



Speech

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Swinburne University 2014 Chancellor's Lecture by Jennifer Westacott: Redefining Vocational Learning in the Global Economy

Introduction

Thank you Bill. It is a great honour to be here to give this year's Chancellor's Lecture.

Bill Scales is a great friend of the Business Council of Australia.

He is one of those rare Australians who can move seamlessly between the public, private and academic communities, constantly adding value, constantly challenging lazy assumptions.

He is a great joy to work with.

Swinburne, of course, is a great Australian institution famous for innovating and pioneering approaches to education.

It has a history of responding to the changing needs of young people seeking work.

To the changing needs of employers and the changing nature of workplaces.

The legacy of the original Technical College has not been overshadowed by the perceived status of university education.

I know that Swinburne takes as much pride in its vocational programs as it does in its higher education offerings.

And this is the area I want to focus on tonight.

Make no mistake, the higher education system is not short of people with opinions. VET on the other hand, needs more powerful friends.

The Business Council of Australia is as interested in VET and skills as it is in schools and universities.

We are deeply concerned that the national debate always seems to focus on schools and universities.

I want to focus on VET tonight because we simply cannot afford to see it as the "also-ran" of the education system.

VET is a crucial piece of the national armour we need to protect Australia's economic competitiveness and social cohesion.

If we undervalue VET, we will continue to push the university sector to become more of a mass education sector, which it was not designed to be.

More importantly, if we undervalue VET, we will abrogate our responsibility as a nation to maximise people's potential to have good and rewarding jobs, and the capacity to take up new ones over the course of their lifetime.

I am going to cover four themes this evening:

1. First, I want to explain what I mean when I talk about a skills and VET system.
2. Secondly, I'll offer a sense of the economic and social context that makes changing the system so fundamentally important.
3. The third section of the lecture will identify what I believe to be the main weaknesses in the system as it stands, and
4. Finally, I want to make some practical suggestions for change.

What I mean by a skills and VET system

So let me begin by explaining briefly what I mean by a "VET and skills system".

When I talk about VET, I mean the part of the tertiary education system that delivers the certificate level qualifications and diplomas.

And I'm talking about both public and private providers.

I know that the boundaries between higher education and vocational education are becoming increasingly blurred.

Changes to the funding of some VET qualifications announced in the recent budget have increased that momentum, for the better, in my view.

For the first time, the Commonwealth will provide direct financial support to students studying diplomas, advanced diplomas and associate degrees.

This is a strong recognition of the value of the Swinburne model – giving students a choice of qualifications and a choice of pathways.

A second important change is making this direct financial support available to students at approved, private institutions.

Now, what's really important is how we build on these reforms so that the VET system can be better organised and aligned to achieve Australia's economic and social objectives.

Of all the education sectors, I believe that VET has the most complicated and, arguably, the most important task in the context of economic transition.

Context

So, let me briefly outline the context that makes a renewal of this forgotten hero of the education system an imperative.

We, this generation of Australians, the luckiest generation to have ever lived on the planet in my view, are standing on the precipice of three monumental changes that will transform the way we live, the way we work and the way we learn.

I'm talking about technology and the rise of globalisation. And the fundamental structural shift in our demographics.

Some will argue that these changes are not as profound as many in our history. But it is the speed and scale of change, and the level of disruption, that is arguably different.

I'm not going to give you an economics lecture tonight but let me put a few facts on the table:

World economic power has shifted dramatically.

Emerging and developing Asia now accounts for more than a quarter of global output, compared with around ten per cent two decades ago.

The Chinese economy is now the second largest in the world at 9 trillion US dollars. It is also now Australia's largest trading partner.

The speed of digitisation has been astonishing.

In 2014, with 7.2 billion people on the planet, there are 6.9 billion mobile devices.

In the last five years, there has been a fivefold increase in the number of adults using the internet via a mobile phone.

There is no business model that is not under threat from technological change.

Globalisation and technology will profoundly change the competitive landscape and the landscape for work.

