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Minister for Higher Education and Skills

**Speech to the Victorian TAFE Association (VTA) State Conference**

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Could I begin by acknowledging the traditional custodians of this land, and pay my respects to elders past and present. While NAIDOC Week officially concluded last week can I also take the opportunity to mention the many wonderful celebrations we saw across the State acknowledging the contribution of indigenous peoples to our great state and our great country.

Indeed, as I talk to you this morning about the reforms to Victoria's vocational education and training system, can I say that it is a source of pride to me that since the Coalition Government came into office in 2010 indigenous student enrolments have increased by 35 per cent.

Yours is a sector that is playing a key role in enabling lifelong learning for indigenous Australians. And for that I thank you.

Today I want to speak about reforms to the training system in Victoria.

Reforms that began in 2008 under the former Brumby government, which were refocused and improved by the Napthine Coalition Government and which, 6 years later, have re-shaped vocational education and training in this State and continue to do so.

I will talk today about why the system needed to change in the first place – something we can lose sight of when the process of reform gets tough.

I want to outline how the Coalition government has sought to address the mistakes made by our predecessors while still recognising that reforms must continue if the training sector is to keep pace with a changing State economy.

I will also talk about what the Victorian training market now looks like – bigger; more competitive; more targeted; more responsive.

Finally, I will talk about what it takes to thrive in the modern Victorian training market.

Transforming this sector, I know, has presented both significant opportunities and profound challenges for TAFE.

As tough as it has been, I truly believe TAFE is well placed to thrive in this competitive landscape, and I want to outline how we are all working together to enjoy the benefits of reform.

At the risk of providing a history lesson to an audience that doesn't need one, can I briefly cast your minds back to 2008 when the former Government introduced a competitive training market to Victoria.

I think it's important that we remember – regardless of what the Opposition may say as we approach a State election – that it was always the previous Government's vision to see TAFE's competing with both established and emerging private RTOs in a growing, demand driven training market.

I would like to take this opportunity to briefly quote the Foreword from the former Premier's *Securing Jobs for Our Future* policy:

*The Victorian Government recognises the clear need for structural changes in the way the training system works, the way in which government funding flows to providers and the training products and services that individuals and businesses can access with government support. It is clear that change must be far-reaching and it must begin now."*

*And*

*Government subsidised training in Victoria will be focused on individual and business needs, led by individuals and business demand and delivered by capable, flexible and competitive providers, both public and private.*

So the system we inherited on winning government in 2010 was already in the throes of that fundamental – at times bruising – reform.

Were mistakes made? Absolutely.

Would the Coalition have done some things differently? Definitely.

But do we agree that the training system needed reform? Yes.

As George Bernard Shaw said, *“progress is impossible without change, and those who cannot change their minds cannot change anything.”*

When the Government took office in 2010, we didn’t set out to wind back the clock and undo changes that were already underway: changes around which businesses had been established and important decisions had been made by students and employers about their training needs.

We weren’t about to pull the rug out from underneath the sector again.

Instead, we re-examined the economic and social factors that were driving the need for reform and made sure the changes would be successful in addressing them.

And let me tell you, the factors driving the need for training reform in Victoria were compelling:

1. The prolonged resources boom that substantially restructured the national economy had a markedly different impact on our State than it did on other States like Western Australia and Queensland.

Far from being the beneficiaries of that boom, a stubbornly high Australian dollar has compounded pressures on Victorian manufacturing, having a profound impact on the industrial landscape of our State.

Those manufacturers that will continue to thrive in Victoria are those that move “up the value chain”, adopt advanced manufacturing practices and invest heavily in skills and training.

2. At the same time, innovative Victorian business have increasingly turned their attention to the capturing opportunities arising from the economic emergence of Asia, especially in high valued services such as health, international education and social support.
3. And of course, the Coalition Government’s has committed to a \$27 billion investment in State infrastructure, and that will bring with it an enormous demand for skills and a responsive training sector.
4. We also saw a rapidly and vastly changing labour market in which an ageing population coupled with the rapid growth in career switching - a “Gen Y” is now expected to have about 10 career changes in their lifetime – This presented profound policy challenges.

In order to rise to these challenges, Victoria needed to boost training enrolments.

We needed a training sector that not only responded to the needs of industry, but anticipated its future needs.

We needed a more diverse training sector that would do a better job of encouraging disadvantaged learners into training.

And we need to better target incentives to training in the skills the State needed the most.

So if those were the challenges that training reform sought to address, what have we done since, and what has been the impact?

The Government's *Refocusing Vocational Training in Victoria* reforms have at their core the simple objective of building the most dynamic, efficient and responsive training market in the country.

