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Mr Stuart Hornery

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Power to the People

Stuart Hornery

Many thanks for inviting me to Auckland for such an important Conference.

My task this morning, at the convenors' request, is to give you an outline of the industry led revolution that is occurring in skill development throughout Australia, and the contribution it is making to our economic success.

I have extended the brief to also talk about the increasing roles being played by individuals and communities, in this revolution.

First, to our new National Training Framework.

It is now generally accepted in Australia that the reforms of both Liberal and Labor governments in recent decades, including the introduction of a nationally consistent, competency-based, skill development strategy, have delivered one of the fastest growing industrial economies in the western world. Australia now has low inflation, low interest rates, and the lowest unemployment level since the early 80s. In a recent article by Peter Hendy, Executive Director of the Australian Chamber of Commerce and Industry, quoting from the Department of Foreign Affairs and Trade, he observed that sales of passenger vehicles to the US had increased nearly 100% on the previous year and wine sales to France were up twenty-fold in six years. He says that we sell chilli sauce to Mexico, and Peking Duck to China.

In aggregate, total exports were up over 20% on the previous year to \$153 billion, and are now over 20% of our G.D.P.

I've focussed on exports because they are an important measure of how competitive you're country is in the global economy.

I suspect it's no coincidence that industries leading the export charge are also at the forefront of our training agenda.

These days companies use our new Training Framework to reinvent themselves, to underpin their brands, to enhance quality, and even to change organisation structures.

What has occurred is indeed a revolution. But what makes it different? Quite simply, because it's not supply side or institutionally driven, like most education agendas. It is demand driven by the needs of two customer groups, businesses and individuals. However communities are also starting to play a role which is quite a new and exciting role for Local Government on behalf of those communities.

From a business perspective, Companies today still need employees with good knowledge and higher technical skills, particularly to exploit technology. However, they also demand employability skills, ones that are behavioural, attitudinal and social in nature. Examples include teamwork, communication skills, a global mindset and even innovation. The requirement for these came about from what Richard Florida calls the new creative work environment. Finally, individuals and businesses alike want skills that are "just enough, just in time and just for us". For individuals, there are no more jobs for life, often three

concurrent jobs, a greater number of career choices, and learning requirements that have to be sandwiched in with all the other modern day demands on busy schedules.

Some of this was becoming evident in Australia 10 years ago, particularly to business and increasingly to individuals. It began to dawn on our community and their elected representatives, that the vocational education and training system was totally inadequate for this new world of work. It was inflexible, based on time served, often had irrelevant or out of date curricula and was usually classroom delivered.

As a consequence, in 1992 the Australian National Training Authority was formed. It had bipartisan political support and the backing from both business and the union movement. It had an Industry Board of five CEOs, including one from the Trade Union peak body, the ACTU. It reported to a Ministerial Council which comprised all the State and Federal Ministers of Vocational Education. I have been on the Board since inception, and Chair for the last seven years. Its main focus was to reshape Australia's training system to deliver skills relevant to business and to create a genuine national training system. No particular mention was made at that time about that other critical customer group, the individual. That has now changed of course.

The new National Training Framework as it became known, was to be based on competencies achieved, not time served, be flexibly delivered, on and off the job, and lead to a national qualification. It required greater responsiveness from training providers to industry

needs. It also had to be much more efficient. On this scorecard, we've already saved hundreds of millions of dollars.

The Framework is underpinned by a series of products known as Training Packages or Standards. These are designed by industry, are firmly based on their competency requirements and now cover over 80% of the Australian workforce. Many industries like Hospitality, Tourism and the Arts, have had little in the way of structured training before, let alone leading to National Qualifications. So for them, the framework has been of huge benefit.

Rewriting the curricula to a competency based approach presented a huge task to the Providers, who were initially reluctant, as you might imagine. However, I can report that they've made great progress.

Today well over half the TAFE or Polytechnic students Australia wide, are enrolled in several hundred courses based on training packages. This compares to only 14% in 1999. That's definitely a revolution for those concerned with implementation.

Individuals, whom we know learn in different ways and at different paces, can now attain qualifications in their own work environment. The trainers go to them. For example, on a trip last year I spoke with ladies working in a country town government call centre where almost every one of the 133 employees took up the opportunity to gain a national qualification at Level IV. They proudly told me that their skill levels underpinned the performance of the centre which is servicing the large aged population in the region. I suspect few of them had been near an education institution since they left school.

Similarly, in the RSL club 200 employees had already achieved national qualifications at Levels III or IV. All of it at work, courtesy of the local Polytechnics.

Public providers presently deliver around 75% of training activity to the 1.8 million Australians who receive training that is publicly funded. There are many more of course paying their own way, or being funded by industry.

