

Restaurant & Catering Australia Submission to the Senate, Employment and Workplace Relations Committee Inquiry into Industry Skills Councils

BACKGROUND

Restaurant & Catering Australia is the peak national organisation representing the interests of Australia's 40,000 restaurants, cafes and caterers. The Association has an office or affiliate Association in each State / Territory.

The industry has a workforce of 250,000 people and is the largest employer in the tourism and hospitality sector.

The Service Industry Skills Council is the Skills Council which Restaurant & Catering Australia deals with.

TERMS OF REFERENCE

Restaurant & Catering Australia notes the terms of reference of the inquiry are that the following matters have been referred to the Education, Employment and Workplace Relations References Committee for inquiry and report by 30 September 2010:

- (a) the role and effectiveness of Industry Skills Councils (ISCs) in the operation of the national training system particularly as it relates to states and territories and rural and regional Australia;
- (b) accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each ISC;
- (c) corporate governance arrangements of ISCs;
- (d) Commonwealth Government processes to prioritise funding allocations across all ISCs;
- (e) ISC network arrangements and co-operative mechanisms implemented between relevant boards;
- (f) the accrual of accumulated surpluses from public funding over the life of each ISC's operation and its use and purpose;
- (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
- (h) any related matters.

This submission will deal with each of these matters in turn.

(a) the role and effectiveness of Industry Skills Councils (ISCs) in the operation of the national training system particularly as it relates to states and territories and rural and regional Australia;

Each industry skills council has multiple interfaces with the training system. The requirements for the skills councils to impact on the operation of the training system are determined by their contract with the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

In the most recent contract the Industry Skills Councils (ISCs) are contracted to:

- provide integrated industry intelligence and advice to Skills Australia, government and enterprises on workforce development and skills needs

- actively support the development, implementation and continuous improvement of high quality training and workforce development products and services including Training Packages
- provide independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions
- work with enterprises, employment service providers, training providers and government to allocate training places under the PPP program.

On the first contractual obligation the ISCs are required to assemble ‘industry intelligence’ and pass this intelligence on to Skills Australia, government (presumably the Commonwealth Government) and enterprises.

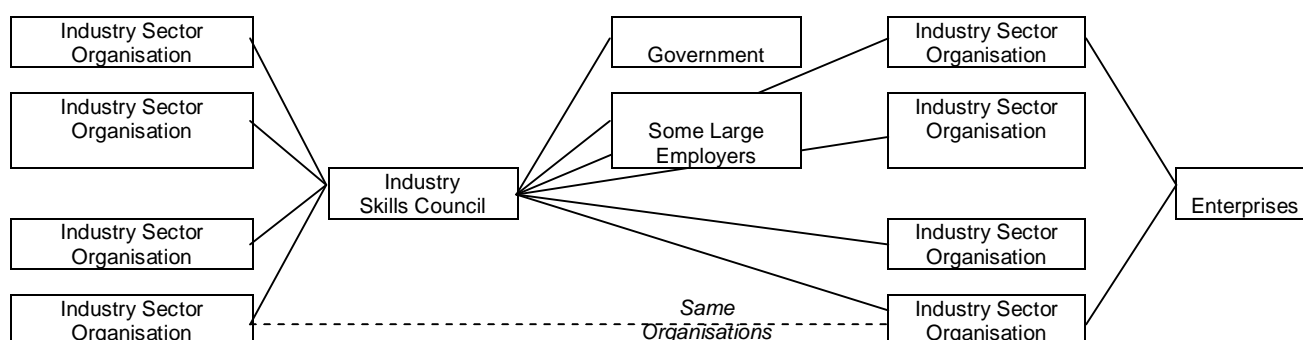
In most cases the industry intelligence is gleaned from the industry representatives that are involved in the Skills Councils (in the case of Service Skills those on Industry Advisory Committees), assimilated by the skills council and then produced in a form required by the two principle stakeholders (really one), the Australian Government and Skills Australia.

Skills Australia is an advisory mechanism to the Australian Government (through the Minister) and therefore the industry intelligence is being sent to Government in the form they require. The nature and form of this information renders it almost unusable in the hands of enterprises. In the main this is the Environmental Scan which, in the case of the Services Industry Skills Council is produced at the Marco level and for each industry grouping involved in this ISC.

Restaurant & Catering Australia believes that the industry skills councils are totally ill-equipped to deal with the training system at the individual enterprise level. Other than forming a relationship with the very large enterprises (over the \$20 Million mark, of which there are 10 in the restaurant and catering industry), the skills council has no relationship with enterprises.