We want to give people the best chance possible of securing meaningful and long-term employment through access to quality training in industry-relevant skills.

What does this mean? In simple terms, four very important things.

Firstly, it means more government funding for training.

This Government is providing the highest level of budgeted funding for training delivery ever committed in the state: \$1.2 billion per year on training subsidies per year, totalling nearly \$5 billion over the forward estimates.

I won't miss the opportunity to say that that amount is 50% more than was provided by the previous Government.

And when we look at the rest of Australia, recent Mitchell Institute research and analysis of public funding for VET clearly demonstrates that beyond Victoria, government funding was only \$50 million higher in 2012 compared to 2003.

By comparison, in 2013 annual funding provided for VET subsidised courses in Victoria by this Government was more than \$400 million higher than it was in 2010.

That is more than 8 times the growth in funding of the other states and territories combined.

Data can play tricks, but this is not smoke and mirrors. Together the other states and territories combined do not even come close to the extra investment that the Coalition Government has contributed to building a better training system for Victoria.

Secondly, it means focusing on employment outcomes.

We're improving the way we fund vocational training to better link it to employment outcomes and industry need.

Employers and industry now provide direct advice to government on what they need from the training system. They tell us what skills they need and value and how satisfied they are with individual training providers, and all of that is directly linked to how the sector is funded.

Thirdly, it means helping people to make informed decisions.

Students and employers now know they have a choice of training provider. That's a good thing, but it also means there is a responsibility for governments to help ensure those choices are well informed, which we are delivering through the new websites, *Victorian Skills Gateway* and *Rate Your Training*.

Finally, it means stronger regulation.

I can't stand in a room like this, look each of you in the eye, and tell you that you've got to get out there and compete if we, the Government doesn't get

our own house in order by strengthen quality assurance systems that ensure competition is fair.

So we're raising entry standards for training providers that deliver government subsidised training in Victoria.

We're continuing to crackdown on poor quality provision, we're weeding out low quality providers and we're enhancing the capability of the training market monitoring unit to monitor levels of competition, and trends in quality and price.

I'm enormously proud of what these reforms have achieved to date.

Let me tell you why.

The growth in the number of students accessing training in Victoria has been massive. Enrolments have grown by 51 per cent since 2010.

And can I tell you that Victoria is punching well above its weight, accounting for 34 per cent of all enrolments in VET nationally, while our State comprises just 25 per cent of the population.

We're also seeing the rewards of using price signals to improve training outcomes, which we commenced in 2013.

Last year, almost 70 per cent of government subsidised enrolments were in public good and high value skills areas, compared with 49 per cent in 2010.

Finally, we're expanding opportunities and support for students who face barriers to participating in training.

Since 2010:

- Enrolments by unemployed students have increased by 112 per cent;
- Enrolments by students from diverse cultural and linguistic backgrounds have increased by 96 per cent;

- Enrolments by students with a disability have increased by 51 per cent; and,
- Enrolments by indigenous students have increased by 35 per cent.

I'm not trying to gild the lily.

I know that the changes to the training market in Victoria haven't been all roses – I'll speak more about that in a moment.

But I do think we need to recognise two things:

- Firstly, the case for change was compelling; and,
- Secondly, despite the challenges, there is a great deal to celebrate in the outcomes I have just mentioned, outcomes that have been the motivation for all other States to follow Victoria's lead and reform their own training sectors.

So where are we now?

What does the competitive Victorian training market look like in 2014?

Firstly, in the private RTO sector, we are seeing fewer new entrants and increasing consolidation, both hallmarks of a market that is maturing.

There are 100 fewer RTOs accessing government subsidies than there were in 2011, a result of both the Government raising the bar for market entry and through mergers and acquisitions of RTOs.

As private providers grow with improved economies of scale and scope, so too are TAFEs adapting to remain competitive in the student focused market.

Despite popular misconception, TAFE enrolments have *not* fallen.

They have in fact grown by 11 per cent since 2010, and TAFE share of government funding remains much higher than their share of enrolments.

It is true, however, that TAFE's overall market share has declined since the introduction of a demand driven system in 2008:

This was an inevitable outcome of the "far reaching" change to the training market that the former Premier envisaged, which has forced TAFE institutes to examine their own efficiencies and economies of scale in the face of a very sudden shift in the competitive landscape.

I often cite the example of NMIT.

Once the principal provider of training in the Northern Metropolitan region of Melbourne, which was thrust into a competitive landscape that now sees it compete with some 187 other providers including;

5 other TAFE Institutes,

35 Learn Local providers; and,

148 private training providers.