Barriers to entry are gone.

Corporate governance structures will change. The consumer will dictate how services are delivered. Everything is mobile. Everything is tradeable.

Old jobs and tasks will be rapidly replaced by others.

Some sectors will be concentrated in parts of the globe where labour is cheaper, and not in developed economies.

And companies will source the highest skilled labour from wherever they can get it.

A comparative advantage for this country must be to train, attract and retain the best and brightest people in the world.

In respect of demographics, we are confronting the ageing of our population, and major changes and challenges to participation, particularly amongst women and young people.

While women represent 45% of the workforce, they do not represent 45 per cent of the hours worked. This is serious untapped potential in our labour market.

And, despite almost 30 years of uninterrupted economic growth, we have unacceptably high levels of youth unemployment and underemployment.

It is alarming that 27 per cent of young people are neither in full time work or study, or a combination of the two.

This is a global problem and it will impact dramatically, not only on those individuals, but on all of us.

The untapped potential of future generations.

When you combine demographic shifts, and the technological and globalisation shifts, our workplaces will be, and must be, profoundly different.

We are moving from an environment characterised by qualifications, awards and jobs to an environment characterised by skills, capabilities and tasks.

And they will be as tradeable as commodities, services and products.

We are moving to a world where innovation and creativity will be the difference between success and failure – for companies, for governments, for individuals and for educational institutions.

For all these reasons, human capital development – that is, developing people to their full potential – is going to be the absolute game changer in keeping countries, and the people within them, productive, competitive and prosperous.

Countries are going to have to invest heavily and cleverly in education and training.

Last week, I was in Chengdu in China – a city of 14 million people, more than 50 universities and more 130 technical colleges.

The Chinese understand that education is a comparative advantage. They are investing heavily in it at all levels, and with absolute purpose and intent.

We must do the same.

It's not necessarily about more money, but smarter, more purposeful spending.

What does this mean for the skills and VET system?

Why is the skills and VET system so important in all of this?

The macro trends I've described mean that to compete and thrive, Australia must increase the stock of skills intrinsic to innovation, competitiveness and productivity.

These include both technical skills and broader competencies such as problem solving, collaboration and design thinking.

VET matters a great deal because it's a core part of an education and training system that needs to facilitate seamless transitions for people across their adult life.

The system plays three very important roles here, in providing programs and services to:

- people entering the workforce
- people already in the workforce
- people who are outside the workforce, and often marginalised from getting in.

VET matters because it underpins occupational mobility, and helps people re-tool for the new opportunities and jobs of the future.

It equips people to move from lower to higher value jobs.

It helps people keep pace with changing technology and thinking.

It increases workforce participation.

VET is an environment designed for adult learning.

It is a pathway to a job, but it's also a pathway to higher education.

And it is central to preparing the whole population for rapid social and technological change.

We ignore the VET sector at our peril because it will be one of the great levers for managing this rapid transition.

Current weaknesses

I'm focusing on VET, not just because of its importance, but because I don't believe the system, as it currently stands, is up to the task.

Let me divide the weaknesses, as I see them, into five main areas.

First, no matter what successive governments have said, future-proofing VET has not been a national priority and this has to change.

Second, in terms of today's jobs:

- VET graduates are not sufficiently equipped to be productive in the workforce.

- this is largely because of well-known problems with training packages, which define specific occupational pathways rather than broader learning pathways.
- quality is still patchy
- the system is linear and siloed, when it needs to be modular and seamless
- the inadequate interface between schools, VET, industry and higher education means we haven't had the seamless education system we need to adjust to the changes I've talked about.

Tomorrow's jobs

In terms of tomorrow's jobs, the weaknesses and rigidities in the system will be amplified by the pace of change confronting us.

The principal weakness is that we don't have the institutional arrangements to imagine the jobs of the future.

There's a perception of a growing mismatch between what employers want and the skills and capabilities people graduate with.

