

**VOCATIONAL EDUCATION AND TRAINING
The Oft-Forgotten Tier
P J Keating
Skilling Australia Forum
Surfers Paradise
10 September 2003**

Paul Keating completed his Higher School Certificate at a TAFE college. In the course of his political life and as a constituency member, he maintained a close interest in technical and further education. As Prime Minister he established a new national vocational education and training system under a new Commonwealth–State authority—the Australian National Training Authority, investing the authority with an additional \$720 million in growth funding. This address to a TAFE and training forum allows him to reflect upon the development of TAFE, and training generally, since his reforms of 1992. In the address he urges the continued replenishment of the formal public-sector vocational institutions, saying the Commonwealth government should be rendering to Caesar the things which remain Caesar’s.

I am delighted to be involved again in a discussion on vocational education and training, and to be here with the people who matter mightily to this sector of Australian education.

It strikes me as apt that we meet in Surfers Paradise on the Gold Coast because the dramatic changes that have taken place in this part of the country tell the story, in microcosm, of the profound changes to our entire nation.

I doubt the locals of Elston had any idea what was in store when, in the 1920s, they optimistically renamed their town Surfers Paradise in honour of the most successful local pub. I doubt they ever envisaged the massive growth of domestic and international tourism to their region, or the huge numbers of service jobs that would become necessary to support it.

They could not have predicted the massive building boom. They certainly could not have foreseen that the beach counter-culture would trigger a mini-boom in surf and leisurewear. Or imagined the massive uptake of alternative health and fitness products and services. Or foresaw the evolution of a fit, active and ageing population of Australians looking to spend their later years in productive work or pleasure in this splendid part of Queensland.

And, as all of you will know, for every single one of these changes, the critical facilitating factor—the element that made such social and economic change possible—was the skill levels of Australians.

Australians with qualifications in everything from tourism, hospitality or transport to design or business administration; land or marine resource management; health services or engineering or surveying. Australians with the opportunity to acquire market-relevant skills in their younger years; Australians with the opportunity to upskill or retrain in their older years.

Only through developing our skills as a people have we been able to respond to a very fast-changing world. Australian skills have turned the sleepy town of Surfers Paradise into this modern tourism and lifestyle powerhouse.

And only by continuing to invest in our skills can we give ourselves the capacity to control and create the best possible future.

In February 1992, just two months after becoming Prime Minister, I delivered my first major economic statement. It was actually my fourteenth, but my first as Prime Minister. In that statement, I was able to point to the Labor government's outstanding record in education. Of course, governments always say they are committed to education. Who would say otherwise? But we had the results to prove it, including that huge increase in secondary school retention rates (from three in ten students finishing high school to nine in ten), and an historic and matching expansion in university places (200,000, or the equivalent of twenty new universities).

But in that speech I acknowledged that Australia had one weak strand in education. Our technical and vocational training sector. This sector was under-resourced and therefore under-performing. And I committed myself to raise the quality and status of vocational education and training to the level of the other tiers of education in this country. In this sector we needed both expansion and improvement.

My passion for vocational education and training was—and is—not a matter of sentiment, or of misplaced egalitarianism. The Japanese and German economies trained their way to global manufacturing prosperity in the second half of the twentieth century. For Australia to prosper, we must have a high quality and flexible vocational education and training regime, a system which will equip Australians with the skills for today and tomorrow, and more than this, a system which can identify and plan for the emerging skills requirements as the new century reveals itself.

It is not enough to be a clever country; we must be a capable one too.

In June 1992, I delivered on that promise. After long rounds of negotiations with the state Premiers, we had finally put together an agreement. And so we announced a whole range of new initiatives to give heft and heart to the vocational education and training sector, with the centrepiece being the establishment of the Australian National Training Authority—or ANTA, as it is now known.

I wanted the Commonwealth to focus on universities and vocational education, leaving the states to deal with secondary education. That is, to deal with it after we had funded the tripling of Years 11 and 12 retention rates.

In this country, approximately 40 per cent of secondary school students go to tertiary institutions. But when we tripled the output of Year 12 we had to do the same for

universities, to maintain the same 40 per cent transition rate. So accordingly, we funded over 200,000 new university places. Apart from the enormity of this task the problem was: what were we to do with the other 60 per cent of kids, many of whom often cascaded into nothing?

