in the underpinning elements, the education, skills and training of its people and its workforce.

John Howard and his Government do not get this.

Despite persistent warnings from the Reserve Bank over the last ten years and the findings of its own Intergenerational Reports, the Howard Government has failed to systematically address the growing skills crisis.

Investment in the education, skills and training of our people and our workforce is the single most important thing we can do as a nation to increase our productivity and therefore secure our future prosperity.

Instead of building the skills and capacity of our existing workforce and capitalising on a buoyant economy to invest in skills acquisition for those

outside the labour market, the Howard Government has failed to make the necessary long-term productive investments.

This was confirmed just last week with the release by the OECD of its *2007 Education at a Glance*, which shows that across all levels of education:

- As a proportion of GDP, public expenditure in Australia is 4.3 per cent, compared to an OECD average of 5 per cent.
- As a proportion of total expenditure, Australia has the third lowest proportion of public expenditure on education at 73 per cent, behind only the United States and Korea, and well below the OECD average of 87 per cent. Australia's proportion of public expenditure has collapsed by nearly 6 per cent since 1995.

In tertiary education:

- Between 1995 and 2004, public investment in tertiary education has declined by 4 per cent while in other OECD countries it increased by an average of 49 per cent;
- Australia's share of public expenditure on tertiary institutions has fallen from 64.8 per cent in 1995 to 47.2 per cent in 2004. This compares with an OECD average of 75.4 per cent

- As a proportion of GDP, public expenditure on tertiary education is 0.8 per cent, behind the OECD average of 1 per cent.

In primary, secondary and post-secondary non-tertiary education:

- As a proportion of total expenditure, Australia has the third lowest proportion of public expenditure at 83.2 per cent, down from 85.5 per cent in 1995, and well below the OECD average of 91.8 per cent.

In early childhood education:

- As a proportion of GDP, expenditure on early childhood education in Australia is just 0.1 per cent compared to an OECD average of 0.5 per cent. This puts us equal last with Korea amongst all OECD countries.
- Australia has the fifth lowest proportion of public expenditure on early childhood education at 69.3 per cent, below the OECD average of 80 per cent.

The Howard Government's failure to understand the importance of increasing productivity through investing in the skills and qualifications of Australians is clear when looking at its vocational education and training and TAFE record.

Since coming to office in 1996 and slashing funding, the Howard Government has seen more than 325,000 people turned away from the TAFE system.

Over its 11 long years in office, the average annual number of traditional trade apprenticeships under the Government has been about 120,000. This compares to the 137,000 annual average traditional trade apprenticeships under the previous Labor Government, a 13 per cent better record by Labor.

In addition, completion rates for traditional trade apprenticeships over the term of the Howard Government have fallen from 64 per cent in 1998 to only 57 per cent in 2005 – much less than Labor's last year in office when Australia had an apprenticeship completion rate of more than 70 per cent.

In 1997 the Howard Government cut funding to TAFEs, reducing Commonwealth investment in vocational education by 13 per cent in the three years to 2000.

Subsequently, Commonwealth investment only increased by 1 per cent between 2000 and 2004.

And when it has been forced by circumstances to respond, the Howard Government's approach has been haphazard and piecemeal.

The Government avoids the fact that it took until last year – 10 years after it came to Government and 9 years after the Reserve Bank started warning about skills shortages impacting on the economy – for the Government to put in place its so-called Skills for the Future program.

Labor regards that program was a reasonable first step, but it comes off the back of, as the Australian Industry Group has identified, a reduction in spending on vocational education and training of 11 per cent per hour of training provided.

As well, the detail of the package contains much of what Labor had been arguing for a considerable period of time.

For example, the extension of employer incentives for diploma and advanced diploma qualifications was proposed by then Opposition Leader, Kim Beazley in his Skills Blueprint in September 2005.

Support for apprentices to undertake business training to improve their entrepreneurial skills was an idea that Labor suggested in January 2006.

The Government's wage subsidy for mature age apprentices was originally in the previous Labor Government's 1994 Working Nation policy.

Australian Technical Colleges

Prior to Skills for the Future, the Government resorted to a cynical political response with more than half a billion dollars spent on a standalone network of Australian Technical Colleges that at best, will only produce 10,000 graduates by 2010.