As a result, for the hospitality industry at least, the ISCs role of providing industry intelligence to Government is effective in so far as the intelligence is gleaned from the industry sector organisations, assembled by the ISC, and passed to Government. In most cases, however, the advisory function back through to enterprises is ineffective as it has to be passed back to industry organisations that have to deconstruct it for digestion by enterprises in their sector.

Flow of Industry Intelligence



Role	To provide integrated industry intelligence and advice to Skills Australia, government and enterprises on workforce development and skills needs
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Effectiveness	Beneficial to Government at a 'lowest common denominator' level, ineffective to enterprises (other than for the largest businesses)
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The second role for the ISC in the national training system is to actively support the development, implementation and continuous improvement of high quality training and workforce development products and services including Training Packages

The training package and resource development role is performed well by Industry Skills Councils, albeit that this has been undermined over time by the imposition of system wide constraints (from the National Quality Council et al) and by the amalgamation of previous ITABs. The amalgamation of previous ITABs into ISCs has, in some cases, broadened ISCs to a point where their contact with the individual industry is so limited that the industry context of the training package is undermined.

In the case of the hospitality industry the system (as administered by the NQC) has stopped the training package and the associated products from being what industry wanted. As an example, the hospitality package was denied the opportunity to state that trainers should have industry experience, which has undermined the quality of the training package from the industry perspective.

Restaurant & Catering Australia is also concerned that the ISCs have had their other roles increased at the expense of the training package (and product development) role. This is reducing the amount of effort able to be expended on this function.

Role	To actively support the development, implementation and continuous improvement of high quality training and workforce development products and services including Training Packages.
Effectiveness	Effective to the extent that the links with industry are maintained within the groupings of industries into the skills council and the extent to which ISC can focus on this role.

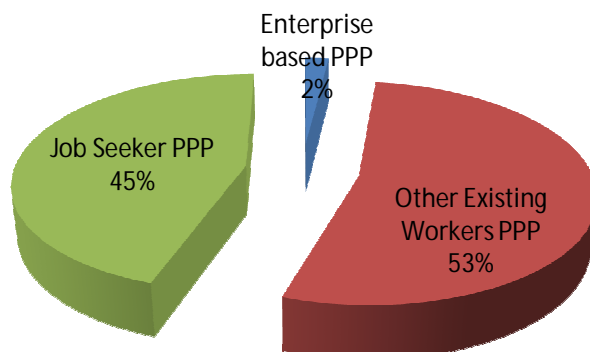
The third role of the ISCs in the national training system is to provide independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions.

Restaurant & Catering Australia contends that, aside the very large multi-national companies, the ISCs do not have the funding or capacity to undertake training needs analysis for enterprises. Particularly in a sector such as tourism and hospitality, where the absolute predominance is of small businesses, this task is unable to be performed and falls back to the industry sector organisations.

Role	To provide independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions.
Effectiveness	For other than the largest multi-nationals (that can fulfil these roles themselves), totally ineffective.

The final contracted role for ISCs in the national training system is to work with enterprises, employment service providers, training providers and government to allocate training places under the Productivity Places program (PPP).

This role has been all but ignored with the exception of the operation of the Enterprise-Based (EBPP). The PPP involves 711,000 qualification commencements over 5 years from 2008. Of the qualifications, 392,000 are to be allocated to existing workers, and 319,000 are to be allocated to job seekers. EBPPP accounts for 13,700 places.



Allocation of Productivity Places Program

The operation of the PPP, in all but the Enterprise-Based PPP, has been managed by the States or direct by the Commonwealth. Whilst the industry input into the EBPPP, through the skills councils, is welcomed, the question is whether the ISC is adequately resourced to fulfil this role.

Whilst it is not clear what proportion of the funding for each ISC is to be allocated to this quarter of the ISC's role, in the 2007 Election policy announcement the Government committed to providing '\$51 million over the next three years to further strengthen Industry Skills Councils'. The roles detailed in the policy position, in addition to previous roles were for 'diagnosing the training needs of employers and allocating training places, identifying suitable training providers and working with Employment Service Providers to provide training to re-entrants'.

This role has been substantially unfulfilled. The additional roles have been in relation to the EBPPP. As the EBPPP was announced on the 29th March 2010 there is little data at hand on whether this role has been discharged effectively.

