



Australian Industry Group

Submission

**Education, Employment and Workplace
Relations Senate Committee**

**Inquiry into Industry Skills
Councils**

August 2010

Introduction

The Australian Industry Group welcomes this opportunity to provide a submission to the Education, Employment and Workplace Relations Senate Committee – Inquiry into Industry Skills Councils. This submission is focussed upon the policy architecture of the national training system and the role of the Industry Skills Councils within that architecture. Other strategic matters are also expounded including stakeholder relationships, international comparisons and meeting the future needs of the Australian economy and workplace.

This submission does not include comment on accountability mechanisms in relation to Commonwealth funding, Commonwealth funding processes to prioritise funding allocations across all ISCs, or the accumulation of surpluses within ISCs. Ai Group believes that these issues are best responded to by each and every individual ISC as well as the relevant funding bodies. This submission focuses upon the areas of greatest strategic relevance to Ai Group.

About the Australian Industry Group

The Australian Industry Group (Ai Group) is a leading industry association in Australia. Ai Group member businesses employ around 750,000 staff in an expanding range of industry sectors including; manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines and other related service industries.

The Australian Industry Group has had a long involvement on the boards of Industry Skills Councils and their predecessor organisations. Currently, we have board representation on Manufacturing Skills Australia (Chair), Innovation and Business Services Australia and Construction and Property Services Industry Skills Council.

Ai Group is also closely involved with the work of other ISCs, particularly where ISC coverage overlaps with our association membership. These involvements and relationships are a vital part of Ai Group's engagement and commitment to the national training system and are directly beneficial to our members. Similarly, we have numerous board representations within state industry advisory arrangements.

1. Context

The challenges of the modern economy are complex and dynamic. Never before has the development of Australia's human capital been so critical to achieving increased productivity and global economic competitiveness. This imperative is not unique to Australia. In February 2010, the European Commission released the *New Skills for New Jobs: Action Now* report which asserts '...our prosperity, today and tomorrow, depends on how many people are in work and how satisfied and productive they are when they are in work. Skills, the right skills, are the key to.....the best guarantee to sustain our growth and secure lasting economic success.'¹

Simultaneously, the United Kingdom Commission for Employment and Skills released *Ambition 2020: World Class Skills and Jobs for the UK*. This document declares '...our ambition is to be one of the top five countries in the world – for jobs, for productivity and for skills: a World Class economy, built on World Class skills, supporting high performance jobs and businesses.'² Indeed, Ai Group's landmark research report released in May 2006 *World Class Skills for World Class Industries* noted that 'A country's skill base is a critical national asset, contributing to economic achievement, standards of living and, through its impact on individual well being, social cohesion.....Australia's economic fortunes depend in part on our having access to, and making use of, the skills that will help us to be world class.'³

The skill and workforce development challenge is global and therefore not optional for Australia.

All developed and many developing countries around the world are exploring diverse ways to meet their human capital needs. What is a constant theme across this exploration is the importance of inextricably linking education and training systems to the world of work.

2. The National Training System

In Australia we have much of the structural architecture that links training systems to the world of work already in place. The OECD in its 2008 study of national VET systems noted that one of the strengths of the Australian system was the high degree of employer engagement.⁴

The Australian training system has been evolving over the past twenty years. Central to this development has been the leadership and commitment by both industry and unions. This leadership is apparent to see on many of the governing bodies of the training system, most notably the National Quality Council (NQC) and Industry Skills Councils (ISC).

The NQC, soon to become the National Standards Council, has had a majority of industry representation since its inception. As a Committee of the Ministerial Council for Vocational and Technical Education, the National Quality Council oversees quality assurance and ensures national consistency in the application of the Australian

¹ European Commission *New Skills for New Jobs: Action Now* February 2010, p 8

² UK Commission for Employment and Skills *Ambition 2020: World Class Skills and Jobs for the UK*, 2009 p5.

³ Australian Industry Group *World Class Skills For World Class Industries* (2006) p 1.

⁴ Hoeckel, K, Field, S, Justeen, J R, Kim, M (2008) *Learning for Jobs: OECD Review of Vocational Education and Training* p 5

Quality Training Framework standards for the audit and registration of training providers.

It has specific decision-making powers in relation to the endorsement of Training Packages and other aspects of the quality assurance under the National Skills Framework.⁵

ISCs have an important role in the functioning and effectiveness of the training system. Critical aspects of this role include:

i. Development of training packages:

Training packages are the cornerstone of the Australian VET system. They form the basis for industry-endorsed national qualifications that reflect the needs of the labour market. They are developed through a rigorous and inclusive consultative process, reflecting the needs of Australian workplaces. ISCs also work with public and private training providers to assist with their implementation of these industry endorsed standards.

Training packages have evolved considerably over the past decade. Another wave of significant reform is currently underway through the implementation of the recommendations of the VET Products for the 21st Century report, as endorsed by the National Quality Council, MCTEE and COAG. The outcomes of this reform will ensure that Australia continues to have world-leading industry-endorsed products that are fit for purpose.

ii. Environmental Scans:

Each year, each of the 11 ISCs researches and drafts an environmental scan of their industries. Based on real-time industry views and evidence from across Australia, the scans operate as 'early warning systems' providing understanding of the factors currently shaping and impacting on workforce development and how well the products and services of Australia's training system are responding.

The scans are not about reproducing already published statistics and data found elsewhere, which by their very nature are typically historical. Rather, they are unique in that they draw upon market intelligence to capture the trends and factors impacting upon skills. The environmental scans are critical inputs into the workplan of the National Quality Council, state and territory training plans and Skills Australia.

iii. Workforce development:

The productivity agenda both in Australia and globally has seen the broadening of emphasis from training and skills to workforce development. Training and skills remain important but are best understood and developed in the broader context of workforce development. Furthermore, considerable attention is now being paid to the effectiveness of skills utilisation in the context of employment. The ISCs have embraced this broader agenda and are actively working with enterprises and industry associations to progress understanding and action around this broader remit.