However, there are now about 4,500 private sector providers, including companies like Ford and Woolworths, mega-departments like Defence and Centrelink, and even city councils like Hobart. Private providers access public funds, but a lot of the training they provide is also funded by the private sector. All training organisations, both public and private, are becoming more client focussed and they're building some really innovative partnerships with local business, schools and the community.

A good example of a business/TAFE partnership, and a creative business environment as a consequence, is the P&O Logistics cold storage facility in the Western suburbs of Sydney. It distributes frozen food to Woolworths and Coles supermarkets, sometimes twice a day, picked from racks some eight metres high. A culturally diverse group of some 150 employees, who often work with frosty beards in temperatures that range from minus 4 degrees to minus 28, make it run like a Swiss watch. They love their job and despite the conditions, their average job tenure exceeds 10 years. They have all gained a National Vocational Qualification, mostly at AQF III, based on the Transport &

Logistics Training package without going near a college. The dozen or so teachers, all from a nearby Polytechnic do their stuff 24 hrs a day on location. P&O say that these skill levels are its point of difference, and as a consequence they have been able to totally reinvent their processes.

So says Bakers' Delight, one of our leading baking franchises. Every employee has a Level II minimum national qualification, and many are at level III and IV. The company says that nationally consistent training absolutely underpins the integrity of its brand. Like Woolworths, the company is a registered private provider, but it also has partnerships with public providers such as the Sydney Institute of TAFE. I could also tell you about the Tasmanian TAFE teacher who supports 70 small business owners doing a National Qualification, or the transformation of the South Australian Fishing Industry. The partnership in the Barossa Valley between the Food Industry, the Wine Industry and the Murray Valley TAFE, is developing the Barossa brand for export off the back of nationally accredited training. These are just a few of the great stories illustrating our success.

The National Training Framework has also opened up apprenticeship-type opportunities to more and more industries thereby better reflecting the composition of the modern workforce. New Apprenticeships are now available in some 500 occupations. We have made them more flexible and have given employers and their apprentices much more say in the training they receive.

After remaining largely static for some 30 years, the number of new apprenticeships has more than doubled in the last five to well over 350,000.

New Apprenticeships are one of the best pathways to employment with 93% having unsubsidised jobs three months after completion, compared with only 67% for university graduates.

Another area that we are addressing is the accreditation of on the job skills, including those acquired by volunteers, whether fighting fires, doing meals on wheels, or being members of boy scouts and surf clubs. These skills are very much a part of the employability suite increasingly demanded by industry – problem solving, working in self directed teams and so on.

One of our regions, Onkaparinga, which is one of the less privileged areas of Adelaide, has some 13 community centres, each of which is run by a cohort of 100 volunteers. You can imagine the skills they are acquiring in the diversity of programs being run in the region, and the reaction if those skills were recognised as a pathway to National Qualifications and a paid job.

A development not anticipated by the Board when we introduced the Framework, has been the enormous opportunities opened up in schools.

Today around 200,000 students in 90% of Australia's secondary schools are undertaking vocational education and training. This number has increased from 16% of the senior student population in 1996 to around

40% last year. I've visited several schools recently and the students tell me that school is much more relevant to them now. They see the connection to a job, an income and ultimately their own dignity and self esteem. They emerge with both their Year 12 qualification and a National Qualification mostly at Level II but sometimes at Level III.

The major leadership role for ANTA in all of this has been to spell out a vision, that is fundamentally driven as a consequence of community consultation.

As an example, we have recently begun our third strategic plan which will see us through to 2010. The market research for it so far has included some 40 focus groups, across a diverse range of locations and people, including teachers, students, employed, unemployed, employers and training providers. They have told us we're heading in the right direction, that there's strong support for our key reforms, and that individuals' experiences are exceeding their expectations.

As our next step we've issued a discussion starter based on this market research. It will be used to generate debate at 25 public forums across the country next month. We have invited discussion around six headings:

- Building skills for Australian industry
- Supporting communities
- Enabling individuals to learn throughout life
- Renewing and sharing indigenous learning culture
- Guaranteeing quality products and services
- Investing in Australian skills, or how we fund vocational education.

The paper is also open for public comment until 1 March 2003 and you can access it on the ANTA website.

We will submit a draft plan to Ministers in June, and expect to gain final approval in November.

That's the story of Australia's vocational education revolution so far. It's an exciting story, and judging by the international visits and emerging export orders for the framework itself, I suspect we're really onto something.

I now want to move on to community engagement which is where my experience in ANTA and for many years beforehand, in Lend Lease, tells me we are headed.

