



**Australian Government**

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**Department of Industry  
Innovation, Science, Research  
and Tertiary Education**

**SENATE STANDING COMMITTEE ON EDUCATION,  
EMPLOYMENT AND WORKPLACE RELATIONS**

**INQUIRY INTO SKILLS AUSTRALIA  
AMENDMENT (AUSTRALIAN WORKFORCE AND  
PRODUCTIVITY AGENCY) BILL 2012**

**DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE,  
RESEARCH AND TERTIARY EDUCATION**

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## SECTION 1: INTRODUCTION

### 1.1 Overview

The Department of Industry, Innovation, Science, Research and Tertiary Education (the Department) welcomes the opportunity to make this submission to the Committee inquiry into the Skills Australia Amendment (Australian Workforce and Productivity Agency) Bill 2012 (the Bill).

The Bill was introduced into the House of Representatives on the 22 March 2012 and subsequently referred to the Committee for inquiry and report.

The object of the Bill is to allow the proposed Australian Workforce and Productivity Agency (the AWPA) to provide for expert and independent advice in relation to Australia's workforce skills and workforce development needs, and to also allow the AWPA to provide advice to the Australian Government on the allocation of Commonwealth funding. The object of the Bill allows the AWPA to provide this advice in order to identify training priorities which would respond to those needs, to increase workforce participation, to improve productivity and competitiveness, to identify and address skills shortages and to promote the development of a highly skilled workforce.

The Bill enables the Government to implement its 2011 Budget commitment to transition Skills Australia to the AWPA from 1 July 2012, broadening the current role and functions of Skills Australia, and expanding the size of its existing advisory board.

While there are no specific terms of reference for this Inquiry, it is noted that in referring the Bill, the Senate Selection of Bills Committee identified the following reasons for the referral and principal issues for consideration:

*... This Bill seeks to expand the powers of Skills Australia, seeing it morph into the National Workforce and Productivity Agency. There are considerable costs associated with this and we seek further information as to the planned expansion of their mandate.*

### 1.2 Purpose of the submission

The purpose of the submission is to inform the Committee of the rationale for the Bill and for the transition to the AWPA. In this regard, the submission demonstrates that the Bill's provisions are consistent the Government's 2011 Budget commitment to establish the AWPA, and to expand and build on the existing Skills Australia arrangements. The submission also provides information to the Committee regarding the additional functions to be undertaken by the AWPA for which the Government has provided increased funding.

## SECTION 2: BACKGROUND

### 2.1 Building Australia's Future Workforce

In the 2011-12 Budget, the Government announced measures to build Australia's future workforce. It delivered a the *Building Australia's Future Workforce* package with a \$3 billion investment over six years to ensure that industry will have access to the skilled workers required to support continued economic growth and transformation.

The package provided the framework for a new skills and participation agenda that aims to:

- put industry at the centre of National Training System;
- modernise the apprenticeship system;

- increase investment in skills to support increased workforce participation; and
- reform the National Training System so that it responds more effectively to the skills needs of the Australian economy.

## 2.2 The announcement of the AWP – a new partnership with industry

The AWP was announced as part of the *Building Australia's Future Workforce* package. The announcement of the AWP was the Government's response to requests from industry and union bodies to improve the linkages between skills funding and industry needs and to increase the focus on workplace productivity in Australia.

The Australian Industry Group, the Australian Council of Trade Unions, and the Australian Chamber of Commerce and Industry had all argued for a more integrated approach to tackling Australia's skills and productivity challenges. Further, in its national workforce development strategy, *Australian Workforce Futures*, Skills Australia recommended a new partnership approach to workforce development at government, industry and enterprise level. And in its most recent report, *Skills for Prosperity – a Roadmap for Vocational Education and Training*, Skills Australia also recognised that more than any other education sector, the training sector "connects learning with the labour market, the workplace and community development", further supporting the argument that industry should play a strong role in the National Training System.

As the Skills Australia board was already established, it was seen as the natural foundation for the new AWP, providing the Government with a robust model to expand on in establishing a new industry-led body.

## 2.3 The policy context for the AWP

There are significant challenges currently facing the Australian economy which shape the national policy context. The impact of economic and industry restructuring, the pace of change and the role of the Government in promoting national economic growth to ensure that all Australians benefit from that change are all critical current issues.