Role	To work with enterprises, employment service providers, training providers and government to allocate training places under the Productivity Places program (PPP).
Effectiveness	Role limited to Enterprise-Based PPP only – no evaluation has been undertaken to date.

In summary of the information presented above, Restaurant & Catering Australia is convinced that, within the bounds of their contracted roles, the ISCs are only partially effective. The ISCs are effective in the development of training packages and products and effective as aggregators of industry intelligence and passing it to the Federal Government / Skills Australia. The effectiveness in relation to the management of the EBPPP is as yet untested.

Restaurant & Catering Australia has concerns over the extent to which the ISCs can be effective when so much of the national training system is outside their control. The only real

impact the ISCs have on the training system is through training packages (which are developed against guidelines established outside the ISCs control). This role has no State, regional or rural involvement (this is generally undertaken through State-based advisory mechanisms).

The State-based advisory mechanisms are also somewhat flawed. The lack of alignment between State and Federal advisory arrangements, the variable performance standards across the State entities and the fact the some ISC also act directly as providers of State advice mean that industry can not rely on this system to manage any form of advice to State Governments.

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

There are two clear aspects of the accountability question. The first is the Skills Councils general operation and the second is other projects in which the individual ISCs are involved.

Following the late 2006 review of the Governance arrangements of ISC the accountability measures for the general operation of skills councils were improved. The development of KPIs and reporting against those KPIs was developed as the centrepiece in the relationship between the Department (DEEWR) and the ISCs.

To some extent this relationship has been muddled by the incorporation of Skills Australia into the system. As noted above, whilst Skills Australia is an advisory body itself (to the Minister), the ISCs report to Skills Australia and to the Department.

Restaurant & Catering Australia believes that, in the interests of clear accountability, the relationship and lines of authority between the Department, Skills Australia and the individual ISCs should be made clear.

In relation to the contracted management and brokerage roles that the ISCs perform, the accountability mechanisms appear far less clear. It is also unclear, in many of these instances, where the general performance and funding agreement stops and where the specific project starts. For example, some of the ISCs have brokerage arrangements for the WELL (Workplace English Language and Literacy) program. This role is separately funded and contracted. At the same time (as noted above) the ISCs have a role to 'actively support the development, implementation and continuous improvement of high quality training and workforce development products and services'. The question is whether there are aspects of the WELL activity that should be undertaken as part of the general funding process.

In addition to the example of the WELL program there are many other initiatives that are separately contracted to the skills councils including (but not limited to), the Enterprise Based PPP, training package resource development projects and careers advisory functions.

(b) corporate governance arrangements of ISCs;

Industry Skills Councils are not-for-profit companies limited by guarantee¹. The construct of the ISCs, for the most part, springs from the original formation of the Industry Training Advisory Bodies (in the 80s) as tripartite structures (i.e. involving Government, Unions and Employer Groups).

¹ Joint ISC website

In most cases the Government role in the ISCs is now more advisory with line Departments participating in the work of ISCs but no formal membership role being taken. In some cases (such as Service Skills) cumbersome provisions where a simple majority is over-ruled by a majority of union and employer representation still prevail. This hampers decision making and sets ISCs apart from normal corporate practice.

Following a review of Governance in 2006 the attention to Governance processes in the ISCs appears to have improved. In the process, ISCs have become far more autonomous and now behave much more like corporations than government-funded entities, aside the anomalies as noted above.

