

## INTRODUCTION

On 22 June 2010, the Senate referred an inquiry, into Industry Skills Councils, to the Standing References Committee on Education and Workplace Relations (the Committee).

The Terms of Reference for the Committee for the inquiry and report includes:

- *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.*
- *Accountability mechanisms in relation to Commonwealth funding for the general operation and specific projects and programs of each Industry Skills Council;*
- *Corporate governance arrangements of Industry Skills Councils;*
- *Commonwealth Government processes to prioritise funding allocations across all Industry Skills Councils;*
- *ISC network arrangements and co-operative mechanisms implemented between relevant boards;*
- *The accrual of accumulated surpluses from public funding over the life of each Industry Skills Council's operation and its use and purpose;*
- *The effectiveness of each Industry Skills Council in implementing specific training initiatives, for example, the Skills for Sustainability initiative under the National Green Skills Agreement; and*
- *Any related matters.*

In addressing the relevant Terms of Reference, the Queensland Government's submission to the Senate inquiry focuses on the following key issues:

- The importance of industry leadership in Queensland;
- Queensland's current industry engagement mechanisms;
- The intersect between national Industry Skills Councils and state engagement bodies;
- Evolving roles for national Industry Skills Councils and state engagement bodies; and
- Recommendations for the Senate Committee.

## QUEENSLAND GOVERNMENT SUBMISSION

### *The importance of industry leadership in Queensland*

Creating the skilled workforce that Queensland employers and industries need is a shared responsibility. Training alone cannot solve skills shortages, and government alone cannot determine our workers' skills needs nor fund all the necessary training. Effective responses to skills shortages require genuine communication, openness to change and fresh ideas from employers, industry groups, unions, training providers and government.<sup>1</sup>

In order to drive a genuine industry-led training system, industry engagement is the key.

The Queensland Government, through the Department of Education and Training, is leading a range of strategies that aim to increase industry ownership and leadership of the skill system. These strategies will ensure that the training system will meet the current and future demands of individuals, employers and business, and support sustainable community, regional and economic growth.

The new industry engagement model implemented under the Queensland Government's, *Queensland Skills Plan: A White Paper 2006* (QSP), was a necessary first step in the pursuit of true industry ownership of skills development in Queensland.

As part of the consultation process leading up to the release of the QSP, vocational education and training (VET) sector stakeholders overwhelmingly agreed on the need to revitalise the existing industry advisory arrangements, particularly to ensure that small, regional and remote location employers could have their say.

The QSP established new industry engagement arrangements to assist in addressing skills shortages, labour challenges and workforce development issues in the VET sector, through more effective partnering with industry on their skilling needs. These new engagement mechanisms have been progressively introduced since 1 July 2007 and are now fully operational.

Queensland's industry engagement mechanisms are now regarded as some of the most sophisticated arrangements across the nation and include centres of excellence, industry skills alliances, industry-government partnerships and direct engagement arrangements.

The partnerships between industry and government in Queensland have now strengthened to the point where industry is taking a greater leadership role in VET reform activities to ensure a more flexible, innovative and demand-driven training system.

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<sup>1</sup> Queensland Skills Plan: A White Paper (2006)

In addition, state engagement bodies benefit from the significant role that national Industry Skills Councils play in the Queensland VET market through a range of engagement opportunities, the sharing of information and the provision of advice about national trends and emerging priorities. Further, Industry Skills Councils have built collaborative relationships with its Queensland counterparts through its consultative processes in the development, review and implementation of national training packages.

However, more is required to foster true industry leadership of training, skilling and workforce development excellence. Government needs to go a step further and engage with industry more strategically to ensure that government funded training remains industry relevant, and is increasingly responsive to industry, and the needs of employers and individuals. In doing so, it will ensure that there is an objective, strategic mechanism that can work with Government in determining industry priorities and creating a genuine demand-led skilling system in Queensland.

### *Industry leadership in Queensland - the Queensland Skills Commission*

To reinforce this stronger demand-led approach, on 9 June 2010, the Queensland Premier announced the creation of a new industry-led statutory authority to drive training, investment and skills reform in Queensland.<sup>2</sup>

The new industry-led statutory authority will bring together industry leaders to direct government investment in skills and workforce development, and to advise on reform in the vocational education and training system. The creation of a new statutory authority, Skills Queensland, sends a clear signal to industry that they will have a greater say in the direction of skills development in Queensland.