The answer was for the Commonwealth to involve itself directly in funding the growth of TAFE. To develop a national system in order that the aspirations and needs of those who, for one reason or another, had bypassed the university system or who had no training opportunity at all, could be met by adequate levels of teaching in the one system which enjoyed such a close profile to the real economy and to the workplace.

And the results achieved since then have been substantial. From 1992 to 2001, the number of students in the public vocational education and training system increased by 68.5 per cent. But even this number, large as it is, disguises the 82.9 per cent increase in the numbers of women participating in VET. Around 1.76 million students undertook training in the public VET system in 2001. Between 1990 and 2000 the proportion of people aged 25 to 64 years with a vocational or higher education qualification rose from 46 per cent to 50 per cent. And something like 35 per cent of students enrolled in the public VET system in 2001 had completed some kind of secondary education prior to starting their training, suggesting that the perceived value of VET to students has risen over time.

These figures are impressive, but the real achievement of vocational education and training lies in its extraordinary capacity to meet changing national requirements. We certainly ask more from this area of our education sector than any other. Vocational education and training was once all about men in manufacturing; now it also caters to women and a vast range of industry sectors. It used to be about young people and first-time training; now it is adapting to support the training and retraining needs of an aging population. It used to be a stand-alone system, linked at best with some of the major employers; now you will find VET enmeshed in school curricula, universities and workplaces.

In 2001, 8.6 per cent of students in the public VET system undertook some vocational education and training while still at school. And 7 per cent of graduates undertook their study with the aim of getting into another course in future. In other words, young people are being given the opportunity to fit themselves to the appropriate education model for their stage of development. Many use vocational education and training as a way of gaining confidence and insight into their own abilities and move their educational attainments at a pace and by steps that provides them with educational and career opportunities that they might not otherwise enjoy. Another reason why formal linkages between VET institutions and universities is a good thing, allowing students to plot their way to attainments with vocational education so that they might be streamed within an associated university. This kind of streaming is, I think, very desirable.

Vocational education and training is one of this nation's greatest assets: an adaptive, dynamic and responsive training system.

But right now, there are, I believe, real problems within the sector and real risks. The priority that I ascribed to vocational education and training as Prime Minister has not been maintained. The momentum has slowed.

Vocational education and training is, of course, maintained primarily as a state-government responsibility. But state governments can be accomplished backsliders. State-government funding performances for vocational education and training are quite varied. Some states are coasting, some are not doing enough, while others are actively diminishing their systems. If we take Victoria as an example, as a result of so-called 'productivity improvements' since the late 1980s, a total of \$120 million is now being taken each year from the VET sector. A huge sum. Taken as a cumulative amount, just over \$1 billion has been sucked away from the education and training of people in that state during this period. A substantial under-investment in their creativity.

At the Commonwealth level, the emphasis has subtly changed. Since 1997, the Howard government has trebled payouts in subsidies to the private sector for training. With the kick-along of \$365.5 million in 2001–02 (mostly subsidies to the new apprenticeship schemes) the private sector is now, on paper at least, likely to be spending more than \$4 billion per year on various forms of education and training.

Some people say considerably more. In fact, private-employer funding today is at least roughly equal to the total funding of public vocational education and training.

Private-sector involvement is not to be disparaged. The problem is that there has been a relative decline in Commonwealth government expenditure on the public vocational education and training system between 1997 and 2001.

The Commonwealth proportion of total public VET funding, both by way of recurrent and capital spending, is about 28 per cent. If you put employer and public spending on VET together, you get a total of around \$8 billion of which the Commonwealth contributes something like 18 per cent. In other words, the Commonwealth under Howard is diminishing its place in the total national vocational education and training system. And while money is being spent on private training, the standards of accountability are markedly different from those expected from the public institutions and the output is harder to measure.

A recitation of the importance of vocational education and renewal in its organic development is required.

When it comes to the big themes in national life, one cannot look for leadership from the middle and you cannot expect it from the bottom of any system. Leadership has to come from those who sit on top of the system. And in post-secondary education, the Commonwealth should always be taking the lead. It is the Commonwealth which should set the priorities, articulate the values, and finance the new directions. And bring the states along.

Australia has been through a very great economic transformation. The reforms from 1983 began with the rollback of the old Australian Defence Model where, before,

Australia sat closeted, ring-fenced by tariffs with a sclerotic financial market, depending upon declining terms of trade.

