

## **Skills Australia Submission to the Education, Employment and Workplace Relations Committee – Inquiry into Industry Skills Councils**

### **Introduction**

Skills Australia welcomes the opportunity to provide a submission to this Inquiry. Industry Skills Councils (ISCs) are a key stakeholder for Skills Australia, as they provide an important source of industry intelligence that informs the policy advice provided by Skills Australia to Government.

This submission focuses on issues of relevance to Skills Australia and where it is possible to comment on the role and performance of ISCs.

### **Role and effectiveness of ISCs in the operation of the national training system particularly as it relates to states and territories and rural and regional Australia**

#### *National training system*

ISCs play an important role in the skills and workforce development landscape. Industry is a major stakeholder of the VET system, and firms rely on the VET sector to supply the skills they require to achieve productive workplaces<sup>1</sup>. This is a distinctive role for VET, which is set apart from schools and universities because of the extent of industry engagement<sup>2</sup>. The engagement of employers has been identified by the OECD as one of the strengths of the Australian VET sector, which was found to enjoy a high degree of confidence<sup>3</sup>.

Through the development of Training Packages, the work of ISCs underpins a fundamental aspect of the vocational education and training system. As noted by the OECD, ‘through the Industry Skills Councils (ISCs), industry has taken the lead in establishing the packages, and this has been vital in securing labour market recognition of the qualifications’<sup>4</sup>. Training packages and accredited courses as a single national framework have strong support from businesses and industry<sup>5</sup>.

The role of ISCs includes providing industry intelligence including through environmental scans, which cover existing and emerging issues in relation to workforce development as well as responses

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<sup>1</sup> Productivity Commission (2010), VET Workforce Issues Paper

<sup>2</sup> Ibid

<sup>3</sup> Hoeckel, K, Field, S, Justesen, J R, Kim, M (2008), Learning for Jobs: OECD Reviews of Vocational Education and Training – Australia, OECD.

<sup>4</sup> ibid

<sup>5</sup> National Quality Council (2009), VET Products for the 21<sup>st</sup> Century: Final Report of the Joint Steering Committee of the NQC and the COAG Skills and Workforce Development Sub-Group

from the training sector. Skills Australia considers environmental scans to be a valuable supplement to labour market data produced by government sources.

ISCs have taken on a wider remit through the promotion of workforce development strategies, for example Agrifoods has developed a draft Regional Skills Utilisation Strategy to assist businesses in rural and regional Australia identify the link between productivity and skills utilisation. Further, Construction and Property Services ISC employs a team of workforce development advisors that can provide advice to business. Manufacturing Skills Australia has developed a complete workforce development tool to help enterprises build and manage workforce capability. Skills Australia strongly supports this direction and would like to see this area of work develop further, particularly through strategies to strengthen the application of skills in the workplace, which is an important driver of productivity. ISCs have also played an important role in the Enterprise Based Productivity Places Program (EBPPP), which has attracted strong interest from employers.

The role of ISCs is well respected among stakeholders of the national training system. In Skills Australia's consultation on the future governance, architecture and market design of the national training system, responses from consultations concluded that 'an industry designed system of standards and qualifications was seen as essential as well as maintaining the core role of ISCs in driving this work'<sup>6</sup>.

Industry organisations such as ISCs are not unique to Australia. There are similar models in operation internationally, for example Sector Skills Councils in the UK. SSCs 'set and raise workplace standards in the UK, approve qualifications in England, Northern Ireland and Wales, and provide labour market intelligence, including employment rates and skill levels, and identify skills gaps and shortages'<sup>7</sup>.

In New Zealand, there are 39 Industry Training Organisations (ITOs). For a population of less than 4.4 million<sup>8</sup>, and a labour force of 2.33 million<sup>9</sup>, this number of ITOs is a significant contrast to the current approach in Australia. The role of ITOs is to:

- set national skill standards for their industry
- provide information and advice to trainees and their employers

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<sup>6</sup> Skills Australia (2009), Foundations for the Future: Proposals for Future Governance, Architecture and Market Design of the National Training System

<sup>7</sup> Alliance for Sector Skills Councils, Speaking for UK Employers, accessed 13 July 2010