⁵ Taken from NQC webpage.

3. ISC Strategic Relationships

A strong and purposeful relationship has been forged between Skills Australia and the ISCs. The ISCs Chairs Forum regularly meets with the Chair, Board and CEO of Skills Australia. Each ISC has a Memorandum of Understanding with Skills Australia and the chairs of the ISCs are all representatives on the Strategic Industry Forum convened by Skills Australia.

In addition, the ISC Chairs Forum, as part of its stakeholder engagement strategy, holds meetings in different jurisdictions to provide opportunities to meet with a range of state training authorities and other senior stakeholders. This engagement has included meetings and round table discussions with the CEOs of most state and territory training authorities and meetings with the peak industry associations including Australian Industry Group, Australian Chamber of Commerce and Industry; and Australian Council of Trade Unions.

ISCs have linkages with their state counterparts, ie, state industry training advisory bodies, where they exist. Whilst there are instances where these relationships could be improved and strengthened, on the whole they are highly productive and an important part of the network of industry advisory arrangements.

Industry Skills Councils are intentionally national in their approach. This is appropriate. It is the national development of training packages, and therefore standards and qualifications, which enable consistency, transferability and portability. These are essential characteristics of any national system.

This, however, does not prevent rural and regional engagement where sensible. This may happen directly through the national ISC; examples include the regional work of Agri-food and Skills DMC. Alternatively, much of this rural/regional engagement occurs through networks or state-based advisory arrangements. Furthermore, much of the important local engagement both rural and regional in nature occurs directly between the registered training organisation and the local enterprise, utilising the nationally endorsed products from the relevant Industry Skills Council.

It is important to stress the principle that regardless of geographical location in Australia, individuals and enterprises are able to access national, transferable and portable standards. The training packages developed by ISCs fulfil this role.

4. Structure and Governance

The structure of ISCs is important to understand. It is the key to understanding the centrality of their role plus its uniqueness. ISCs are independent, not-for-profit bipartite advisory bodies. Employers, employees and/or their representatives form the governing bodies.

Each ISC, as a company in its own right, has its own constitution and board structure. These arrangements are designed to meet the needs of the industry sectors they cover and therefore are appropriately diverse.

It is the strength of these governing arrangements that has enabled the ISCs to evolve into the respected entities they are today. This is not to suggest that governing arrangements should remain static. All ISCs conduct governance reviews over time. The transparency, clarity and credibility of these governing arrangements are paramount.

ISCs, as recognised entities, are contracted by the Commonwealth Government to undertake a range of functions, as previously mentioned. Traditionally, the capacity to become an Industry Skills Council has not been tendered out and it is not clear if there would be any advantage in so doing. ISCs, as currently structured and funded, are unique. They undertake an important role collecting and brokering the voice of industry in a neutral and strategic manner in relation to workforce development. Tendered or other arrangements that cut across neutrality and independence would not achieve the same level of broad stakeholder engagement and representation.

It is the view of Ai Group that the best way to deal with structural and governing issues, as recommended by Skills Australia, is the recognition of the role and function of Industry Skills Councils by declaration through legislation.⁶

5. International Models and Relationships

As previously mentioned, Australia already has much of the policy architecture in place regarding industry leadership and involvement with the training system. Internationally, Australia's ISCs are considered a leading example of how industry skills needs can be independently identified, codified and articulated, and solutions subsequently brokered.

The Australian model has been studied internationally with intent to replicate. Most notable are the Leitch Review in 2006 Prosperity for All in the Global Economy and UKCEs 2009 Ambition: 2020. In Europe 2010 the EC received a recommendation from the New Skills for New Jobs expert report that called for 'the creation of EU sectoral councils, bringing together existing national networks at EU level for the analysis of skill needs and the development of proposals for updated qualifications in each sector.'⁷ This recommendation is currently being progressed through the European Union. The OECD Learning for Jobs 2008 cited Australian Industry Skills Councils and the UK sector skills councils as successful models for industry engagement.⁸

⁶ Skills Australia, *Foundations for the Future*, 2010 Recommendation 6.5.1

⁷ Ibid. p31.

⁸ Ibid. p100.

Australia's ISCs are a founding member of the International Network of Sector Skills Organisations (INSSO) formed in March 2010 which has the key aims of sharing best practice solutions, development of transnational occupational standards, collective research and analysis, specification and identification of labour market intelligence, and potentially, the exchange of staff to share best practice. Involvement in INSSO presents the powerful opportunity to drive internationalisation of standards where applicable and to elicit the benefits of an increasingly global labour market.

Conclusion

Ai Group strongly supports the on-going role, function, and essential structure of the Industry Skills Councils. They are a critical element of the national training system and provide a crucial role in voicing the collective needs and issues of industry in relation to workforce development. Furthermore, ISCs have demonstrated, through the roll out of Enterprise-based Productivity Places Program, a capacity to quickly and successfully act to facilitate a practical response to addressing skill shortages in critical areas.

Industry Skills Councils have come a long way over the past five years. They are larger, more capable, proven organisations that have demonstrated their ability to work singly and collectively for the benefit of Australian industry. Their role and contribution to the national training system is fundamental. This is not to suggest that on-going development is not important. Capability building remains a challenge in the same way that is being experienced across the economy by all organisations. Finally, the transparency and quality of governing arrangements of ISCs must always be robust.