

## **Repositioning TAFEs in the Education State**

### ***Welcome***

- Thank you for the kind introduction.
- I acknowledge the Wurundjeri people of the Kulin Nation, the traditional owners of the land on which we meet today.
- I pay my respects to their Elders, past and present, and the Elders from other communities who may be here today.

### ***Acknowledgements***

- Taking time to reflect on the state of the VET sector and to look strategically at the role of TAFEs is critical.
- I pass on my gratitude to Andrew Williamson and Leonie Burrows for the organisation of such a significant agenda today.
- Gill Callister, Secretary of the Department was to give this address this morning, however, has ended up being out of the office this week. Gill very much wanted to make this address and passes on her apologies that she is unable to be with you.
- I also acknowledge the TAFE leaders here today and I thank you for the opportunity to discuss the Education

State and the distinct role public providers will play in a reformed VET system.

- We are also privileged to have several international visitors here today to address the issue of innovation and the role of VET.
- Dr Robert Luke from George Brown College, Toronto and Dr Margaret Leonard from the Ara Institute of Canterbury, Christchurch have important messages for us as we think of strengthening the role of TAFEs.
- For those representatives from dual sector universities here this morning, please note that when I say TAFE I am also referring to you.

### ***Introduction***

- The conference theme is apt - *Future Now, Collaborate, Innovate*.
- Collaboration and Innovation aligns well with the priorities of the Government.
- Today I want to talk about:

1. The purpose of the Education State

2. The role the Government sees for TAFE in delivering Education State outcomes that will set Victoria up for the future
3. The way we need to collaborate – Government with you and you together – if we are to meet the skills challenge we face.

### ***The economy is changing***

- The **Education State** is a critical platform for Victoria's future.
- It promises to be one of the most far-reaching socio-economic reform programs for Victoria and will prepare us for the future.
- The Victorian economy is performing well. The indicators are positive. We have the second highest rate of consumption and investment spending in Australia, behind NSW.
- And since November 2014 there has been over 111,000 full-time and almost 36,000 part-time jobs created, already meeting the Government's target of creating 100,000 new jobs in its first two years.

- But our economic health is explained primarily by our population.
- Victoria has the nation's strongest population growth, of just over 100,000 per annum.
- Around 55 per cent of that annual growth comes from overseas migrants, many of whom are temporary international students. (In fact, there were around 175,000 international students in 2015 in Victoria.),
- The remainder of the growth is through interstate migration and natural population growth.
- I'm sure you would agree that our transport and infrastructure is feeling the pressure.
- We should be grateful though because the other two ingredients of economic success - *productivity and participation* - tell another story.
- In Victoria, over the last decade, labour productivity has halved and is well below the national average.
- We should be getting more output from our labour force.
- Part of the solution is to use skills better and more productively.

- And over the past decade the rate of those participating in work has declined. Many have given up looking for work, or haven't even tried. And others would like to work more hours.
- We all know who fall into these categories.
- About 40,000 of our young people are not in work, or not studying
- In regional Victoria males in formal work has fallen 11.5 percent over the last 10 years.
- And, of course, with the approaching closure of the auto assembly sector, there may be more people who may decide not to pursue work.
- This sets a **threefold challenge** for the Education State
- **Firstly**, we need to support industry to grow. When industries and businesses are growing, jobs will follow.
- Victoria is particularly attuned to the impact of challenges facing Victoria's industry. We can no longer rely on manufacturing to create jobs. That sector is changing, demonstrated by the coming closure of our auto assembly plants. Up to 24,000 jobs in these plants and through supply-chains could be lost,

- although we are working hard to make sure re-training offers new job opportunities for those leaving the industry.
- In response to these changes, the Victorian Government has identified six industry sectors as priority for growth. They leverage off the state's advantages.
- Our strong research capacity can generate new ideas and products.
- A highly skilled workforce can then develop these ideas into products and services
- Business can invest with confidence based on sound financial systems
- Our world-class liveable city attracts and keeps workers close to business.
- This creates an economic and social eco-system comprising innovators, skilled workers and entrepreneurs operating in close proximity.
- These industries have the potential to drive up to \$70 billion in additional economic output by the year 2025, and could create over 400,000 new jobs for Victorians (Victorian Government, 2016).

