



SUBMISSION BY THE  
**Housing Industry Association**

to the  
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Relations Committee  
On the  
**Inquiry into Industry Skills Councils**

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## **Introduction**

The Housing Industry Association, (HIA) is the leading industry association in the Australian residential building sector, supporting the businesses and interests of over 43,000 builders, contractors, manufacturers, suppliers, building professionals and business partners.

Around 85 per cent of all new home building work in Australia is performed by HIA members and the organisational structure of the HIA is designed specifically to meet the service needs of members. HIA is the residential building industry.

HIA's mission is to promote policies and provide services which enhance member's business practices, products, opportunities and profitability. Effective quality training advice and delivery is central to HIA's mission.

In addition, HIA is charged with representing the interests of the housing industry as a whole to Government. In-house expertise for each of the service areas and particularly in the areas of economics and policy formulation, have facilitated effective lobbying and public policy input on issues relevant to the industry.

HIA represents the industry on a number of national and state government advisory groups including the Board of the Construction and Property Services Skills Council (CPSISC). It is involved also and represents HIA Kitchen and Bathroom members in work carried out by the Manufacturing Skills Council.

### **A Sound understanding of Training Issues**

HIA, as the peak industry body for the residential building industry, has an unrivalled record of contribution to national training advisory issues. Of particular note is HIA's record of service to the industry as a member of the former Board of Construction Training Australia since its inception some 17 years ago and since then, the Construction and Property Services Industry Skills Council.

HIA is also a Registered Training Organisation delivering national Training Package qualifications and short courses to members and the wider industry in all States and Territories.

Recently the national Board Policy Committee of HIA adopted policy positions with respect to skills and workforce development that seek to respond to a number of issues fundamental to addressing the skill needs of the industry. The paper outlines tangible steps to addressing the shortage of entrants into the industry as well as some of the barriers that exist in accessing training for the current workforce.

To this end HIA is very much aware of the nexus that currently exists between training and labour market arrangements.

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## Addressing the Terms of Reference

### **(a) The role and effectiveness of industry skills councils in the operation of the national training system, particularly as it relates to states and territories and rural and regional Australia**

The training system in Australia, like the overall education system in Australia, is in a process of moving from a State-based to a National system. Historically the States controlled all education activities and set their own individual requirements with little regard to each other.

The needs of the national economy have increasingly pushed the Commonwealth to seek to establish national educational standards in a variety of areas. Vocational training, with its direct links to occupational licensing, is obviously at the forefront of this. In establishing acceptable and practical national standards, the Commonwealth needs to directly capture the views of industry and workers right across Australia. The establishment and operation of the Skills Council system needs to be seen in this context.

Given the increasing involvement of the Commonwealth in a traditionally State-based area, the Skills Council model (and its predecessor the Industry Training Council) is not inappropriate and compares well with the traditional alternative, policy formation within Commonwealth and/or State government departments by public servants. The Skills Council model (in theory, at least) allows a higher degree of industry influence on outcomes through consultation, feedback and involvement in the decision-making process. Industry's participation and contribution in the development of national training packages is based on the actual needs of industry and the wider community.

In that regard, there are no barriers to the capture of the full ambit of differences across different States and Territories, metropolitan, regional and rural areas, and employer/employee issues. The extent to which these views are actually captured, and acted upon, will naturally differ from time to time and between Industry Skills Councils (ISCs), but the system itself is likely to lead to a more practical and satisfactory outcome than an internal bureaucratic one. It also gives a sense of ownership to those who will actually work with the products of this system.

The role of ISCs does not extend to permitting/ensuring the actual adoption of national training packages by Registered Training Providers. This remains a matter for each State and Territory to authorise, and some have declined to do so in particular cases. For example, Victoria chose not to implement the BCG03 national training package, so that Victorian apprentices were for some time being trained to a different training package to those in other States. No State was willing to implement the 2008 changes to the national building and construction training package to include Certificate 2 qualifications, even though this had been agreed by all State Premiers at COAG. Whatever the reasons for this diversity, the State veto on training package implementation remains a significant flaw preventing the development of a genuine Australian national vocational training system.