In fact, your last conference highlighted the fact that "underpinning the economic growth rates required to put NZ back in the top half of the OECD was the need for strong communities encompassing citizens prepared for roles in emerging industries and life in a changing world". In other words, you were going to focus on your citizens as the foundation stone for a vibrant community, which would naturally lead to a stronger nation.

It's an interesting concept, because it presupposes a process that you actually listen to your citizens, and ensures that many, if not most of their enthusiastic responses are adopted.

Throughout my long business life, first as CEO and then Chairman of Lend Lease, I've been committed to the view that better solutions

occur if you genuinely involve all stakeholders. After all, we do live in a democracy. As John Lennon's famous song says, for those of you who are old enough, "Power to the People".

In a business sense that means all stakeholders - employees, shareholders, suppliers, customers. In this context, a community is any group of people, not just a town. You may have heard of the Lend Lease "a community of interest" principle. That is, what's good for an individual is good for the whole, turning on its head the old adage "What's good for General Motors is good for America".

At Lend Lease we applied that principle to our company, and its employees, but also our projects. Possibly the most famous was Bluewater, a \$NZ4bn project in the UK that you may have heard of. Bluewater's story began in a derelict quarry in Kent with one simple belief - that together the impossible could be achieved. We probably spoke to 35,000 people in the community. We listened and delivered. On completion the surplus over cost was substantially greater than our initial assessment. A great people power return on investment.

And at another level, one of my proudest examples for a creative work environment is Campus MLC, a building in North Sydney that was recycled based on a brief prepared by a community of over 1000 Lend Lease employees, titled "Imagine". What they imagined was all delivered and productivity went through the roof. Not to mention job satisfaction. At Lend Lease we always believed it was the culture of the organisation that was behind our success. The content of the job, the nature of the work environment and sensible compensation.

I believe the principles that underpin this kind of success for workers and business are exactly the same for communities and countries.

So to put those ideas into practice and continue the work done at Lend Lease, but in a broader constituency, shareholders and employees funded the establishment of the Hornery Institute upon my retirement a couple of years ago.

Its charter is "to make communities better places to live, work, learn and play". As you might expect from what I've said already, we have adopted the principle of "engaging the community" in our work.

Our first project, North Lakes, is a good example of how the Institute puts into practice many of these ideas put forward by thinkers such as Robert Putman and Richard Florida who are here at this Conference, Paul Grogan of "Comeback Cities" fame and Jane Jacobs of an earlier era.

North Lakes is an emerging suburb in the northern corridor of Brisbane, with a population of some 2,000 growing to 25,000 in the next 10 years creating 13,000 new jobs in the process. The corridor itself has a population of 150,000 and grows at a rate of 5% pa, making it one of the fastest growing residential areas in Australia.

We appointed a Community Development Manager from our team and her first act was to engage with a variety of community groups as well as the institutions that represent them. We asked the community to articulate what a community facility should ideally contain. They were initially shocked at being asked, but they were very clear in their minds as to what was required. A facility that would lead to jobs and

jobs closer to home, a modern library, and access to an array of learning services. One specific item was for an area for University students to eliminate the need to travel long distances to attend classes. They wanted all this to exist in a place that felt like home but wasn't home. A place that they could sit in silence or socialise or learn or be creative. I do not intend to go through with you the ins and outs of the consultative process. Some think it is cumbersome, others are nervous for fear of learning what they don't want to hear. But it's very robust, very transparent and a very effective way of getting good solutions.

The process has so far yielded a draft brief for a community facility in excess of \$20m that is all accounted for from somebody's budget. It is as far away from the initially conceived \$4m wave pool as you can possibly imagine. It is still subject to a lot of approvals, work and detail but might eventually include

- An exciting new initiative with Education Queensland, including sharing of facilities
- Space leased by universities for students who live in the northern corridor, connected by broad band to their campus
- A 21st century library based on concepts out of Singapore and Canada
- Health, sport and recreation facilities of an innovative kind
- A skills centre

and

- A place to be, including a common, just to mention some of the ingredients. In my opinion, we've only just begun.

The skills centre is already up and running in the spare rooms of the new primary school, with over 100 people already transitioned via training programs into the workforce.

Guiding the development of the North Lakes Centre is a Stakeholder Advisory Group, which initially consisted of three senior members of the development team and three councillors, independently chaired by the Hornery Institute. We are in the process of transitioning to a Community Development Corporation, the charter of which will be to keep listening as well as to keep doing. It is modelled on similar entities in the USA as described in Paul Grogan's book "Comeback Cities". It will be non-profit, with a Chief Executive, governed by a board with government, business and community representation. It will be a first in Australia. The Institute has undertaken to pilot its early life.

Whilst the North Lakes Centre won't resolve all the economic and social challenges facing Brisbane's Northern Corridor, it has already demonstrated the synergy of cross-sector partnerships and community engagement.