- What has this got to do with our VET system? Well, a lot.
- Access to skilled workers builds the confidence for business to invest and grow.
- Workers who have contemporary skills to an industry-wide standard help businesses to improve.
- This has been the rationale for VET for a long-time, but has been lost in recent times.
- A laissez-faire approach to qualifications, and delivery dictated by the most attractive subsidy rate, does little to support training to an industry standard.
- That is why the Government has appointed the Victorian Skills Commissioner.
- The Commissioner is working with employer organisations, trade unions, professional associations and employers to hear firsthand about training needs. Neil's advice will inform the Government's funding priorities, especially the courses the Government will fund, and the new courses that are required.
- Industry will be held accountable.
  - Pursuing training at the behest of industry that only leads to poor job prospects is a false hope. We are

asking industry and employers to step up to the plate in this regard.

- And defining qualifications that simply prescribe skills leading to work that is poorly paid and insecure is nothing more than a labour market program.
- We need to do more than just graduating students.
- Governments are demanding more from their investment in skills. They want to explore new areas of economic growth.
- And this is where we need the training system to help business to innovate and to improve their productivity
- We should not be put off by the term **innovation** despite the recent federal election.
- Commentators felt that the term '**innovation**' was regarded as some mysterious process restricted to the elite.
- Innovation is expressed in many forms. It may be a new idea or new product, but equally it can be a better and more efficient way of doing something.

- In the face of cost pressures and increasing competition many businesses are looking for the next stage of efficiency in the way they work.
- The World Economic Forum ranks Australia 22nd in the World Competitiveness Index.
- This is built off the back of our world-class schooling and tertiary education and health services.
- And while for innovation we are ranked 26th this is due to the strength of our research institutions and intellectual property rights.
- Our capacity to innovate – *the way in which businesses can apply innovation and improve productivity* - is ranked in the high 20s.
- And we are in the high 30s for company expenditure on R&D.
- This is salutary. Is our research and new ways of doing things locked up in our education and training institutions?
- In my view the VET sector is perfectly placed to unlock innovation, technology and new skills. It's in our DNA to connect with businesses and organisations.

- It's a natural extension to ask high end trusted providers to actively support businesses and organisations in productivity improvement.
- But firms do not just see new and higher order skills as the solution to productivity.
- Capital investment is another of the key ingredients. And many industries are in the midst of gearing up for the next wave of automation.
- The Committee for Economic Development of Australia predicts that the next wave of technology – often described as the **internet of things**, or the **fourth industrial revolution** – means that nearly 40 per cent of current jobs have a high probability (greater than 0.7) of being computerised or automated in the next 10 to 15 years.
- Research by the Foundation for Young Australians indicates that 70 percent of young people are entering into jobs that will be radically impacted by automation.
- This does not mean that jobs in the macro will be lost. It means that different skills are required.
- This is a major challenge facing VET globally – training our participants to access jobs new technology will bring.

- This is the **second** dimension of the Education State challenge.
- We need to shift the capability set of our workforce. A focus solely on technical skills is not enough. Automation tells us that routine manual tasks will eventually be automated.
- Service-based industries are forecast to grow to 83 percent of employment by 2031 leading to an extra 811,000 jobs
- We need to deliver skilled workers with fundamentally different capabilities. In a world increasingly reliant on services we need skills:
  - to engage
  - to collaborate and
  - to negotiate.
- The days of workers operating in production lines doing repetitive tasks are limited.
- Workers will need to be comfortable engaging with technology. They will need to bring design and integration skills and technical literacy into their work practices.

- The Tech Schools initiative is a clear demonstration of the Government's commitment in this area. Tech Schools will effectively act as incubator for higher order skills by exposing school age students to the possibilities from innovation and technology.
- The **third challenge** is to make sure all Victorians can benefit from these opportunities.
- If only a few benefit from training and secure new jobs then the full extent of the Education State will not be achieved.
- The growth of new and higher level skills risks further alienating those with low skills
- Those who face educational disadvantage are more than likely to also face the same disadvantage getting work.
- This is why we are clear that someone's career aspirations should not be constrained by where they live or the circumstances of their household.
- Our education services need to work hard, and differently, for those who face disadvantage.
- Jobs Victoria is a new initiative and will provide targeted support to help the most disadvantaged into a job.

- Access to high quality and relevant training is a key ingredient in this service.
- Your **Skills and job centres** should act as the contact point for those people.
- We'll continue to connect you with Jobs Victoria to help keep these initiatives connected.

### ***Concluding Remarks on Education State***

- The promise of the Education State therefore is to
  - help grow industry through a highly skilled workforce;
  - lift the capability set across our working age population to grasp opportunities arising from automation and innovation, and
  - opening job opportunities through training for the most disadvantaged.
- A strong, robust and flexible training sector is the essential platform to deliver on this promise.