<sup>8</sup> Statistics New Zealand (2010), [http://www.stats.govt.nz/methods\\_and\\_services/population\\_clock.aspx](http://www.stats.govt.nz/methods_and_services/population_clock.aspx)

<sup>9</sup> Statistics New Zealand (2010), Household Labour Force Survey, June 2010 Quarter, [http://www.stats.govt.nz/browse\\_for\\_stats/work\\_income\\_and\\_spending/employment\\_and\\_unemployment/householdlabourforcesurvey\\_hotjun10qtr.aspx](http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/employment_and_unemployment/householdlabourforcesurvey_hotjun10qtr.aspx)

- develop appropriate education and training arrangements for their industry
- arrange training that is appropriate for their industry
- arrange for the assessment of trainees
- monitor education and training quality
- provide leadership on behalf of industry on skill and training needs<sup>10</sup>

In a sign of the increasing significance of such organisations, in recent times sectoral skills organisations in a number of countries have come together to form the International Network of Sector Skills Organisations (INSSO), which exists to support the work of national sector skills organisations through the sharing of best practice<sup>11</sup>.

Skills Australia engagement with ISCs occurs in a range of forms, including via the Strategic Industry Forum (SIF), a network of ISCs, State Training Boards and peak bodies convened by Skills Australia, and through regular meetings between the Chief Executive Officer (CEO) of Skills Australia and the CEOs of ISCs. Partnership work between Skills and Australia and each ISC is underpinned by Memoranda of Understanding.

ISCs have actively participated in Skills Australia consultations, for example in the development of two major reports by Skills Australia, *Foundations for the Future* and *Australian Workforce Futures*. This included providing formal submissions in the form of coordinated comments from all ISCs, as well as from individual ISCs. ISC representatives attended roundtable consultations, and for the roundtables in all states and territories for *Australian Workforce Futures*, ISCs disseminated invitations through their networks. ISCs have also proved themselves willing to utilise their networks to provide feedback to Skills Australia on a range of issues, for example through work conducted via the Nous Group that informed understanding of the skills needs of industry.

Given the important role of ISCs in the national training system, Skills Australia is convinced that this role would be best embedded through ‘the recognition in legislation of Industry Skills Councils’ roles in establishing nationally agreed benchmarks for the skills and knowledge required by the workforce’, as recommended in *Foundations for the Future* (Recommendation 6.5.1).

*States and Territories, Rural and Regional*

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<sup>10</sup> <http://www.itf.org.nz/what-is-industry-training.html>, accessed 12 July 2010

<sup>11</sup> <http://inssso.org/about/our-mission/>, access 12 July 2010

The focus of ISCs is at the national level, and they interact with their state counterparts in order to develop more fine-grained intelligence at the state/territory, rural and regional levels.

Through the intelligence provided in their involvement in Skills Australia consultations, it is evident that overall, ISCs are well connected with their state and territory counterparts. Different states and territories have varying ITAB arrangements therefore it is difficult to achieve exact match across all states. As noted in *Foundations for the Future*:

At present the synergy between Industry Skills Councils (ISC) and their counter-part state-based advisory bodies, where they exist, varies. Industry coverage varies across jurisdictions and some States do not fund state-based industry advisory bodies per se. There is no direct congruence between the eleven ISCs and the industry advisory bodies in the five States that do fund such bodies. Some ISCs have formal and very well established partnerships and networks with their state counter-part organisations—others do not. In some cases, formal MOUs are in place between ISCs and their state-based counterparts; others fund their state-based colleagues to do specific work related to environmental scans or training package development.

The level of funding naturally impacts on the scope of the relationships these bodies may have with ISCs, as does history and culture of the organisation within the industry. Generally the relationship between ISCs and state level industry bodies is largely left to the industry to determine. The Australian Government has not specified how they should work together—but it encourages relationships to be developed<sup>12</sup>.

As outlined in *Foundations for the Future*, Skills Australia believes it is important for clearer protocols and linkages between ISCs and ITABs to be established to encourage collaboration.

