

**The
Lance Barnard Memorial Address
to
Group Training Australia**

**by
Stephen Smith MP
Shadow Minister for Education and Training
Member for Perth
Friday 30 March 2007
Perth**

Introduction

Thank you for that introduction. I acknowledge Iain McDougall, the first Western Australian Chairman of Group Training Australia and Jim Barron, CEO of Group Training Australia.

It is a great privilege to be here today in my own electorate as Labor's Shadow Minister for Education and Training and the Federal Member for Perth to deliver Group Training Australia's Annual Lance Barnard Memorial Address.

In his life, Lance did many great things. A gunner in Africa during World War II, a Deputy Prime Minister to Gough Whitlam, and the majority partner by 14 portfolios to 13 in the famous 'duumvirate' two-man Cabinet in the opening breathless days of the first Whitlam Government 35 years ago.

He was also Minister for Defence and subsequently Australia's ambassador to Norway, Finland and Sweden.

These were all impressive and important roles.

More generally, he was a life-long teacher and a believer in the Commonwealth, the Nation State, having a responsibility to fund schools, to fund all schools.

Later in life, he was a fierce advocate of group training, believing that group training had the potential to play a major role in training our workforce.

As you know, he was involved in the introduction of group training into Tasmania, the inaugural chairman of Northern Group Training Tasmania and a driving force behind the creation of both the Tasmanian Group Training Association and Group Training Australia.

Lance Barnard's legacy sees this memorial address in his honour each year.

More significantly, his legacy is the 40,000 apprentices and trainees who through Group Training Australia and its network of group training organisations, are hosted by more than 35,000 businesses nation-wide.

A uniquely Australian idea, group training was designed to encourage the employment of apprentices and trainees by an umbrella organisation under an apprenticeship/traineeship training contract and placing them with a host employer.

This was borne out of recognition of the fact that there are significant restrictions limiting the ability of individual employers to invest in training by themselves.

It is, in crude terms, recognition that there is something to be gained by working together – that the sum is greater than the parts, an approach that applies as equally to your industry as it does to our own Federation, the Commonwealth of Australia. Working cooperatively with the States rather than ignoring them or blaming them tends to be much more productive in the long term.

Businesses today are confronted by a range of impediments that prevent them from taking on apprentices and trainees and the cost and effort associated with providing apprenticeship and traineeship programs.

Such impediments include the size of the organisation, competitive and budgetary pressures, work specialisation and increasingly complex training requirements.

It is only logical then that identified reasons for employers using group training providers today include:

- savings on recruitment and selection;
- avoidance of administrative complexity;
- saving on employment costs; and
- lack of continuous work.

Coming from a small base in the 1970s, these factors help explain why it is that group training bodies today employ nearly 15 per cent of all apprentices and trainees.

You are very well placed to appreciate what is needed to train and skill up Australia's workforce and to take us as a nation to the next level of productivity.

It is the productivity of our workforce that will secure our future prosperity.

Productivity growth and international competitiveness

The Australian economy is now well into its 16th year of continuous economic growth, dating back to the period of the previous Labor Government, and more recently the beneficiary of a minerals and petroleum resources boom.

Indeed, it is the minerals and petroleum resources boom that has done much to increase our collective prosperity in recent years. You need look no further than where you are today for the best evidence of that.

It is estimated that in 2006-07 alone the surge in the terms of trade inspired by the resources boom will add \$55 billion to our national income, or over \$3,000 per annum for each Australian. The flow-on effects of the resources boom include higher wages, lower unemployment, higher company profits, and a tax 'windfall' for the Federal Government. The resources boom is chiefly

responsible for an estimated \$28 billion increase to Federal Government tax revenue above its original estimates from 2002-03 to 2009-10.

But economic conditions are ever changing. The conditions that created the prosperity we have enjoyed in recent years will not guarantee our future long term prosperity.

And, as we approach the second decade of the 21st century, it is reasonable to assume that Australia may well face moderating conditions in global resource markets. This will particularly be the case if India and China moderate their demand for our resources while over time their economies simultaneously deliver increasingly intense competition to other aspects of our own economy, like traditional manufacturing and increasingly, the services and knowledge industries.

Developed nations like Australia will face increasingly intense competition in their domestic and overseas markets for both goods and services. By 2004, China ranked fourth in expenditure on research and development, behind only the US, the EU and Japan and, on the basis of growth rates from 2000 to 2004, China was expected to rank second by the end of 2006. In addition to this, China today is investing significantly in its research university capacity, having already commenced work on constructing from scratch around 100 research-universities modelled on University of California-Berkeley.

Australia's open economy, the result of past Labor reform and the source of much current and past growth, exposes us to these new competitive pressures and the need for accelerated productivity growth. At the same time, Australia's changing demographics threaten to reduce workforce participation, while putting increased pressure on public finances.

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, which have been weak in recent years, and growing challenges to workforce participation arising from long term demographic change.

Faced with an ageing population and with it a diminishing workforce over time, we must look at new ways of lifting 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 79 per cent between 1998 and 2005, almost completely losing the relative productivity gains of the 1990s.