Skills Queensland will strive to better align Queensland's training system with the needs of employers and industry to alleviate skills shortages and better position Queensland to address future skills needs.

It is expected that sectoral industry engagement arrangements established under the Queensland Skills Plan in 2006 will continue. An essential aspect of these arrangements is the capacity to represent the needs of industry throughout regional and rural Queensland.

### *Industry Engagement Mechanisms – Queensland's approach*

The industry engagement arrangements implemented under the auspices of the *Queensland Skills Plan* represented a fresh approach to working with industry, where the level of engagement varied depending on the level of training investment in the industry and the capacity of the sector to partner with Government on strategies to address workforce development issues.

A range of industry engagement mechanisms are currently operating across Queensland and include – Centres of Excellence, Skills Alliances, Government-Industry Skilling partnerships and direct industry engagement.

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<sup>2</sup> Premier, Ministerial Statement – Hansard, 9 June 2010.

Centres of Excellence have been established in critical industries facing skills shortages to lead industry and Government engagement on vocational education and training, skills development and labour market issues. Other industry engagement models, including Industry Skills Alliances, Government-Industry Skilling Partnerships and direct engagement arrangements, have also been established in other key industries to provide advice to Government on solutions to skilling issues. A comprehensive list of Queensland's industry engagement mechanisms is at **attachment A** to this submission.

Supporting these industry engagement mechanisms are a range of Skills Formation Strategies that operate throughout Queensland. Skills Formation Strategies are also employed as an integrated approach to understanding the underlying causes of skill shortages in different industries and regions and developing appropriate solutions.

Skills Formation Strategies create a framework for industries and communities to work with each other, and government, to analyse and address current and future skilling issues. This is usually in relation to a particular need or priority. Skills Formation Strategies can have an industry, community or regional focus.

Using the Skills Formation Strategy approach those workforce issues that are best addressed through collaborative action can be explored. These may include elements such as job design, creating career pathways, addressing employee transport and housing, new training approaches, new technologies, revised training products, new qualifications or marketing campaigns.

The relationship established between government and industry engagement bodies is underpinned by the exchange of labour market and skilling information, and collaboration on skills and workforce development initiatives and strategies.

Government provides regular updates to these organisations on labour market and vocational education and training (VET) statistics applicable to their industry, such as training participation rates, qualification profiles, apprenticeship and traineeships, employment trends, investment levels, and VET initiatives.

Each industry engagement body is required to produce an annual or bi-annual Industry Skills Plan under a funding agreement or memorandum of understanding with the department to provide Government with strategic industry advice on skills issues such as:

- Major change drivers impacting on industry skills demand at the time;
- Change drivers relating to attracting and retaining staff and the impact of the ageing workforce;
- Industry and employer responses to the impact of the identified change drivers;
- Implications of the industry and employer responses for skills demand;
- Immediate and potential skills demand areas for the industry and the necessary actions required by industry and/or Government including the level of industry contributions to training;
- Opportunities for improved skills development for priority population groups; and
- Possible international VET opportunities.

Industry engagement bodies are also required to provide ongoing industry advice and actions, including participation in effective networks to ensure industry promotion within regions and the school sector.

In addition, these bodies provide proactive advice relevant to: issues identified from industry forums; national Training Package advice based on industry wide consultations; and participation in industry Skills Formation Strategies. Industry engagement bodies are also asked to provide advice on newly arising skilling issues, such as the emergence of green skills and the green economy, and the impact of the global economic crisis.

Government remains focused on continuing to improve the relationship with industry engagement bodies to ensure that Government has the best available advice and data to predict future skills needs. The new engagement models also aim to empower industry to develop their own solutions and strategies.

Industry engagement models are supported by the work undertaken by regional networks. The networks encourage dialogue with industry segments not always adequately represented by peak industry organisations. Regional networks also highlight geographic differences in skills shortages which in turn are being addressed through the development of local solutions.