Despite an uncertain international environment, the outlook for the Australian economy is largely positive, underpinned by significant capital investment in the resources sector. The rate of growth is positive, and employment in Australia has continued to improve in the past year with the unemployment rate remaining low. The strong demand for commodities has led to increased prices for Australia's resources and in turn has led to a terms of trade impact which differs markedly between sectors. The strong sectors are mining and mining-related construction, while trade-exposed sectors such as manufacturing, retail, tourism and education are facing change. Australia has a multi-speed economy, particularly in those regions or areas with a narrow industry base underpinning the local economy. Many enterprises and sectors must restructure, and find ways to maintain their competitiveness. In doing so, it is essential that employers find long-term, innovative ways to improve efficiency and maintain productivity.

In this context, some of the key challenges and opportunities for Australia are:

- How to improve productivity: there is a clear need for better workforce development to ensure that the supply of skills better matches the needs of industry and enterprise, as well as a need for developing management capability and leadership to support innovation within workplaces.
- How to increase workforce participation: increasing workforce participation is a critical factor in meeting the challenges of an ageing population. The challenge is to better engage those individuals who are marginalised from the labour force to participate in education and training during this period of increased opportunities.

- How to plan for an uncertain future: Australia's adaptive capacity continues to be a key to adjusting to the structural changes that arise from economic, technological, climate and international market changes.

More and more, the training sector needs to be responsive to changing economic circumstances, and while for the most part, the market will deliver the labour and skills needed to meet industry workforce demands, there are times when the Government has a role to intervene. This includes the need to address competing demands for critical skills, in planning for the long term skills needs of the economy, and in taking a national, strategic approach to workforce development.

These challenges and the broader economic context will shape the strategic agenda for the new AWPA, as well as the advice it provides to the Government to support the Government's response to these challenges.

## **2.4 Policy objectives and strategic priorities of the AWPA**

The broad aim of the AWPA is to improve long-term workforce planning and development to address skills and labour shortages, and contribute to improvements in industry and workplace productivity. The AWPA will ensure the Government's investment in training can deliver the skills that industry and the economy need to support continued growth.

In this context, the AWPA's policy objectives include:

- to improve the linkages between skills funding and industry needs, ensuring government skills and training programs as well as the higher education sector, can respond fast and flexibly to those needs; and
- to improve long-term workforce planning and development to address skills and labour shortages, and contribute to improvements in industry and workplace productivity.

The AWPA will be based on an industry led approach to skills planning and funding which is critical to making sure Government support is being targeted to the right place at the right time. It will draw a strong link between research and practical sector based knowledge, identifying how government funding can be best partnered with industry investment in skills to meet future skills needs, and increase productivity and participation. Its strategic priorities will be as follows:

### *Research*

To analyse current and emerging skills and workforce development needs in the Australian economy and provide the Government and industry with information and recommendations on current and future skills and workforce development need. This will include researching best practice approaches, publishing industry outlooks, producing indicators of skill shortage, and the development, review and revision of skills and occupational targeting priorities, such as the skilled occupations list for independent skilled migration.

### *Regional and sector planning*

To work with industry to develop and implement sectoral and regional skills and workforce development plans for priority industries. Industries that will be an immediate priority for the AWPA will be construction and aged care, followed by manufacturing.

### *The development and dissemination of best practice advice and strategies*

To develop and disseminate advice and strategies for industry on leadership, managerial capability and skills utilisation in the workplace to improve productivity. This will include research and analysis of existing evidence, and the development and dissemination of critical information and capability building tools that are both sector and enterprise specific. It will include facilitating forums to disseminate best practice and assessing improvements to enterprise productivity over time.

*Tertiary sector reform*

To recommend and drive ongoing reforms in tertiary education, including priorities for the investment and targeting of public funds and to ensure high quality outcomes for individuals.

*Advise the Government on priorities for industry assistance*

Research and develop advice to the Government, based on industry need and demand for current Commonwealth and state government skills and workforce development assistance, on the priorities for the most effective allocation of program funding. This will include advice in relation to the NWDF, Australian Apprenticeships and other tertiary sector assistance.