Another key modus operandi in the Institute is to underpin our work by good research, of all kinds, local and global. For example, we use a firm called National Economics which carries out a State of the Regions Report for the Local Government Association of Australia. The report ranks the various local government areas of Australia against their counterparts, and this year for the first time against their US contemporaries. As it happens, they use Richard Florida's indices for some of their benchmarks. As you've heard earlier from Richard, these indices are indicators of prosperous communities or regions. It makes for

interesting reading. For example, Global Sydney outranks Los Angeles, San Francisco and New York on the Bohemian Index, which measures the proportion of the workforce with occupations like authors, designers, musicians, dancers etc. In the Melting Pot Index which measures the proportion of foreign born people, Australia's No. 1, Sydney's mid west, at 39.9% outranks the US No. 1, Miami, on 38.5%. In fact, in this category the top 10 Australian regions outrank all but Miami. Conversely, in the Hi Tech Index, Global Sydney, Australia's No. 1, ranks 24 against US cities, and our No. 10 ranks a lowly 89. There is good news in the report for a few of our regions, but the report makes it pretty clear that most will not be competitive in the new economy. I suspect the same situation exists in New Zealand.

The Institute is using this type of research in helping the South Sydney Development Corporation engage its community and to explore ways and means of enhancing the economic and social potential of the area.

As I'm sure most of you are aware, it lies between the airport and the city, and, at first glance, appears quite impoverished. However, our National Economics report tells us that it's in the top 10% Australia wide for wealth demographics, that the GDP is expected to grow from \$12-16bn over the next 5-6 years and that the productivity of the 100,000 odd workers in the area, 60% of whom travel into the area every day, is also projected to increase by 40%. The data also tells us that between 2000 and 2008, 17 industries will continue to decline and 7 industries are expected to grow.

The region in the US that South Sydney is most like is Albany, New York. Last year Richard Florida ranked Albany second only to Albuquerque, NM, as possessing all the conditions sought after by the kind of creative personalities that fuel today's high tech, entrepreneurial economy.

You might conclude that all the ingredients already exist for automatic success. Free marketeers might say, keep out of the road, and let it rip.

On the other hand, here we have significant evidence of Richard Florida's theories. Coupled with a better understanding of the community's desires, the potential should exist to create a community that could be even more economically and socially productive, but is also a great one in which to live, not just to visit for work. It isn't presently.

Skilling not unexpectedly has emerged as a primary key ingredient, ensuring for example that local people, many of whom provide the area with its rich diversity, have skills that are relevant to jobs near where they live.

In my capacity as Chairman of the International Advisory Group for the Auckland Harbour redevelopment, I can see that you have a similar opportunity to that existing in South Sydney. Many of the consultation processes I have discussed so far are in place. Yet to come is a suitable leadership organisation that is adequately resourced for the task of undertaking New Zealand's largest and arguably most important renewal project. It will need to be courageous and include Auckland City Council, owners, lessees, developers, not to mention the community. In my experience the right structure will embrace public as

well as private interests and meet concerns of all the stakeholders. It will also embrace ideas about what constitutes an effective community, not just a nice place. The software as well as the hardware. It's never easy of course but if you can get it right, Auckland Harbour will be the catalyst for the next reinvention of this City and its region.

Kiwis have a long, proud history of surprising the world in all walks of life.

I could not imagine a better project than your waterfront to show the world what you are capable of doing, as an urban community and as a country. True leadership stuff.

In conclusion, communities, cities and countries should be greater than the sum of their parts. This is why I chose to include in my session some grass roots illustrations of the potential for social as well as economic leverage in communities, particularly through increased focus on skilling and learning in all its forms.

Nobel Prize economist Robert Lucas put it quite eloquently. He argues that the driving force in the growth and development of cities and regions can be found in the productivity gains associated with the clustering of talented people or human capital.

And, as Jim Rout, Shelby County Mayor in the US observed, "A region's competitive advantage is no longer cheap land, cheap labour, subsidies and tax breaks. It's the quality of your workers, the quality of life and the quality of innovation." In other words, capital now follows talent.

What this means therefore is that the individual increasingly stands at centre stage as the solution to this issue. The world of work is changing so fast that these days the only "organisation" that individuals can rely on is themselves. Not employers. And certainly not governments.

And increasingly that person may be simultaneously a writer, a researcher, a consultant, a cyclist, enthusiast rock climber, electronic/world music/acid jazz lover, amateur gourmet cook, wine buff and perhaps a closet micro brewer. I have Richard Florida to thank for this recent description of our new market for life long learning. But I'm sure you all recognise the description.

I just have to look at what my kids do and now t heir kids.

Thanks for having me this morning and good luck with your leadership agenda.