Given Queensland's significant geographic dispersion and the variability and volatility of employment rates across the state, the provision of localised industry intelligence for government is critical in ensuring appropriate and relevant skills investment prioritisation. It is important that national Industry Skill Council arrangements complement and support localised arrangements and approaches at the state and territory level.

### *Intersect between national Industry Skills Councils and state engagement bodies*

Queensland's industry engagement model represents a shift from an older 'industry advice' model, where Government simply consulted industry with a view to ascertaining skilling priorities, to a more encompassing 'industry engagement' model where Government is looking to industry to lead workforce investment and skilling solutions.

Queensland Government has examined the links between national Industry Skills Councils and State engagement bodies against three areas: industry coverage; national and state roles; and existing relationships.

#### *Industry coverage*

There is no clear or consistent alignment between Queensland industry engagement bodies and National Industry Skills Councils. The table at **attachment B** shows the current alignment between national and state industry bodies.

Queensland's industry engagement model is unique in that the role of the currently funded industry engagement organisations varies depending on the strategic priority

of the industry, with funding allocated accordingly. This is necessary in Queensland given the critical skills shortages being experienced in key industry areas and regions.

Queensland's industry engagement model is reflective of Skills Australia's view that efforts should focus on priority areas – "*The Australian Government's investment in the education and skills 'revolution' as well as the boost from economic stimulus packages has heightened interest in a robust evidence base for prioritising and directing significant investment to areas of high demand and to drive and stimulate long term outcomes*". Further, "*Efforts should concentrate on selected occupations where there is good intelligence, the supply is critical, lead times are long or where infrastructure investment may be required. We see there is scope across the tertiary sector for more co-ordinated usage of labour market intelligence, particularly as it relates to specialist and critical skills*".<sup>3</sup>

The alignment of industry coverage between national and state counterparts is not viewed by Queensland as necessary in the provision of effective industry advice. Further, national Industry Skills Councils have expressed little concern about the inconsistencies in alignment or 'industry coverage gaps' with its Queensland counterparts, as it has developed other means of engagement, that is, by establishing a direct relationship with the relevant industry.

In its position paper, *Foundations for the Future (June 2009)*, Skills Australia notes that there is variation in the synergy between Industry Skills Councils and their state-based counterparts. It also notes that the Australian Government has not specified how they should work together, but that it does encourage relationships to be developed.

The importance of establishing more effective and informed relationships, including effective information gathering and analysis which avoids duplication of activity and focuses on key industry and local issues, is a view shared by the Queensland Government.

#### *National and state roles*

Regardless of industry coverage, there is significant opportunity to strengthen existing mechanisms between state and national counterparts. In particular, there is opportunity to seek greater clarity in the roles of Queensland's Industry Engagement Bodies and how they link with other stakeholders in regions, industry and government to support quality training outcomes.

State industry engagement mechanisms have advised that some national bodies want to be more active at the state and regional levels and want greater access to local industry networks for their own purposes. The provision of regional and localised industry intelligence is critical in Queensland. This is largely due to Queensland's unique regional profile, being the most decentralised mainland state, with 40 percent of the population living in regional and remote areas.<sup>4</sup>

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<sup>3</sup> Foundations for the Future – Skills Australia (page 19)

<sup>4</sup> Queensland Government submission to the National Resources Sector Employment Taskforce May 2010

State engagement bodies, with their strong regional networks, are best placed to provide this information to government. The best information on skill needs must come from the individual industry itself and its individual employers. This is because local industry and employers will have the best understanding of the state of demand for their product, the state of the market, the technology and processes being used, their organisational structure and future activity.

There is still a need for national Industry Skills Councils to seek to understand the unique needs of state and territory markets in order to influence the national agenda. The role for national Industry Skills Councils should be to consolidate national, state/territory and regional industry intelligence to inform national skills policy.

The annual environmental scans undertaken by national Industry Skills Councils (which are very different from Industry Skills Reports as referenced earlier in this submission), should reflect national trends and skill requirements, as well as regional variations. State based engagement bodies should work in partnership with national Industry Skills Councils to provide Queensland regional and localised trends for inclusion in the national environment scan.