Of the 22 colleges currently open, two thirds are not registered training organisations and are using the facilities of the existing TAFE system.

A report conducted by the Australian National Audit Office (ANAO) and released on 19 July into the Government's ATCs found that insufficient attention was paid by the Commonwealth to the activities of State and Territory Governments.

That report also found that initial tender applications were weak and inadequate, that in nearly half of the first 24 colleges, tenders were awarded based on only one or two applications. Given this limited choice, ANAO states that:

...an option...may have been to return to the market to develop more industry and community interest...

After three years and more than half a billion dollars, according to the latest available official figures, the Government's ATCs have:

- not produced one graduate;
- only 1,800 enrolments as at March 2007;
- an average cost of nearly \$175,000 per student;
- only one-third of colleges legally registered to provide training; and
- outsourced the bulk of their training to TAFEs or other Registered Training Organisations.

Despite all this, the Minister for Vocational and Further Education believes the ATCs are *"going gangbusters"* and *"working their socks off"*.

Labor's positive policy proposals

There is a clear intersection between Australia's declining productivity growth and evidence of Australia's under-investment in human capital formation.

There is a compelling case for change. Continued under-investment in education across the spectrum is likely to further constrain the development of Australia's human capital. For the nation, this will mean that productivity growth continues to lag behind our competitors, workforce participation rates will be held back and the economy will not expand at its potential growth rate. For individuals, it will mean lower incomes, less secure employment, and fewer career opportunities.

Labor is committed to increasing investment in vocational education and training. Labor recognises, however, that any investment in education cannot simply be a matter of only increasing the quantum of that investment, but making sure the investment in education is used efficiently, and the education delivered is both rigorous and high quality.

In general terms, the starting point for vocational education and training public policy must be that the Commonwealth, the States, Territories and Industry all work cooperatively, a national example of the sum of the parts being greater than the whole.

Secondly, delivering a vocational education and training service can be provided by an arm of the State, such as TAFE, or a private provider, whether that is for-profit, or not-for-profit.

The key is that the service delivery must be efficient, affordable, accessible and competitive. Labor's belief is that each sector – public, private, for-profit, and not-for-profit – has a role to fill.

In the case of much of outer metropolitan, rural and regional Australia, the reality will continue to be that TAFE remains the only effective vocational education and training provider.

Thirdly, we have to give a greater focus to vocational education and trades training streams in our secondary schools.

Labor has announced a 10 year, \$2.5 billion *Trades Training Centres* plan aimed at the 1 million students in Years 9, 10, 11 and 12 in all of Australia's 2,650 secondary schools.

The plan will provide secondary schools with between \$500,000 and \$1.5 million to build or upgrade vocational education and training facilities in order to keep kids in school, enhance the profile and quality of vocational education and training in schools and provide real career paths to trades and apprenticeships for students.

In contrast to the Howard Government's narrow and selective ATC model which will see a maximum of 28 colleges and fewer than 10,000 graduates by 2010 in the face of a skills shortage of 240,000, Labor's much more broadly based positive approach will mean 2,650 secondary schools and over one million students around the country will have access to vocational education and training.

Labor will also provide:

- \$84 million over four years to guarantee access to one day a week of on-the-job training for 20 weeks a year for all Vocational Education and Training (VET) in Schools students from Year 9 to Year 12; and
- a *Job Ready Certificate* for all vocational education and training in school students. This Certificate will assess the job readiness of secondary school students engaged in trades and vocational education and training.

Fourthly, when it comes to post-secondary school vocational education and training and skills, there are two groups we must focus on.

The first is the easily identified group consisting of the immediate post-secondary school kids going from secondary school completion to apprenticeships, vocational or training qualification or on-the-job learning.

As the Business Council of Australia said of this group:

...young people traditionally have prepared for a relatively narrow range of occupations through standard courses and apprenticeships. In most cases, the assumption has been that people will remain in those jobs for extended periods, if not for life. In contrast, today's young people will be employed in a wide variety of occupations, are likely to change jobs frequently and to be engaged in ongoing employment-related learning in relation to those jobs. In the future, standard

courses will be less appropriate than the ability to personalise learning by mixing and matching from a diversity of options delivered in a variety of formats and involving a multitude of pathways between education, training and work.