Now the economy is open and much more competitive, with a floating exchange rate taking the external shocks and higher productivity delivering rising real incomes and endemically low inflation.

With the region to our north growing faster, and with China growing rapidly and off a much bigger base, there is some real likelihood that natural resource values will strengthen as we take a higher proportion of Chinese and other North-Asian finished products. These trends will only propel us further towards the higher ends of technology and manufacturing while underwriting an even larger service sector. At the same time, a rapidly changing demographic will be putting real pressure on the labour market. All of this will mean that job training and retraining will be more important than it has ever been.

A competent and competitive set of vocational education institutions becomes an imperative. Adequacy of resources and levels of output quality can only be seriously contemplated within a national system. This is why ANTA was established: to provide funding and a system with overarching standards and mechanisms to improve quality. What was also required was the maintenance of state effort.

We have made substantial gains, but more has to be done.

I am pleased to see the involvement of business in vocational education and training, but the truth is, individual businesses cannot see, or affect, the whole picture. And government oversight of taxpayers' subsidies to business is necessarily limited. In this environment, the onus for leadership or momentum cannot be put onto business. And it must be acknowledged that many business programs focus on short time-lines. Business is unlikely to see itself as responsible for the long-term developmental needs of workers other than where the interests of the business and the broader national training interest is likely to coincide.

When Labor put in place a national training levy, part of the purpose was to tempt business into a dialogue with government, to bring business with a real financial stake in vocational education to the table and to share, and work out, national training issues. And much has happened since then. As a result of the levy, privately provided training is well and truly part of the landscape. Now it is the public system which is in need of a larger role in the training story.

At the moment, this sector is at risk of failing to meet Australia's needs. Supply of public places is not keeping up with the demand.

Organisations like, for instance, the Northern Melbourne Institute of TAFE literally cannot keep up with the training requirements of its diverse community. In 1995, NMIT was funded for 5.228 million student contact hours. Today, in 2003, it is funded for 5.207 million student contact hours. Slightly less than eight years ago.

Meanwhile, private providers of vocational education and training are receiving substantial support. A full 50 per cent of growth in ANTA funding to Victoria from

1992 to 2003 has gone to private-sector providers. One thing to remember is that private providers are not asked to provide the same communal facilities as the TAFE's, they face less stringent accountability requirements, and are not asked to provide support for students in housing, counselling and student life.

And sometimes our public institutions face outbreaks of government-sponsored managerialism which is dispiriting to them. One of the performance measurements faced by one TAFE was based on student contact hours per square metre of facility. This particular institution has 2000 acres of farmland, which is used for the teaching of various programs. To meet the SCH/square metre requirements it would need to enrol a further 618,000 students. At which point it would be entitled to an extra \$4.7 billion of extra funding.

None of this is to say that a healthy level of private-sector funding is not desirable. It is. But one must render to Caesar the things that are Caesar's. Public institutions in relative or absolute decline are never a pretty sight. Institutionally, only the Commonwealth government can provide the wherewithal to get the balance right and to keep it there.

Perhaps a word here about conditionality might be appropriate. In the old days conditionality identified itself as matching grants. The Commonwealth underwrote programs, but the funding had to be matched by participating states.

In this way, ANTA could be more handsomely funded by the Commonwealth, knowing there would be no decline in the effort of recipient states.

This would also allow disparities of quality to be addressed with a much more even system emerging.

Such a policy would soon stimulate all states to consider their VET budgets more carefully and move towards a healthy expansion of the entire system.

If matching funding from the Commonwealth were made open-ended, as it is, for instance, with additions to the private-school stock, growth in the quality and availability of vocational education and training could move rapidly to attain the levels we need to underpin the continuing productivity growth on which our whole economy depends.

Education is the centrepiece of any modern economy. It is how we keep the culture of our productivity alive and well; it is the key to personal mobility and one of the important ways we promote individual self-regard and esteem.

I look at young people today and I am struck by their cheerful acceptance of a commitment-free world, their seeming comfort with an era in which most things, including employment, are provisional and almost certainly impermanent. They know they have to live off their wits, and rely on their skills, that they are to be granted very little.

It is up to those in leadership to keep the pressure on for an education and training system which, at least, will give these young people the tools, the skills, the attitudes

and the confidence to carry on and to thrive. For their own sakes, and for all our sakes.