While Queensland engagement bodies have input into the development and review of national Training Packages, involvement in Training Packages is becoming a lesser priority. Some employers have expressed the view that engagement bodies did not need to consult deeply on the detail of Training Packages as changes only occur at the margins. Where significant issues do surface, these can be addressed directly with the relevant Industry Skills Council. State industry engagement bodies regarded Training Packages as a lesser priority and primarily the responsibility of the relevant Industry Skills Council.

Most Industry Skills Councils, even those with formalised relationships, see a need for better defined and understood state and national roles. Ongoing assessment of the roles of national and state bodies would be beneficial to remove any real or perceived duplication for internal and external stakeholders and in identifying overlaps or gaps in obtaining industry advice.

#### *Existing relationships*

Recent feedback received from Queensland's industry engagement mechanisms has revealed that there is considerable variation, and inconsistency, in the way in which national Industry Skills Councils operate and interact with state engagement bodies.

This has been acknowledged in the past by Industry Skills Councils, "*ISCs are the embodiment of their industries, each driven by industry stakeholders committed to skilling Australia. Established in accordance with the Corporations Act and its governance provisions, their approaches to business are markedly different, each being very much reflective of the industries they represent*".<sup>5</sup>

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<sup>5</sup> Industry Skills Councils, *Creating Australia's Future 2006*

Although there is considerable evidence that some Industry Skills Councils and state engagement bodies have very strong and mutually beneficial relationships, there is significant opportunity for improvement.

There may be some value in clarifying these roles and relationships more formally in a memorandum of understanding between state and territory counterparts.

### ***Evolving role for national Industry Skills Councils and state engagement bodies***

The role for national Industry Skills Councils appears to be evolving. One of the key initiatives of the recently announced Federal Budget is a \$660 million allocation over four years for *Skills for Sustainable Growth*.

Within this package is a range of key investment strategies aimed at addressing emerging skills shortages in the economy. The strategy includes a new training fund to be established in partnership with industry to address new critical skills needs; an extension of the existing Apprentice Kick-start initiative; and a new apprenticeship reform package to drive a more flexible, competency-based system. Specific funding programs include:

- i. Critical Skills Investment Fund;
- ii. Apprentice Kick-start Extension; and
- iii. Smarter Apprenticeships.

There is an enhanced role for Industry Skills Councils in allocating funding, and/or managing and implementing projects under some of these initiatives. There is also an enhanced role in working with state and territory government in ensuring targeted investment prioritisation to areas of greatest need.

One of the initiatives, the Critical Skills Investment Fund, appears to be an extension of the current arrangements for the Enterprise-Based Productivity Places Program. This initiative creates a dual funding capability and will possibly compete for enrolments with Queensland's existing Productivity Places Program for existing workers. The challenge will be to ensure there is no duplication of effort across programs or the potential for market confusion in meeting national and state objectives.

Other recently announced national initiatives and strategies that reflect an increased role for Industry Skills Councils include:

- As a key partner in the development of National Trade Cadetships, to ensure that students at school who want to pursue a career in the trades have a clearly defined pathway that is equal in quality to more traditional academic pursuits.<sup>6</sup>; and
- Following the release of the final report of the National Resources Sector Employment Taskforce<sup>7</sup>, as a key stakeholder in addressing the critical skills needs and planning for the future growth of the resources sector. If the

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<sup>6</sup> Julia Gillard, Media Release, 20 July 2010

<sup>7</sup> National Resources Sector Employment Taskforce Final Report July 2010 (released 17 July 2010)



recommendations are adopted by the Australian Government, the role of Industry Skills Councils would be extended to include:

- Partnering with the Australian Government, and other key stakeholders, to trial alternate apprenticeship models with a view to increasing the number of trade-qualified people in occupations and locations where skills shortages are expected;
- Working with key stakeholders to develop a model to assist resources sector employees to achieve trade status through recognition of prior learning and gap training;
- To develop workplace learning capabilities on major projects with potential Australian Government financial assistance;
- To develop, in collaboration with other stakeholders, programs that lead to sustainable job outcomes in the mining sector for the unemployed; and
- To develop a marketing kit, in collaboration with relevant stakeholders, to promote agreed career pathways, and other opportunities in the resources sector.