- Labour productivity growth fell from an average annual 3.2 per cent to 2.2 per cent in the latest five year period (1998-99 to 2003-04) compared to the previous five year period.
- During the same time, multifactor productivity growth fell from 2.1 to 1.0 per cent.

While sound macroeconomic management and open and competitive markets are prerequisites for sustained growth, they are insufficient of themselves. The other critical elements for ensuring that Australia continues to build future prosperity are focused on increasing productivity growth.

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 prosperity.

Investment in education, skills and training from early childhood through to mature age workers offers significant social and economic returns for individuals as well as for our economy.

This applies just as strongly to the vital area of vocational education and training.

There is 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 1 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 international study found that countries able to attain literacy scores 1 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.

So whether it is through focusing on literacy levels, improving retention rates, or increasing the average number of years spent in education, the evidence is clear: more educated economies are wealthier economies. Countries that invest in education do better in maximising their economic growth.

It is here that Australia is exposed.

Australia's level of national investment in education at 5.8 per cent of GDP is behind 17 other OECD economies. In many areas Australia's education outcomes are now either lagging or falling behind other nations.

Vocational education and training

The growing skill shortages in many occupations has focused attention on Australia's vocational education and training system in recent times.

Skill shortages have become a real economic issue because of the adverse consequences of significant shortages in the economy.

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 ... Both the NAB and ACCI-Westpac surveys suggest that the difficulty in obtaining suitable labour has moved into the upper end of the range recorded over the past two decades... While economy-wide measures of wages growth have remained relatively stable, localised pressures are certainly evident in some official wage measures as well as through liaison, which points to substantial increases in wages for skilled employees in the construction and resource sectors, and in some areas of business services ... 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.

And in November 2006, the Reserve Bank concluded that:

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

This has been particularly prevalent in the minerals and petroleum resources sector which as a result of demand in that sector is sucking up tradesmen and tradeswomen, truck drivers, mechanics and electricians.

This in turn is impacting negatively on the rest of the economy in the form of increased costs and inflationary pressures.

But skills shortages aren't just limited to construction workers or occupations associated with the minerals and petroleum resources industry.

We only have to take a quick look at what is happening across the economy to see that skills shortages are not limited to these industries.

A snapshot of the state of our skills shortage is found in the January skilled vacancies index, which shows that it is clear that our current skills crisis is not abating. Skilled vacancies in January rose by 1.4 per cent over the already high December reading.

Compared with January 2006, vacancies in the automotive industry in January 2007 rose by 12.5 per cent, for cooks by 5.3 per cent, for the food industry by 10.5 per cent, for the printing industry by nearly 60 per cent and for hairdressing by over 10 per cent.

By the Government's own admission, Australia faces a shortage of 200,000 skilled workers over the next five years.

Very many of these workers will need to be trained at TAFE colleges, but since 1998, 325,000 Australians have been turned away from TAFE education.

The Howard Government has tried to create the artifice that it has been doing something to address the current skills crisis by pointing to its Skills for the Future program.

Certainly, that program was a reasonable first step, and Labor did not oppose the legislation when it went through the Parliament last year. Much of what it contained was in any event consisted with 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 when we launched our Skills Account policy in January 2006.

The Government's wage subsidy for mature age apprentices was originally in the previous Labor Government's 1994 Working Nation policy. The fact the Government have taken up these initiatives – including those we had when we were last in Government – is an admission that perhaps those programs should not have been trashed more than 10 years ago.

As well, the Government neglects mentioning that of the more than 400,000 so-called "apprentices" that they refer to, only 150,000 of these are actually in traditional trade apprenticeship areas. Similarly, of the 142,000 apprentice completions last year, only about 16 per cent, or just 23,000 were traditional trade apprenticeships, the areas where we face particularly acute skills shortages.

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. This is significantly 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. Furthermore, Commonwealth investment only increased by 1 per cent between 2000 and 2004.

According to data from the National Centre for Vocational Education Research (NCVER), real expenditure per hour of TAFE curriculum has fallen by nearly 24 per cent since 1997.

Given all of these facts, the report in *The Australian* today that Andrew Robb has had a thought piece about so-called Government Vocational and Education Training reform comes at an opportune time.

Barely six months out from the next Federal Election, it may well be that the Howard Government is finally waking up to the fact that it has a very real policy problem.

What the Government still can't seem to comprehend though, is that this

problem has been caused by eleven years of active neglect of our TAFE sector, driven by the Howard Government's ideological blinkers about TAFE in general.

Andrew Robb of course has provided no substantive policy detail.

Labor welcomes any additional investment in our TAFE sector, and once we see concrete policy details, if any, from the Government we will assess on its merits any proposal that seeks to improve the efficiency and effectiveness of vocational education and training.

Labor's positive policy approach

There is a clear intersection between Australia's declining productivity growth and Australia's underinvestment in human capital formation. There is a compelling case for change. Continued under-investment in education across the spectrum will further constrain the development of Australia's human capital.