*Engage strategically with the National Training System*

To engage systematically with state and territory education and training sectors to ensure the needs of industry are effectively reflected in the priorities of the National Training System, and to ensure the direction and availability of Commonwealth, state and territory-based industry assistance is complementary.

## **2.5 How is the AWPA different from Skills Australia?**

The primary role of Skills Australia is to provide advice to the Government on Australia's current, emerging and future workforce development and skills needs.

The AWPA will continue to provide advice to the Government and industry, but will have a stronger role in driving industry engagement through supporting specific industry sectors, regional Australia and the productivity and participation agenda.

In addition to a source of independent advice on workforce development and skills nationally and by sector, it will be responsible for working with industry to develop sectoral and regional skills plans in those areas identified by the Government as key priorities.

The AWPA will also expand on the Skills Australia analysis and research agenda, working closely with stakeholders in specific industry sectors experiencing skills issues as a result of strong growth, and engage directly with enterprises, including small and regional business. In line with the expectations of industry stakeholders, the AWPA will recommend to Government, skills solutions based on innovation, including examining management capability and skills utilisation issues.

Importantly, the AWPA will have the new role of advising the Government on the direction of public and industry co-contribution funding to areas of critical industry need. In particular, the AWPA has been asked by the Government to have a strong oversight and advisory role in the operation of the National Workforce Development Fund (NWDF), and other industry skills programs.

The NWDF gives industry critical control over a substantial Australian Government investment in skills and workforce development. Under the NWDF, industry will co-invest in the skills our economy needs most, providing around 130,000 training opportunities for job seekers and people who already have jobs but need to learn new skills. While the Government will retain responsibility for the ongoing financial management of the NWDF, the AWPA will have a key role in advising the Government on policy direction and expenditure priorities for the NWDF.

## **SECTION 3: SKILLS AUSTRALIA AMENDMENT (AUSTRALIAN WORKFORCE AND PRODUCTIVITY AGENCY) BILL 2012**

### 3.1 Purpose of the Bill

The purpose of the Bill is to enable the Government to implement its 2011 decision to transition Skills Australia to the AWPA. Having decided to replace Skills Australia with the AWPA, building on the strong foundations of the existing body, legislative changes were required to amend the name of the body, and to reflect the expansion of its functions.

Because of the strong and successful role of the Skills Australia advisory board since its inception in 2008, the Government has retained in this Bill that effective policy model for the AWPA. Minimal changes have therefore been made to the governance structure and legislative framework of that body, and the proposed amendments contained in the Bill are relatively simple. However, the amendments do make important changes to the name of Skills Australia, and to expand the role and functions of the Skills Australia board.

These broadened functions will give the AWPA a stronger research, analysis and advisory role, and specifically provide for it to address improvements in Australian workforce productivity. They will also ensure the AWPA can advise the Government on the allocation of Commonwealth industry skills funding, including in relation to the NWDF.

The amendments also provide for an expansion in the size of the body, compared to the current size of the Skills Australia membership, and an expansion of the current membership criteria. This reflects the transition to a balanced, fully representative union and industry-led body, and will allow for the AWPA to meet its significant skills and workforce development agenda from 1 July 2012.

### 3.2 Overview of the Bill

The Bill contains eight proposed amendments to the *Skills Australia Act 2008* (the Act) to establish the AWPA, broaden the object and functions of the Act, expand the constitution of the existing body and revise the board appointments criteria. Transitional provisions are also included to deal with minor technical matters.

The legislative framework already in place to support Skills Australia is fundamentally retained, with the following adjustments to the existing provisions:

- i. The name of 'Skills Australia' is removed from the Act, and replaced throughout with the name of the new body, the 'Australian Workforce and Productivity Agency. This reflects the Government's decision to transition the existing Skills Australia body to the AWPA.
- ii. The established body of Skills Australia is continued in existence as the AWPA. This retains the successful advisory board model reflected in the Act;
- iii. The object of the Act is broadened to allow the AWPA to provide the Government with advice on the "allocation of Commonwealth funding". This is a critical change, allowing the AWPA to provide advice to the Government on the direction and priorities for Government skills and workforce development funding;
- iv. The functions of the body are broadened with the addition of new functions to allow the AWPA to provide the Government with advice in relation to:
  - a. Improving the productivity of the Australian workforce;
  - b. The allocation of Commonwealth funding, including the National Workforce Development Fund to address Australia's workforce skills, workforce development and workforce productivity needs;
  - c. The assessment of research relating to improving the productivity of the Australian workforce; and

