

26 November 2013

Mr Tony Sheppard AO  
Chair  
National Commission of Audit

Dear Mr Sheppard,

Service Skills Australia would like to thank the Commission for the opportunity to provide advice for consideration under this review. This submission comments on the Commonwealth Government's involvement in the vocational education and training (VET) sector through the activities undertaken by Industry Skills Councils and the policy settings and programs through the National Workforce Development Fund and Workforce Futures program. In doing so, this submission relates to the following parts of the Terms of Reference: *'whether there remains a compelling case for the activity [performed by the Commonwealth] to continue to be undertaken'* and *'options to manage expenditure growth, including through reviewing existing policy settings, programs and discretionary spending (such as grants)'*. Overall, Service Skills Australia strongly contends that the Commonwealth's expenditure in these areas not only remains appropriate, but represents significant 'value-for-money' for taxpayers—a key aim of this review.

### **About Service Skills Australia**

Service Skills Australia is the Industry Skills Council (ISC) for the service industries, including the tourism, travel and hospitality, sport, fitness and recreation, and retail, wholesale and personal services sectors. Skills councils are the recognised national bodies providing advice on industry training and skills development needs to government and industry. As an independent, not-for-profit body, Service Skills Australia is managed by industry members and funded by the Australian Government to:

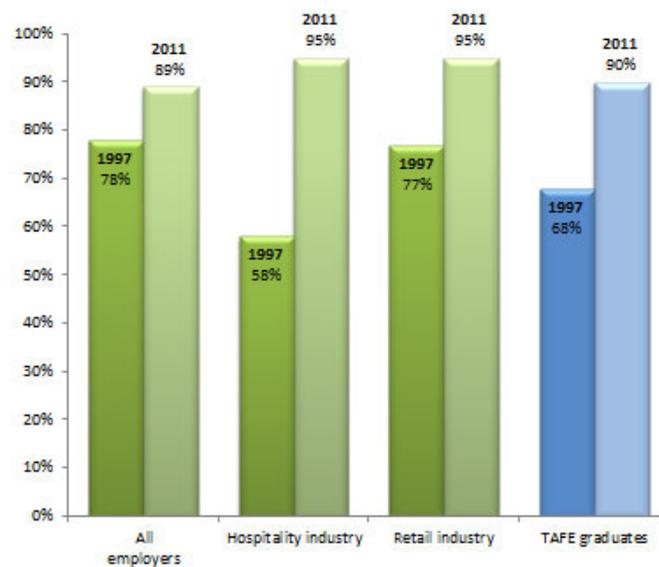
- develop a culture within the service industries which promotes and enhances the skills development of its workforce
- develop policies, programs and services, including industry training packages, that support industry needs in relation to skills and workforce development
- achieve quality skills outcomes throughout the service industries
- produce quality workforce development information and use industry intelligence to inform decision making.

### **Training packages**

Industry Skills Councils play a central role in the VET system through the development and oversight of national training packages, of which Service Skills Australia manages seven.

By all the quantitative measures available, ISCs' role in the system of national vocational qualifications is achieving substantial outcomes for industry, students, and the broader economic and social goals of Australia. This success is captured succinctly by the level of industry confidence, engagement and satisfaction with the VET system since their inception (Figure 1). Prior to the introduction of Training Packages, employers had a far greater level of concern about the relevance of course content.<sup>i</sup> Students also report very high levels of satisfaction with the overall quality of their training and significantly, the Australian VET system is held up internationally as a world-class example.

Figure 1: Satisfaction with VET, 1997-2011, Employers and TAFE Graduates



### Navigating the complex VET system

As a national body working within a complex national training system, Service Skills Australia and its fellow ISCs traverse and broker agreement across multiple jurisdictions, between employer and employee representatives, and often within or across industry sectors. To achieve this, we have built strong and vast stakeholder networks with the numerous industry bodies and associations along industry, sectoral, occupational or regional lines. After nearly ten years, Service Skills Australia holds an unparalleled level of intellectual capital on the service industries' use and views of the vocational education and training sector, along with firmly established relationships.

Therefore, the value of ISCs is their capacity to unite industry with educators, governments and other stakeholders on a common industry-led agenda for action on skills and workforce development in the national training system. As state governments have progressively dismantled state industry training advisory bodies, the role of ISCs has become increasingly critical to maintaining industry engagement with the VET system.

Furthermore, when the eleven Industry Skills Councils work together, an unprecedented level of cross-industry collaboration and leadership on skills and workforce development has eventuated.

### **Workforce development programs**

The roles of ISCs have progressively evolved since their inception. There is now recognition that a singular focus on training—in isolation from skills utilisation, workforce planning and development—will not deliver against the major challenges facing Australia. It is this recognition that has seen ISCs play an increasing role in broader workforce development programs, such as brokering the National Workforce Development Fund (NWDF) or managing the Workforce Futures program. These are two programs based on innovative policy-settings that have seen enormous success, with unprecedented outcomes for small business. Approximately 70 per cent of participating businesses in the Workforce Futures program have less than 20 employees, while 20 per cent of learners undertaking training through the NWDF were also in this category. Both of these programs are systematically working to build best practice workforce development at the enterprise level across the economy, with tangible benefits to productivity.

The important design principles of the NWDF program are that it is enterprise-led, with a co-contribution model and a requirement to produce a workforce development plan. These measures ensure that genuine training needs are addressed, there is a strong commitment from the enterprise and that the training has clear, articulated benefits for the business. An additional derivative of this funding model is the positive behaviours that it has incentivised for registered training organisations. Businesses are reporting that they are receiving training that truly meets their needs, rather than training organisations imposing the training they want to provide. Additionally, businesses operating in more than one state report the efficiency gained from a national funding model, whereby the complexity of navigating the multiple and ever-changing state models is considered a major barrier to their uptake of vocational education and training through state-based programs. As such, the principles of the NWDF program ensure that there is value-for-money and that expenditure is guaranteed to have a real effect on the productivity of businesses.

Similarly, the Workforce Futures program has great merit as it operates at the enterprise level. A key to the successful engagement of the elusive small business sector is the face-to-face consultation undertaken by industry skills advisers, who undertake a detailed workforce diagnostic and develop comprehensive customised workforce development plans. Beyond providing real and tailored solutions for businesses, a considerable database is being generated, which provides rich insight into the common issues for businesses across sectors, regions or sizes, including barriers to the uptake of existing funded programs. Consequently, this type of engagement ensures that businesses that typically have had little engagement with government programs have finally had access to a model

that works for them, but it can also inform the continuous improvement of existing programs. Currently, this program is limited to the tourism and hospitality sectors, but it is a model that could be successfully replicated across the economy, rather than continuing to develop programs with little uptake.

### **Conclusion**

We again thank you for this opportunity and also note that this submission complements and builds on the points raised in the submission from the ISC collective. Overall, it is our belief that there is a strong case for the continued investment from the Commonwealth Government in ISCs and enterprise-based workforce development programs. Following sustained policy improvements, these engender good policy practice that deliver strong cost-effective benefits to the economy.

Should the Commission require any further information in the process of the review and in the subsequent report, we would be pleased to assist.

Yours sincerely,



 CEO

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<sup>i</sup> NCVER, 1997, *Employer Satisfaction with Vocational Education and Training 1997 – at a glance*, p6