Engagement in remote and regional areas is closely linked to the geographical location of particular industries. Based on ISC involvement in Skills Australia consultations and other fora, it is apparent that ISCs which cover industries a strong presence in regional/rural areas (eg Agrifoods, Skills DMC), concentrate their efforts in this way. It should be remembered however that as national rather than state based organisations, the coverage of ISCs is nationally focused. However engagement with rural and regional Australia should be a consideration in developing the protocols and linkages between ISCs and ITABs outlined above.

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<sup>12</sup> Skills Australia (2009), *Foundations for the Future: Proposals for Future Governance, Architecture and Market Design of the National Training System*, p26

## **Corporate governance arrangements of ISCs**

In 2005-2006, an evaluation of ISCs found that corporate governance of some ISCs was having an impact on their ability to achieve their objectives<sup>13</sup>. This resulted in a program of work around governance that resulted in changes to structures in some ISCs, and commitment to make amendments to policies and procedures in all ISCs<sup>14</sup>.

The current governance arrangements for ISCs follow a range of different models. For example, Government Skills Australia has a Board of eight members, with four employee and four employer representatives. In Agrifoods, six of the nine board members represent employers. Service Skills Australia has six board members, five of whom are employers and/or from industry associations.

This diversity of arrangements reflects the needs and culture of the industry sector. As noted by Allen Consulting, '... it can be argued that a key issue in governance is to adapt governance structures to the circumstances of the organisation, and maintain a flexible approach that is committed to continuous improvement rather than a search for an end state of good or best practice standard'<sup>15</sup>.

Including representation from both sides of industry helps to ensure industry leadership of the system and ownership of decisions from both employers and the workforce. Skills Australia is convinced of the importance of ISCs in achieving broad sign-up from industry to training packages and that a model incorporating industry representation is beneficial in this regard. However it is also essential to ensure that board members have the appropriate skills for the role.

With their diversity of membership, ISCs have greater independence than, for example, if industry associations were contracted to undertake this work. ISCs have a strong industry connection and understanding, and are well placed to take account of the views of a multitude of stakeholders.

ISC have a contractual relationship with DEEWR, which has accountability under Financial Management Act. Therefore DEEWR maintains ultimate responsibility for the performance of ISCs, which is reflected in appearances before Senate Estimates. This would remain the case under open tender, unless the successful organisation was a government agency.

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<sup>13</sup> Department of Education Science and Training (DEST) 2006, Evaluation of Industry Skills Councils, cited in Allen Consulting (2007)

<sup>14</sup> Allen Consulting (2007), Review of Governance Arrangements of Industry Skills Councils

<sup>15</sup> Allen Consulting (2007), Review of Governance Arrangements of Industry Skills Councils , p37

## **ISC networks and cooperative arrangements**

ISCs work both individually and collectively on policy and implementation. In terms of collective activity, all ISCs contributed to a joint response on sustainability: Environmental Sustainability: An Industry Response. Further, the ISCs collectively developed a website for small to medium enterprises to provide assistance on issues involving: human resources, innovation, technology, marketing, legal, insurance and finance matters.

## **Effectiveness of ISCs in implementing training activities**

In the experience of Skills Australia, ISCs have been active and responsive when tasked with implementing new Government policy directions. Arising out of the Green Skills Agreement (December 2009), ISCs have reviewed all relevant Training Packages to identify units and qualifications that require the addition of skills for sustainability<sup>16</sup>. This was a large task, completed in a relatively short period of time.

The next phase is for the ISCs to make necessary amendments to Training Packages and submit them to the National Quality Council for endorsement. The revised Training Packages are expected to become available to learners from mid-2011<sup>17</sup>.

## **Conclusion**

In summary, Skills Australia views industry as a major stakeholder of the VET system. The industry led nature of Australian VET is clearly a significant strength. ISCs play an important role in reaching out to a broad range of industry players to garner their views and also achieve buy-in to the system. The Training Packages developed by ISCs are a fundamental part of Australia's national training system. ISCs are national organisations, therefore their relationships with state and territory based industry bodies are important. The governance arrangements, which incorporate employee and employer views in ways which reflect the nature of the particular industry sector and engage a wide range of views, are to be broadly supported.

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<sup>16</sup> Ministerial Council for Tertiary Education and Employment (2010), Green Skills Implementation Plan

<sup>17</sup> Ministerial Council for Tertiary Education and Employment (2010), Green Skills Implementation Plan