The role of state industry engagement bodies is also evolving. This is particularly so in relation to the provision of industry brokerage models in Queensland, which aims to bring decision making about VET investment closer to the end user. The Mining Industry Skills Council was the first industry brokerage model to be established in Queensland in 2006. Through robust workforce development and planning, Queensland will strive for the introduction of more mainstream industry brokerage and leveraging arrangements. These arrangements will facilitate greater industry influence over purchasing decisions and strategies that articulate the current and future needs in industry, and assist in the development of a demand-led skilling system in Queensland.

Clarity of roles of state and national bodies will be critical to ensure clear areas of responsibility and reduced duplication of functions at national and state levels. In particular, there is a need to ensure appropriate state input in the development and delivery of national programs at a state level.

### ***Recommendations for the Senate Committee***

The Queensland Government recommends that:

- ongoing assessment of the roles of national and state bodies to continue to refine and remove any real or perceived duplication for internal and external stakeholders, as well as identifying overlaps or gaps in obtaining industry advice; and
- more structured relationships between national Industry Skills Councils and Queensland's engagement mechanisms be established through a formal partnership or memorandum of understanding, with a view to:
  - ensuring co-operation in the development of advice for industry and government. This includes the development and review of Training Packages;
  - establishing a clearer understanding and delineation of roles and responsibilities at the state and national levels;

- establishing improved information flow between and across national and state industry advisory mechanisms; and
  - achieving a greater understanding about industry coverage and emerging industry priorities.
- as the Australian Government rolls out the delivery of initiatives under the *Skills for Sustainable Growth* package through Industry Skills Councils, that the roles of state and territory governments is clarified, particularly as it relates to the delivery of regionally-based programs and activities.

## Attachment A – Current Queensland Industry Engagement Mechanisms

Engagement mechanism	Function	Industry Partners
Centres of Excellence	<p>Centres of excellence lead and influence targeted industries in skill-related matters - from industry strategy and business process to smarter workforce management. They ensure skill needs are identified at local, regional and state levels while ascertaining training priorities, suitable training products and ideal training delivery methods.</p> <p>The centres represent a partnership between industry and government to foster co-ordination and leadership from within industry, and strengthen the role of employers in overcoming skills shortages.</p>	<ul style="list-style-type: none"> <li>• Aviation - Aviation Australia</li> <li>• Building and Construction - the Building and Construction Industry Training Fund (BCITF), trading as Construction Skills Queensland</li> <li>• Energy - Energy Skills Queensland</li> <li>• Manufacturing and Engineering - Manufacturing Skills Queensland, a division of QMI Solutions Limited</li> <li>• Mining - Mining Industry Skills Centre</li> </ul>
Skills Alliances	<p>Skills alliances are industry groups funded to provide specific key services to the Department of Education and Training. These services include:</p> <ul style="list-style-type: none"> <li>• identifying the causes and effects of skill shortages</li> <li>• planning for future skills needs</li> <li>• promoting their industry to schools and regional Queensland</li> <li>• encouraging each industry to take control of its future skills needs.</li> </ul> <p>Skills alliances are autonomous organisations made up of major industry stakeholders that provide strategic advice about industry skills.</p>	<ul style="list-style-type: none"> <li>• Automotive - Queensland Automotive Skills Alliance</li> <li>• Community Services and Health - Health and Community Services Workforce Council Inc</li> <li>• Creative Industries - Creative Industries Skills Council</li> <li>• Hospitality and Tourism - Queensland Tourism Industry Council</li> <li>• Sport and Recreation - Recreation Training Queensland</li> </ul>
Industry-Government Partnerships	<p>Industry-government partnerships build on existing relationships between industry and other Queensland Government agencies. These arrangements enable the Department of Education and Training to capitalise on existing industry networks and address the industries' skilling and workforce development needs through a whole of government approach.</p>	<p>To facilitate this arrangement the Department of Education and Training has formalised agreements with Queensland Transport and the Department of Primary Industries and Fisheries.</p>
Direct engagement	<p>Direct engagement arrangements have been established in the racing, water, retail and personal services, forestry and local government sectors with key industry representative organisations to obtain advice on workforce development and skilling requirements.</p> <p>Direct engagement is a mechanism for the department to purchase specific advice and services in industries or industry sectors that are identified as a strategic priority but do not have, for instance, a centre of excellence, industry skills alliance or other industry engagement model already in place.</p>	<p>Currently the department has direct engagement agreements with four organisations representing their respective industries namely:</p> <ul style="list-style-type: none"> <li>• Retail - National Retail Association Ltd</li> <li>• Water - Water Industry Training Association (Qld) Inc</li> <li>• Local Government - Local Government Association of Queensland Inc</li> <li>• Forestry - Queensland Food and Forestry Industry Training Advisory Body (QFFITAB Inc - recently merged with ForestWorks).</li> </ul>