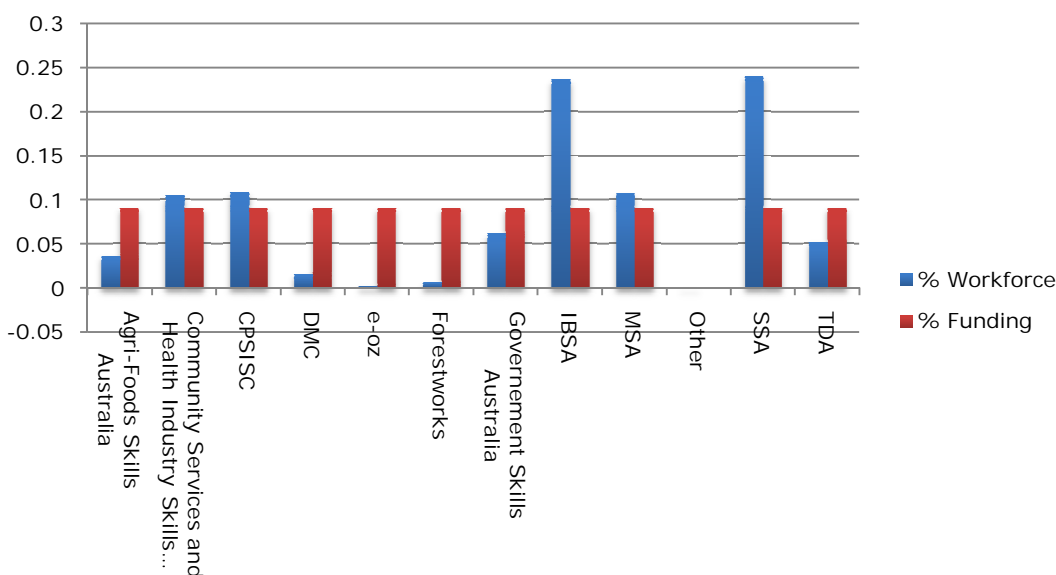
In the case of Service Skills, Restaurant & Catering Australia believes (as noted below) that a separate skills council is warranted. If, however, a separate skills council is not forthcoming, the Association would pursue a larger and more representative Board structure within the ISC.

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

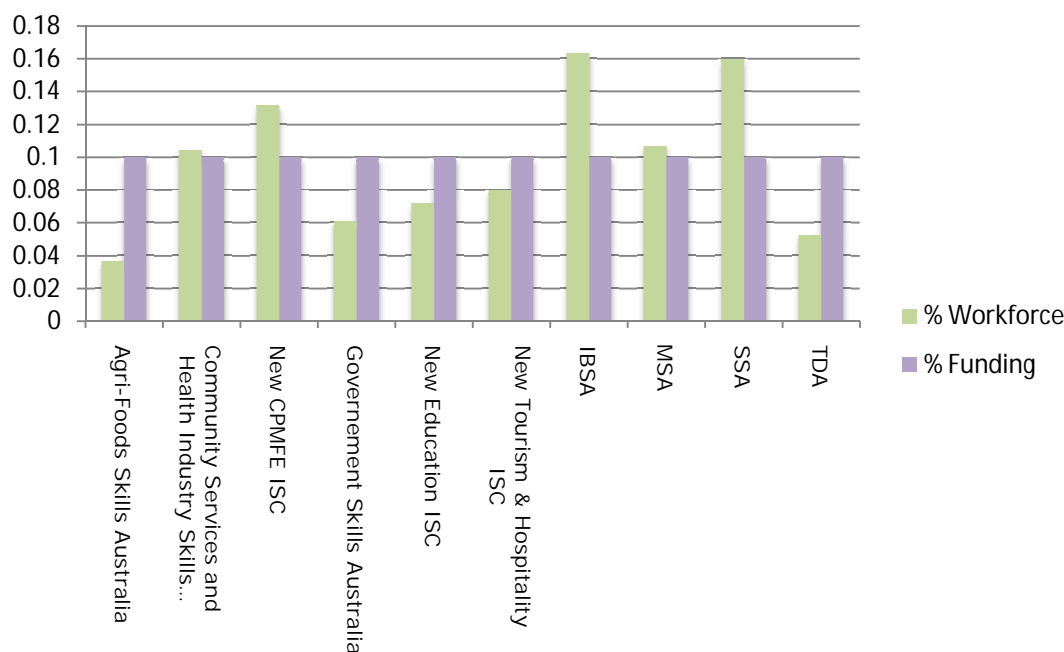
In the main the allocation of funds is made equitably across the skills council (i.e. now one eleventh each). The allocation of industry scope of the ISCs was determined at the point of their inception (2005). Since that time only one addition has been made (that of the Forrest Works Skills Council) in 2008. This allocation was made in a fairly arbitrary fashion, however, has been justified since as a function on the number of training packages in each industry conglomerate.

This delineation may be of some utility under a system in which training packages were the core function of ISCs (as it was), however, with the ISCs role now far broader R&C contends that the size of the workforce would be a better basis on which to group industries.

Two ISCs currently cover nearly 50% of the workforce (Service Skills at 24% and IBSA at 23%). As detailed below there is wide discrepancy between the equitable funding allocation and the proportion of the workforce covered by each Skills Council.