Meeting the ongoing skills demands of this group to equip them with the relevant skills and provide them with sufficient education and training will remain an acute public policy challenge.

The second group is much more difficult to readily identify. It is that group of individuals already in the workforce who require retraining or upskilling to keep them productive and employed.

International research shows that based on current training levels, without significant upskilling across the workforce, by 2020 the relative skill level of Australia's workforce will be much lower than our international competitors.

This is made more important because only half of the Australian adult population have completed Year 12. In a globalised world, early school leavers with little or no qualifications, skills or formal training are at risk of having their jobs disappear, often offshore or through redundancy, or because they themselves are no longer able to physically do the job because of its manual nature.

Our focus here must be on how to equip them with new skills and training necessary for them to continue in different employment and make a productive contribution to our economy and to society.

Fifth, given that TAFE still services the majority of those students undertaking vocational education and training, there must be a greater investment in TAFE, including in infrastructure.

Over the past eleven years recurrent funding for vocational education and training and funding for vocational education and training infrastructure has been neglected.

As the single largest provider of vocational education and training in the country, TAFE has been particularly adversely affected by this neglect.

It is generally recognised that TAFE has a significant need for new and upgraded infrastructure and facilities. This is necessary to ensure that the courses provided by TAFE continue to be relevant to our workplaces today – to ensure our apprentices and trainees are working on industry-standard equipment.

Of course, with more than 50 TAFE institutes and even more campuses around the country, actually identifying what those infrastructure needs are is no easy task.

As a first step in any process to address where additional investment is required we must first identify precisely what is needed and where it is needed.

The States and Territories have their own responsibility for ensuring that our TAFE Institutes and campuses have the infrastructure and capital equipment they need. While the Commonwealth has a role, it cannot be done in isolation of what the States and Territories are already doing or proposing to do.

We must also look at ways to give TAFE the flexibility and scope to be able to make additional investments itself. It is not unreasonable, for instance, for TAFEs themselves to make investments in the infrastructure and additional equipment they may need to service additional vocational education and training places.

Sixth, we must look at ways of giving individual TAFEs a greater capacity to make their own decisions and to work with local communities and industry. Giving individual TAFEs control over curriculum content and training services they provide in and to their local industry and community holds in my view great potential for TAFEs to better provide skills and training.

A few weeks out from an election, it's all well and good for the Minister yesterday to vaguely float an alternative funding idea, when for 11 long years the Howard Government has refused to adequately invest in vocational education and training, including in our TAFEs.

This has been driven by the Howard Government's ideological obsession with TAFE, which has seen it refuse to work cooperatively with the States on vocational education and training.

As a general proposition, I favour individual TAFEs deciding how they can best cater for the on the ground needs of local students and industry.

Floating an idea at this late stage, however, won't make up for a long term failure to fund.

As well, the average age of TAFE educators is getting older. The NCVER 'Profiling the VET workforce' report shows that 61 per cent of TAFE teachers in 2001 were aged 45 or more, up from 48 per cent in 1996.

These educators and trainers are not being replaced at anywhere near the rate or level they need to be if we are to find a long-term sustainable solution to alleviating our ongoing skills shortages.

We need to fill this gap. We should be looking at encouraging older workers who have built up years of on-the-job expertise to help train those people moving into the trades and vocations.

We must also attract more industry expertise into teaching. This requires not only a long-term commitment to rebuilding the status and respect for the teaching workforce, but creative and flexible approaches to utilising the resources we do have.

Conclusion

As Australia becomes more integrated with an intensely competitive global economy, we must find new sources of competitive advantage. Our investment in education is essential for creating an innovative, productive workforce that can adapt to a rapidly changing world.

The successful advanced economies of the future will be those that can add most value, through human effort and ingenuity, to their traditional strengths in every sector.

More than anything else, it is strong productivity growth and high levels of workforce participation that will make Australia competitive over the course of the twenty first century.

And in this, no policy is more important than Australia's investment in the education, skills and training of our workforce and our people.

Thank you.