It may not be a skills shortage that's our biggest challenge, but a skills mismatch.

And we don't have the teaching and learning arrangements that equip people with the agility to succeed in the workplaces of the future.

Our focus on qualifications linked to specific jobs will be at the expense of the broader cognitive skills and competencies needed to address the complex problems industries will face.

Our rigid apprenticeship system will not keep pace with the speed at which people will need to retrain and obtain new qualifications.

The fourth problem area goes to funding levels, which are limited and inconsistent, over time and across the country.

State governments are the biggest funders of VET and in most states, their contributions are essentially static.

- the funding base is being steadily eroded with the weakening fiscal circumstances of the states
- schools get all the attention and savings in the VET system seem more politically palatable
- softening economic conditions also mean a softening in fee-for-service revenue, and a decline in the international student market for VET.

The fifth weakness is our failure to adequately provide foundation skills in both the VET sector and schools system.

It should be unacceptable to every Australian that in the 2012 OECD study, one in eight Australian adults was in the lowest band of literacy.

One in five was in the lowest band of numeracy.

How can we compete in a global world and make the transition in our economy if we cannot address the basics?

And why would we, as a decent society, allow people to face the exclusion and humiliation that comes from not having those basic skills?

System strengths

In addressing these weaknesses and reshaping VET to meet the needs of modern Australia, we must not lose sight of the system's great strengths.

- both provision and participation are continuing to grow
- the infrastructure of the public system is vast, and of very high-quality and very high-value to communities

- while links with industry need strengthening, by international standards, they're very good.

In short, this system is far from broken, but it is most definitely under pressure.

Left unchecked, it will inevitably collapse under the weight of need and expectation heading its way.

Suggestions for change

So, I've reached the part of my lecture where I'm going to put forward some suggestions for change.

I'm going to divide my ideas into five pillars for change.

The first of these pillars – it has to be first because it is a prerequisite for all the others - is to restore the role and status of VET as a national economic priority.

The Commonwealth Government's establishment of the VET Reform Task Force is an important, and very welcome, platform to renew the system.

Second, let's make a clear call on who is responsible to get the system working as it should.

Employment is a national market and a national responsibility.

A system that is so intrinsic to Australia's capacity to create and sustain the labour market, should not be devolved completely to the states.

I believe there are more risks than rewards in heading down this path.

While competition between states is important, we cannot take our eye off the main game which is global competitiveness.

We have to be thinking about Singapore, Hong Kong and cities like Chengdu.

The consequences of state-based systems diverging further from one another are real, and have significant national economic and personal consequences.

It's time to shine a very bright light on the ineffective and out of date Commonwealth-state arrangements on VET.

And the upcoming white paper process on the federation is an ideal opportunity.

My third pillar is around integration. Integration in the education system and integration with industry.

Across Australia, we must provide a better VET pathway for obtaining a Year 12 qualification.

Completing Year 12 leads to much higher rates of full time employment, a lower incidence of unemployment, higher wages and higher status jobs.

More than 62 per cent of unemployed youth have not completed a Year 12 qualification.

This is an early point of integration that we need to strengthen.

We need to unleash initiatives like PTECH, a partnership between New York Public Schools, the City University of New York and IBM.

The program teaches science and maths skills, along with problem solving and inquiry, to school students who are put to work on real world problems.

Integration with industry will also become increasingly important as we recognise the imperative to train people in the workplace.

That will require different job design by employers and different educational models by providers.

It will demand more flexibility in workplace relations, and in the whole concept of awards and qualifications.

If we expect people to retrain over their working lives, we can't expect or afford them to leave the workforce to do it.

But the necessary integration will involve an unprecedented level of cooperation between industry and providers.

And it should include industry-auspiced validation of assessment.

The fourth pillar for fixing VET is to work out who should provide what.

The system is, and will always be, a system of public and private providers.

But contestability is not a policy purpose in and of itself.

It is a means to achieve a more dynamic, more effective and more innovative system.