**Attachment B – Alignment of industry coverage for National Industry Skills Councils and Queensland Industry Engagement Bodies**

<b>Queensland Engagement Body</b>	<b>Engagement Mechanism</b>	<b>Function</b>	<b>Corresponding National Industry Skills Council</b>
Aviation Australia	<b>Centre of Excellence</b>	Centres of excellence lead and influence targeted industries in skill-related matters - from industry strategy and business process to smarter workforce management. They ensure skill needs are identified at local, regional and state levels while ascertaining training priorities, suitable training products and ideal training delivery methods.	Manufacturing Skills Australia
Construction Skills Queensland			Transport and Logistics
Energy Skills Queensland			Construction and Property
Manufacturing Skills Queensland			Skills DMC
Mining Industry Skills Centre			ElectroComms and Energy Utilities
Creative Industries Skills Council	<b>Skills Alliance</b>	The centres represent a partnership between industry and government to foster co-ordination and leadership from within industry, and strengthen the role of employers in overcoming skills shortages.	Manufacturing Skills Australia
Health and Community Services Workforce Council			AgriFood Skills Australia
		Skills alliances are industry groups funded to provide specific key services to the Department of Education and Training. These services include: <ul style="list-style-type: none"> <li>• identifying the causes and effects of skill shortages</li> <li>• planning for future skills needs</li> </ul>	Skills DMC
			Innovation and Business Services Australia
			Manufacturing Skills Australia
			Community Services and Health

Queensland Engagement Body	Engagement Mechanism	Function	Corresponding National Industry Skills Council
Queensland Automotive Skills Alliance		<ul style="list-style-type: none"> <li>• promoting their industry to schools and regional Queensland</li> <li>• encouraging each industry to take control of its future skills needs.</li> </ul>	Manufacturing Skills Australia
Queensland Tourism Industry Council		Skills alliances are autonomous organisations made up of major industry stakeholders that provide strategic advice about industry skills.	Service Skills Australia
Recreation Training Queensland		Skills alliances are autonomous organisations made up of major industry stakeholders that provide strategic advice about industry skills.	Service Skills Australia
Department of Primary Industries and Fisheries	<b>Industry-government partnership</b>	Industry-government partnerships build on existing relationships between industry and other Queensland Government agencies.	Agrifood Skills Australia
Queensland Transport		These arrangements enable the Department of Education and Training to capitalise on existing industry networks and address the industries' skilling and workforce development needs through a whole of government approach.	Transport and Logistics
Retail - National Retail Association Ltd	<b>Direct engagement arrangement</b>	Direct engagement arrangements have been established in the racing, water, retail and personal services, forestry and local government sectors with key industry representative organisations to obtain advice on workforce development and skilling requirements.	Service Skills Australia
Water - Water Industry Training Association (Qld) Inc		Direct engagement arrangements have been established in the racing, water, retail and personal services, forestry and local government sectors with key industry representative organisations to obtain advice on workforce development and skilling requirements.	Government Skills Australia

Queensland Engagement Body	Engagement Mechanism	Function	Corresponding National Industry Skills Council
Local Government - Local Government Association of Queensland Inc		Direct engagement is a mechanism for the department to purchase specific advice and services in industries or industry sectors that are identified as a strategic priority but do not have, for instance, a centre of excellence, industry skills alliance or other industry engagement model already in place.	Government Skills Australia
Forestry - Queensland Food and Forestry Industry Training Advisory Body (QFITAB Inc - recently merged with ForestWorks).			Forestworks
Racing			AgriFood Skills Australia