For the nation, this will mean that productivity growth will continue to lag behind our competitors, workforce participation rates will be held back and the economy will not expand to its potential growth rate. For individuals, it will mean lower incomes, less secure employment, and fewer career opportunities.

There is compelling evidence of the close relationship between increased human capital formation and higher productivity growth.

Two recent Australian studies have also quantified this link:

- Access Economics has calculated that if the Australian workforce had just 0.15 years of extra education and training – achieved by an increase of 50,000 students staying at school or in apprenticeships – we could increase productivity in the Australian economy by 0.62 per cent and economic growth by 1.1 per cent by 2040.
- Likewise, ANU economist Steve Dowrick estimates that if Australians had one further full year of extra schooling (as happens in the United States and Scandinavian economies), this would boost economic growth by 0.3 percentage points and boost productivity growth by at least 0.3 percentage points every year.

Labor recognises that investment in education cannot simply be a matter of increasing the quantum of that investment, but making sure the investment in

education is a quality investment, made efficiently, making sure the educational program delivered is rigorous and secures high quality outcomes.

That is why Labor has announced so far this year four detailed costed election commitments across the education spectrum from early childhood education, the study and teaching of maths and science, national school curriculum in core education areas of maths, science, history and English, and bringing local schools – Government, Independent, religious and secular – together to share important facilities like science and language labs.

In Vocational Education and Training there are a number of policy proposals Labor is currently considering for specific election commitments.

In general terms, the starting point for Vocational Education and Training public policy is that the Commonwealth, the States, Territories and Industry must all work cooperatively, the 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 not-for-profit like you, or a for profit organisation. The key is that the service delivery must be efficient, affordable, accessible and competitive.

Thirdly, we have to give a greater focus to vocational education and training streams in our secondary schools. This means that we must look at extending vocational education and training streams beyond just Years 11 and 12 as the Government's limited and flawed ATC model does, to Years 9 and 10 and possibly Year 8 as well.

Fourthly, when it comes to post-secondary school vocational education and training and skills, there are two groups where focus must occur. The first is the easily identified group consisting of the immediate post-secondary school kids going from secondary school completion to apprenticeships, training or on-the-job learning.

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

This group is typically made up of early school leavers with little or no qualifications, skills or formal training, whose job is typically disappearing either offshore or through redundancy, or because they themselves are no longer in a position to do the job because of its physical nature.

Our focus here must be on how to equip them with the 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 around 70 per cent of those seeking vocational education and training, there must be a much greater investment in TAFE, both in terms of recurrent expenditure and in terms of infrastructure expenditure.

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

Other than by the Howard Government itself, it is generally acknowledged that over the past eleven years recurrent funding for vocational education and training and funding for vocational education and training infrastructure has been neglected.

This particularly applies to recurrent investment in TAFE and capital investment in TAFE infrastructure.

During the 2004 Federal Election campaign the Howard Government announced the establishment of Australian Technical Colleges. That announcement was a political response during a political campaign to a political problem of the Government's own making, namely a growing public appreciation at the time of the Howard Government's policy neglect in this area.

Unfortunately for our nation, it has done nothing to alleviate the current skills crisis we have now and are likely to have over the next few years.

What it has actually done, through the injection of more than \$450 million in funding, is to shine a light on the magnitude of the neglect by the Howard Government of the vocational education and training infrastructure in our TAFE's.

TAFE Directors Australia have called for an increase in recurrent funding of \$60 million a year and the Australian Industry Group has advocated a 5 per cent per annum increase in expenditure of VET programs.

Whatever way you cut it, there is a crying need for capital injection into the single largest provider of vocational education and training.

My starting point is that just as we support infrastructure funding for our universities and our schools, if we are serious about education and about fixing the skills crisis we have across our nation today, so too we must support additional investment both for recurrent and capital purposes into our TAFE sector.

This needs to be both recurrent expenditure and infrastructure funding to upgrade crumbling or inadequate or out-of-date infrastructure and equipment so that our apprentices and trainees are working on industry-standard equipment.

As well, the average age of TAFE educators is getting older. The most up to date data contained in the 2001 NCVET [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 industry expertise into teaching.

When the Howard Government developed its ATC program it ignored the States and ignored the TAFE sector.

That is not in the interests of vocational education and training in general, and not in the broader interests of our economy either, particularly when it remains the case that the TAFE sector represents approximately 70 per cent of the delivery of skills training and vocational education and training nationwide.

The best way of ensuring that we meet our skills and training needs into the future is with the Commonwealth working cooperatively with the States, the Territories and Industry.

That is why, unlike the Howard Government, an obvious starting point is to fold the Government's duplicative and costly Australian Technical Colleges (ATCs) into the existing State-based educational systems, in order to achieve real scale and efficiency in vocational education. That would be a more efficient use of taxpayers money and provide better skills and training outcomes.

Working cooperatively with the States and Territories and with Industry is the best way of ensuring that the Commonwealth's priorities are the focus of our vocational and educational skills and training.

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.