The effectiveness of ISCs need to be considered seriously in light of the reality that vocational training is a controversial area. It is an area where opinions will differ and many decisions are matters for the exercise of judgment, and every decision by an ISC potentially disappoints some interest or person.

In these circumstances a disaffected person or body of people will complain that their concerns were neglected or overlooked, that research was inadequate, researchers were biased, or that the decision was otherwise unfair. Such issues are best settled within the

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ISC democratic governance process. CPSISC goes to great lengths to respond to proposals and suggestions for change and consults widely with all interested parties. Interested parties also have the opportunity to lobby the Directors, both individually and through industry representative organisations. In that regard the process is far more transparent than that of a government department.

Although most ISCs (including CPSISC) liaise closely with State Government-created vocational training advisory bodies (ITABs), there has been ongoing criticism that such ITABs should have a larger say in the governance of Skills Councils and be represented on their Boards. This desire for more control is not unexpected, given that the States see themselves in competition with the Commonwealth for control over education policy, and that ISCs compete with and to some extent have taken over the role of such ITABs.

However, ISCs need to address national concerns and require Directors with national outlooks and affiliations. Directors of ISCs have a duty to that ISC and would be in a conflict of interest situation if they acted at the behest of any outside body. ITABs are required to advise on what is best for their particular State and are not constituted to take a national perspective.

It has also been suggested that ISCs should fund their ITABs counterparts and include them in their own internal decision-making structure. However, so long as the primary function of ITABs is to advise their own State governments, funding of ITABs must remain a State responsibility. It would not be viable if ISCs were to fund their State ITAB counterparts, but have no control over their makeup and activities. It is difficult to see how such ITABs could be linked in a common structure with ISCs unless State Education Departments are similarly linked with and under the control of DEEWR.

If the COAG process is to achieve a full integration of joint Commonwealth/State administrative processes, it may be that ISCs and ITABs could be part of such a joint process. Until then, it appears inevitable that they remain organisationally and politically separate.

### **(b) accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each ISC;**

HIA considers that the existing mechanisms, whereby ISCs receive funding based on long term contractual arrangements with the DEEWR and enter into funding agreements for specific projects, together with the existing financial reporting obligations, provides a fully adequate accountability mechanism for ISCs.

### **(c) corporate governance arrangements of ISCs;**

Governance is an issue on which the ISCs have been pressed by governments of both political persuasions to adopt the highest possible standards. ISCs have sought to adopt good governance arrangements and responsive, open and transparent processes in their functioning. HIA believes that the current CPSISC structure is most effective given that its coverage extends over 526,000 enterprises and 1.8 million employees. The current CPSISC board consists of nine employer representatives and three employee representatives. Below the Board level, CPSISC uses industry panels open to all interested parties to capture the widest possible range of views.

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CPSISC has over the last five years been the subject of external review and the amendment of its constitution to ensure that it was more fully representative of the broad industries which it is required to service. This has involved working through representative parties such as employee groups and industry associations rather than individual workers and employers, and was considered necessary in order to ensure sufficiently wide coverage. A coverage which an individual employer or worker could supplement through CPSISC's consultative processes but could not hope to replace.

**(d) Commonwealth Government processes to prioritise funding allocations across all ISCs**

HIA is satisfied with the financial and other accountability mechanisms within ISCs. While always keen to ensure an equitable allocation of funds to promote industry projects, HIA does not consider there are any significant problems with the Commonwealth Government processes to prioritise funding allocations across all ISCs;

**(e) ISC network arrangements and co-operative mechanisms implemented between relevant boards;**

The relationship being developed amongst the national industry skills councils is growing. The establishment of a ISC forum is seen as a logical step as all have similar functions and many issues they are required to address are common across industries.