- d. The analysis of funding available to address Australia's workforce skills, workforce development and workforce productivity needs.
- v. The constitution of the body is changed to expand the total membership of seven for the current Skills Australia board to a total membership of ten for the new AWPA board. Membership includes the chair of the board. This allows for the inclusion of additional industry and union representatives, and reflects the expanded role and agenda of the AWPA from 1 July 2012.
- vi. The selection criteria for appointments to the body are expanded to include the additional criterion of experience in employee representation. Employer representation is already effectively represented in the Act under the criterion "experience in industry".
- vii. To mark the end of Skills Australia and the commencement of the AWPA, a transitional provision is included in the Bill to terminate the appointment of current members of the Skills Australia board on the date of commencement of the amendments. This allows for the appointment of new AWPA board members from 1 July 2012.
- viii. To mark the end of Skills Australia and the commencement of the AWPA, a transitional provision is included in the Bill to terminate all existing Skills Australia committees. The amendment will operate so that existing Skills Australia committees cease upon the commencement of the amendments.

## **SECTION 4: ADDITIONAL RESOURCING FOR THE EXPANDED FUNCTIONS OF THE AWPA**

### **4.1 Functions of the AWPA**

As part of the 2011 Budget, the Government announced the allocation of \$25 million in funding for the AWPA for the three years from 1 July 2012. This funding was allocated to support the significantly expanded functions of the AWPA. Those functions are to:

- advise the Government on expenditure priorities for the NWDF;
- drive engagement between industry, training providers and government on workforce development, apprenticeships and VET reform;
- develop and monitor sectoral skills and workforce development plans in conjunction with Industry Skills Councils;
- provide independent advice on sectoral and regional skills needs to support workforce planning and productivity, including in small business;
- promote workforce productivity by leading initiatives for the improvement of productivity, management innovation and skills utilisation within Australian workplaces; and
- conduct skills and workforce research, including into the future of work and working life in Australia.

### **4.2 Additional resourcing**

The additional resourcing for the AWPA will be used to support both the new functions of the APWA, and those functions already carried out by Skills Australia that will need to expand. While the distribution of funding amounts to specific tasks and functions will be a matter for the new AWPA board, the funding allocation may be used to support:

- the preparation of sectoral and regional workforce development plans;



- the monitoring and review of outcomes for and the development and preparation of expert advice on the NWDF;
- the implementation of a national skills audit, surveys and data analysis;
- an expanded role in industry and state and territory government consultation (for example through the creation of a range of industry committees which may consist of unions and employers, through public industry forums and workshops, and regional stakeholder forums);
- the establishment of a national dissemination forum for industry workforce solutions and best practice initiatives to improve managerial capability and productivity at the enterprise level.

The funding allocation may also be directed to the engagement of additional labour market expertise to support the expanded role of the AWPA in the area of research and the provision of expert advice on productivity.

In performing these additional functions, the AWPA will ensure that it does not duplicate the role or work of other Government or Government supported agencies such as the Productivity Commission, the National Centre for Vocational Education and Research, or the Australian Bureau of Statistics. Instead, the AWPA will work strategically with these organisations to build on the work and outcomes they produce, and collaborate in areas of policy alignment.

Further, in resourcing the AWPA to have a strategic role in the NWDF, it is not the Government's intention that the AWPA duplicate or fragment the skills and workforce development assistance already provided by state and territory governments. Instead, the AWPA will work closely with all jurisdictions to ensure Commonwealth skills funding priorities complement those of states and territories.

## **SECTION 5: CONCLUSION**

In conclusion, this Bill implements the Government's commitment to transition Skills Australian to the AWPA, establishing a new national body designed to strengthen the Government's partnership with industry and enhance the Government's strategic response to national skills and workforce development needs, and improve national productivity.

The establishment of the AWPA is part of the Government's broader vision for a highly responsive tertiary sector that is capable of meeting the demands of a transforming economy into the future.