Restaurant & Catering Australia has modelled a number of divisions between industries on the basis of workforce numbers. The graph below shows the most equitable distribution determined to date:



Whilst the amalgamation by workforce numbers ignores the workload faced by each ISC, there is some logic for this allocation. Further consideration could be given to other factors that will influence the work of the ISCs, including levels of existing qualification in the industry, proportions of small business and workforce growth. In all of these measures the imbalance toward services will become worse and this trend will continue over time.

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

The joint ISC web site suggests that ‘Industry Skills Councils (ISCs) work collaboratively on a day-to-day basis mirroring the interrelationships between industries and the supply chain nature of modern economies’. It goes on to say that ‘from time to time, ISCs also work collectively to produce consolidated, formal advice to government on contemporary issues that affect industry’s skill needs’.

At its inception that forum stated that ‘the Forum is not an entity in its own right nor does it purport to have a view on any matter, rather views expressed are clearly defined as those of the ‘collective’ ISCs’. In spite of this undertaking the centrepiece of ‘industry consultation’ for Skills Australia and others is the ISC Forum. In particular regular forums are held with the Chairs of the Industry Skills Councils, convened through the ISC Forum. It is understood that this is seen as a collective industry view – which it is not.

Restaurant & Catering Australia maintains that the collective industry view is obtained through the peak industry bodies (such as ACCI).

The ISC Forum has also produced three reports Environmental, Sustainability: An industry response, Training Packages [a story less told] and Creating Australia's Future: Together. These reports also purport to put a collective industry view, as indicated by the name of the first report. Again, this is not a collective industry view.

The ISC forum is funded through contributions from each of the ISCs. As a collective the ISCs duplicate work done by Skills Australia, the Commonwealth Department and the industry peak bodies. Restaurant & Catering Australia believes that the Skills Council collective, that have as their core objective the survival of the ISCs, is not an appropriate recipient of individual skills council funding.

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

Restaurant & Catering Australia is concerned that some of the resources allocated to support the development of quality training, workforce development products and services and providing independent skills and training advice to enterprises are not spent on industry. That is, if funds allocated to skills councils are not spent on industry activities, industry does not receive the benefit of the monies allocated by Government for this purpose.

It is understood that some ISCs have accumulated surpluses over some years by underspending (in the fashion noted above). Whilst these surpluses may then be spent on industry-directed activities, there is a tendency to expend these funds on 'bulking up' the bureaucracy in the ISCs to facilitate the achievement of deliverable in the current years.

Restaurant & Catering Australia believes that the ISCs should be required to expend funds on activities directly related to their agreed KPIs each year. In the event that Government agrees to fund a collective of ISCs (because there is not sufficient cross-bureaucracy view being received by Government) this should be funded directly by Government and not by individual skills councils.

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

Over time there have been a number of specific 'training' initiatives that the ISCs have been charged with implementing. As examples, the integration of employability skills, green skills and language and literacy skills. Most of these have centred on training packages which is a legitimate role of the ISCs.

The issue with this is most of these initiatives have been wrongly applied to the training packages themselves as training packages are supposed to be a description of the skills and knowledge to do a job not what is to be taught in packages of learning. As such, industry (that is represented on the Skills Councils – not the skills councils secretariat) decide on what is to be included in the training packages. Directive such as those noted above fly in the face of this core principle of what ISCs are there to do.

The relevance of these additional initiatives can, however, not be questioned by the individual ISCs as they are being funded to perform these roles (and the industry represented on the skills council has to allow the skills council to perform under the terms of these additional contracts).

In many cases industry has disagreed with the initiative (such as the Skills for Sustainability initiative under the National Green Skills Agreement) yet has been forced to implement it because of the ISC's funding commitment. As noted above, this goes to the true autonomy of the ISC boards and the nature of the contractual arrangement between DEEWR and the individual ISCs.

RECOMMENDATIONS

In light of the detail provided above, against the Terms of Reference of the inquiry, Restaurant & Catering Australia recommends:

- That the ISCs should retain as their core role to actively support the development, implementation and continuous improvement of high quality training and workforce development products and services including Training Packages.
- That the allocation of industries across ISC be revised to better reflect workforce numbers including the formation of a separate tourism and hospitality industry skills council.
- That ISCs should be required to expend funds of activities directly related to their agreed KPIs each year.
- That, if required, Government should directly fund the joint ISC collective.
- That, in relation to additional specific training package initiatives, ISC members should be free to decide on whether to adopt the initiative (and accept the funding) or not.

Submitted by:

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On behalf of the Board

Peter Doyle OAM
President
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