HIA considers that the ISC system has coped well with areas of overlap and interaction between ISCs. For example, CPSISC and MSA have common interests in the area of off-site construction work. This interface has been well managed by the two ISCs.

Originally, State ITABs when funded in part by the Commonwealth, had a strong connection to the national body, however since the withdrawal of national funding, the local bodies now see their roles as locally focused. Although ITABs receive income from the ISCs for projects they are asked to undertake, the relationship has moved on.

HIA supports a process of regular consultation, with relevant information provided and discussed with State/Territory ITAB's with respect to the work undertaken nationally so that at the local level there is some sense of ownership and increased commitment.

See also our comments under (a) above.

**(f) the accrual of accumulated surpluses from public funding over the life of each ISC's operation and its use and purpose;**

ISCs are independent bodies corporate which are contracted to deliver services to the Commonwealth. As such they must function and operate on business principles. One aspect of operating a successful business is to ensure that sufficient capital is available to meet the current and future needs of the business. As ISCs can only obtain that capital from accumulated surpluses from the sale of services, it is entirely appropriate that they accrue and retain such surpluses. As not for profit organizations, all moneys will over time be expended for the purposes for which they were provided, that is, to further the development of skills and training in Australia.

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The current structure identifies training resources being a non endorsed component of a Training Package and allows Registered Training Providers to develop or purchase resources for courses they deliver.

HIA expresses concern however about the quality of many of the resources that are available, or lack of them, particularly for the lower level VET qualifications delivered by secondary schools.

There are numerous reports that identify that at the secondary school level, with many schools being RTO's in their own right and delivering vocational training, that the competency of school students who enter the workforce after undertaking VET studies at school are less than of those undertaking the same units in apprenticeship training post school.

To ensure quality, it is critical that schools have good learning materials available, that teachers are qualified to teach VET and have the relevant industry knowledge and experience to both teach and assess competence.

To overcome this lack of good resources for use in VET in school program delivery, HIA recommends that there be a coordinated effort to develop the required resources.

To do so will require close involvement with industry and experienced course writers. It is suggested that ISC work with the national curriculum body to coordinate the development of national VET resources to address agreed units of competency for industry entry level programs delivered by schools.

ISC's can use available funds to provide a positive outcome that would be a major step in addressing concerns about standards of VET delivery in schools.

**(g) the effectiveness of each ISC in implementing specific training initiatives, for example the Skills for Sustainability initiative under the National Green Skills Agreement; and**

Although HIA is aware of the development and changes made to include sustainability content within Training Package qualifications it is not aware of implementation strategies to ensure a response by RTOs, or to assist the industry to lift its focus.

Generally, the primary role of the Skills Council is seen by the industry to develop training packages, as this together with regular updates and new projects they are asked to be involved in has been the principal contact by ISC's with industry.

HIA is aware of the increased and broader role of the ISC, however HIA believes that more contact is required with industry on these other ISC functions so as to lift popular awareness of them.

It would be helpful for the ISCs to send out regular information on issues or projects via emails, rather than rely on their newsletter or the initiative of individuals to check the ISC website for information.

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**(h) any related matters**

As previously mentioned HIA is concerned about the quality of the training delivery resources used by some school RTO's. This is also true of the resources available to other RTOs and particularly in the TAFE system.

On several occasions, HIA has sought to gain cooperation to develop a national bank of training resources for the building industry, without success.

HIA has recently invested a large sum of money to develop its own resources for courses it delivers nationally through its regional training centres.

HIA is aware through students attending courses run by other RTO's that quality of resources is a considerable concern.

Although training delivery and assessment standards are compliance issues and therefore the responsibility of the registration bodies, most RTOs operating nationally are registered in one State/Territory and relying on mutual recognition, and therefore it is considered important that the ISC has some interest in ensuring the industry training package is being effectively implemented and positive outcomes are being achieved nationally. HIA considers the best way of achieving this is for ISCs to be funded to develop and distribute training resources.