### ***Recent challenges for TAFEs***

- The VET sector itself has experienced firsthand the impact of industry change brought about by external shocks, albeit mainly from governments.
- You have experienced in several waves the loss of students to other providers or sectors. TAFE training market share has been reducing since 2010.
- There was a major movement of students to other providers under the Victorian Training Guarantee.
- In recent times, the rampant growth of VET FEE-HELP and then the roll-out of demand driven higher education, have also drawn students away.
- As industry needs to invest for the future, so do TAFEs.
- The Government has made direct investments to assist TAFEs reposition.
- This has been the rationale for the direct funds we have made available
  - *TAFE Rescue Fund*
  - *TAFE Back to Work Fund*
  - *TAFE Boost* and
  - *TAFE Community Services Fund*

- In the absence of this funding, the TAFE sector would have reported an operating deficit of \$134 million.
- This source of funding cannot be guaranteed into the future and we need to ensure that TAFEs, all TAFEs, reposition for growth.
- The response to the VET Funding Review by Bruce Mackenzie and Neil Coulson and the Government's actions in response to the quality review will go a long way to help.
- Bruce and Neil concluded that the existing one-size-fits-all "market approach" for VET in Victoria has had several limitations.
- The position and role of TAFEs was undermined when funding to support functions to serve the community was withdrawn, with little notice.
- When subsidy rates were cut, many providers compromised training quality and it triggered a race to the bottom across the sector.
- We have taken significant steps towards protecting and driving the quality of Government funded training in Victoria.

- We aim to **level the playing field on quality** so you are **competing on equitable terms** with other providers.

### ***The new role for TAFEs***

- As you would have heard from the Minister last night, the Government is placing new expectations on public providers.
- As public entities you are a critical tool of government.
- As public providers, you play a key role as the benchmark for high quality training across our VET system.
- In order to meet this goal, we must ensure that you are a strong, healthy and sustainable part of this system.
- The recent governance changes to your boards positions you for growth and to deliver on these new expectations.
- The foundations are being laid for you to become the provider of choice – for students, for industry and communities.
- The funding review response will go some of the way to repositioning TAFEs.
- But working in partnership is the other key to recovery and repositioning TAFEs.

- I am heartened by the collaboration underway through projects facilitated by the VTA (through the former government's *TAFE Structural Adjustment Fund*).
- But technology and skills are only as good as they are applied in the work-place and in business.
- This is the new higher order expectation on VET, particularly TAFEs, to work across industry to maximise the benefit from skills and technology.
- The recent Census experience highlights that Cyber security is one of the 21st century skills we need.
- The pace of innovation and technology advances mean that more organisations are collecting huge amounts of sensitive data, which others would like to access.
- Demand for cyber security services is expected to grow by at least 21 per cent over the next five years.
- Box Hill Institute has partnered with a range of cyber security industry experts, including security and defence giant BAE Systems, so the skills the industry is looking for are embedded in their cyber security course.
- And there are many other examples, as displayed yesterday in the plenary session.

- The position of all TAFEs can be improved if we leverage off each other's strengths.
- We have strong expectations in this regard.
- But in a system whose purpose is to offer opportunity for citizens we still need to attract students
- A competitive system for students will continue into the future.
- We want to support you to bring students back to TAFE based on your reputation for quality, your connections with industry and the job prospects from your training.
- We want to help you deliver on behalf of Victoria.
- We want to partner with you to build a highly skilled workforce for industry; to deliver new capabilities to students so they are prepared for the future and to lift the most disadvantaged in our community into a productive future.
- This drives us in the Education State and I hope it drives you.

## ***Conclusion***

- Government has entrusted the Victorian TAFE network with a critical role in achieving its human capital, economic and social agenda.
- Nationally there has been a great deal of debate, indeed, scepticism, as to TAFE's capacity to play this role
- But in Victoria, Government has made clear commitments and resourced the public providers to meet these roles.
- TAFE has been at the centre of the government's approach to its social and economic agenda
- Your leadership is required now to reform your institutions and build the TAFE network so together you can deliver on these expectations
- To become the providers of choice that Government needs you to become you will need to lift your organisational efficiency, and strengthen teaching practice and industry engagement.
- This is a call to action - a time for reform - a time to take the initiative - a time to innovate - but importantly, for you and for us as the department, to work in partnership to achieve this vision.
- **We can** achieve this together and be the Education State!

- The community, industry and policy makers have asked are we up to the task – I truly believe that together we are. The nation is watching what we do.

**Thank you.**