A competitive shift as sudden and profound as that would be tough for any organisation, but I commend NMIT and its interim CEO Ron Gauci and chair John Gibbins for championing reform of its operations and rising to the competitive challenge.

The independent TAFE Reform Panel found that Victoria has the most TAFE institutes of any Australian State or Territory and that, relative to other jurisdictions, regional and rural TAFE institutes in Victoria generally have fewer students.

I know that, as leaders in your own institutions, review findings like that, coupled with competition from increasingly scaled and sophisticated private RTOs force you to ask hard questions in your organisations: questions made harder by the blowtorch of public and media scrutiny.

The simple fact is

students and employers are increasingly aware they have greater choice for publicly funded training, and they are not always going to choose TAFE.

That is not going to change.

TAFE must be able to deliver innovative, flexible training that is responsive to the needs of industry if it is going to remain competitive in this changed training landscape.

But can I say this to you

I know you can do it.

When I speak with employers and students all over the State, I am struck by the strong affection and loyalty to the TAFE brand that runs deep in our community.

Those deep roots in the Victorian community reassure me that TAFE will continue to be a fundamental provider in the State's training landscape into the future.

So before I finish, may I offer some brief remarks drawing on the observations, conversations and learning following discussions with many of you in the TAFE community

- TAFE leaders I speak with tell me that TAFEs need to be more responsive to student needs and changing preferences, and need to innovate in product and delivery modes.
- They tell me that TAFEs need strong governance that effectively sets strategic vision and challenges management to deliver better outcomes.
- They tell me TAFEs need to anticipate the needs of industry, asking themselves not just “what are the businesses in our community?” but also “what will be the businesses in our community in 5, 10, 15 years.”

- And they tell me that TAFEs need to provide a compelling reason for employer and student choice - they need to be customer focussed.

As I travel around the State I see and hear many examples of TAFEs doing all those things in order to succeed in a competitive market.

- I've seen The Gordon Institute announce the second stage of the Skilling the Bay initiative to support workers in transition in the Geelong region.
- I've seen Chisholm Institute attract more than 200 industry guests to contribute to a forum about the future of the manufacturing sector.
- I've heard that SuniTAFE student Joel Schwarz, from Mildura, was awarded the Australian School Based Apprentice of the Year for 2013.

I also see evidence of that success in the strong financial performance of our best TAFE institutes that runs counter to the media narrative depicting 2013 as a "horror year" for TAFE.

I believe strongly that we have a TAFE system in Victoria that will continue to lead the way both in Australia and in building new markets overseas.

The Coalition Government believes that too, which is why we are making commitments to foster the conditions in which TAFE can thrive.

- Firstly, we are providing greater operational and commercial autonomy by allowing TAFEs to set your own fees, negotiate your own EBAs and manage your own assets.
- Secondly, we are providing funding through the TAFE Structural Adjustment Fund to support necessary structural adjustments to build financial sustainability.

- Thirdly, we are continuing to strengthen the quality assurance mechanism of the VET sector and weed out poor practice so that you don't find yourself having to compete on unfair terms.
- And finally we are committing the largest ever expenditure in Victoria to subsidised training places - \$1.2 billion each year for the next four years.

I ask you, as our TAFE leaders, to do your part too.

Firstly, by delivering training that is responsive and innovative, by investing in better governance and by asking the "hard questions" in your institutes.

Secondly, and just as importantly, preserve and strengthen the TAFE brand. Help us stop the cycle of negative, mis-informed media coverage that damages confidence in the TAFE sector and leads to students or employers making decisions based on spin rather than evidence.

We must never forget that we are all custodians of the TAFE brand.

Young people entering the Victorian training system today are accustomed to exercising choice in all aspects of their lives, and they are influenced more than ever by public reputation and perception.

They will know nothing other than a training market where different providers compete for their enrolment, and let me tell you that if we allow ourselves to run down the TAFE brand we are competing with our strongest asset effectively wasted.

As Tony Blair said:

*"Human progress has never been shaped by commentators, complainers or cynics."*

I am very proud that we have created a modern vocational training system in this State that is improving the life prospects for more Victorians than ever.

I am proud that we have a system that is more efficient and effective, more innovative and responsive to industry and employer needs, and ultimately more sustainable.

I believe Victoria will continue to have the best vocational training system in Australia

- And by working together we have the opportunity to make our training system a global leader.

We will only achieve this esteemed position if we continue to work collaboratively in the best interests of students and employers.

I look forward to continuing to work with you and individual TAFEs to build the workforce that will help grow Victoria's economy into the future.

I am also committed to working with the Board and Executive of the VTA to foster a collaborative relationship and so that all of Victoria can benefit from our TAFE institutes.

Thank you.