Competition has to be about encouraging providers to innovate, to specialise, to find new and better ways of helping people learn and acquire skills.

We must not have the public providers so constrained that they cannot participate in this. But they will need to adapt and change.

We need regulation that supports good outcomes. Not regulation that stifles innovation.

For both public and private providers, we need to move to a risk-based model, rather than designing a regulatory model for the few rogue players.

That will free up the high-quality, established providers to get on with the job.

Regulation must be outcomes focused, not an obsession with procedural and paper compliance.

TAFEs need to be freer to operate as distinct businesses on a commercial basis, as other government enterprises do.

They need to be able to borrow and to manage their assets.

They need streamlined processes to approve enterprise bargaining agreements, and more flexibility in remunerating staff.

The VET system, as I envisage it, will not operate as a perfect market and governments will need to be there to either deliver or explicitly fund some important gaps.

For example, in teaching the skills that are expensive to provide.

- teaching students in regional areas
- ensuring a stable, ongoing presence in particular communities
- focusing on students who need intensive help
- providing that vital social safety net of foundation skills
- dealing with new and emerging workforce needs.

The fifth pillar for change is to decide who should pay and how to get the funding incentives right.

The first step here is to address the Commonwealth–state issues I mentioned earlier, including governance.

Public funding for VET has not been addressed in the way it has for schools and universities.

Although governments are spending nearly \$6 billion a year on VET, we are getting fewer VET graduates than we need.

At the rate we are going, there won't be enough people with VET qualifications, particularly higher-level qualifications.

This is partly because the growth in numbers isn't translating into higher-level qualifications, and partly because completion rates are not strong.

The government has taken a crucial first step in extending its direct subsidy to higher VET qualifications and to all complying education providers.

But we need to see this followed through.

I am suggesting a thorough assessment of the real future investment requirements of VET, including:

- workforce requirements
- population growth projections
- the implementation of the VET student entitlement.

We need consistency in what is subsidised, and the level of subsidy available, across the federation.

It must no longer be left to the vagaries of state budgets to decide whether or not to adequately fund this key sector.

Expanding online and VET as an export

There are two other major changes that must take place if we are to have a VET system that provides a comparative advantage for Australia.

If we get the five pillars right, it should enable these two changes to happen more easily.

They are:

- developing a market for online teaching and assessment
- further developing VET as an export opportunity.

We have to put a global lens on VET as much as any other sector of our economy.

The technologically empowered student will decide how they learn and in what market.

If we don't have funding and governance models that drive innovation in online teaching, or allow VET to operate as an export opportunity, the system will wither on the vine.

But, let me be quite clear.

Expanding VET as an export industry or expanding online provision is no surrogate for repairing the funding and governance models across the federation.

Conclusion

So, what to do tomorrow?

I believe the first step is for the Australian Government to unambiguously affirm its national coordination role, and reject any suggestion that the system be devolved completely to the states.

Let me be very clear about this.

What I am suggesting is not a micro management role.

And it's not a provision role.

It is a strategic and national coordination role.

And it's essential.

The Commonwealth's role here should be about:

- standards
- national regulation
- working with the states to keep pace with changes in the labour market
- working with states to unleash a diversity of providers, and agile and adaptable models of delivery

- and it should be about continuing to track and measure outcomes.

Let's use the two, very important processes the government has put in place to get VET right.

Minister Macfarlane's VET reform task force should take a future focused look at the system.

Thinking about how we remove the rigidities I've talked about.

And how we can imagine a world where people will not have to leave school or employment to train and retrain.

The federation white paper process should be given the very specific task of examining the national employment market.

But perhaps the most important thing to do tomorrow, is to remember that this sector has been one of the great strengths of Australia's economic history.

It has given many people a pathway to successful careers.

It has picked up the pieces for many others when the school system has failed them.

And it has prepared our economy for major transitions we have faced in the past.

Our task now is to equip it to do all of these things into the future.

Thank you.

For further information contact:

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