

DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING

SUBMISSION TO

**THE SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCE COMMITTEE**

INQUIRY INTO SMALL BUSINESS EMPLOYMENT

September 2002

The Department of Education, Science and Training welcomes the opportunity to make a submission to the Senate Employment, Workplace Relations and Education Committee Inquiry into small business employment.

RECENT BUDGET INITIATIVES

The 2002 Budget provided for \$64 billion over the next four years to continue the Commonwealth's commitment to the vital education, science and training sectors which underpin so much of Australia's future success and prosperity. Portfolio funding in 2002-2003 totals more than \$14.7 billion, an increase of 6.9% over the amount available for these sectors in the previous year including:

- \$6.6 billion for school education which represents a 6.5% increase on the previous year, continuing the trend of increased investment in education each year;
- \$5.1 billion in support of science and innovation in 2002-2003, an increase of 5.8% on the previous year;
- \$1.9 billion for vocational education and training, an increase of 5.5% over the previous year's figure, including \$1.1 billion to the States and Territories through the Australian National Training Authority; and
- \$4.9 billion for higher education which represents an increase of 5.8% over the previous year. With the inclusion of the Higher Education Contribution Scheme (HECS), this brings the total contribution for 2002-2003 to \$6.2 billion.

VOCATIONAL EDUCATION AND TRAINING REFORM IN AUSTRALIA

Vocational education and training in Australia is essentially a partnership between the Commonwealth, the States and Territories and industry. The Commonwealth is involved in vocational education and training through an agreed set of national arrangements for sharing responsibility with States and Territories. The mechanism for giving effect to this is the Australian National Training Authority (ANTA) Agreement which sets out the roles and responsibilities for each party, including a major role for industry. Under the agreement, industry is involved closely in policy and planning at all levels.

The main focus for reform has centred on the National Training Framework (including Training Packages), New Apprenticeships, User Choice and vocational education and training in schools. These reforms have responded to industry demands for greater responsiveness and flexibility and criticism of the previously cumbersome regulatory arrangements. They have also been designed to expand training opportunities to new industries and beyond the traditional trades. Prior to the recent reforms, the system was characterised by rigid and bureaucratic processes with traditional apprenticeships having a very narrow focus.

Summary of National Reforms

During the last decade a range of national reforms, which are strongly supported by industry, have seen Australia make considerable headway in building a better vocational education and training system. Those reforms have seen the establishment of:

- A National Training Framework, an agreement between the Commonwealth and State and Territory Governments on the regulation of the vocational education and training system;
- The Australian Quality Training Framework, which was endorsed by Commonwealth and State and Territory Ministers in June 2001, sets agreed national standards for the registration and auditing of training providers and accreditation of courses;
- National standards for training set out in Training Packages, which are sets of nationally consistent qualifications and competency standards for recognising and assessing people's skills;
- The New Apprenticeships initiative which modernises traditional apprenticeships and traineeships and makes them more attractive to employers;
- User choice for New Apprentices which allows employers with their New Apprentices to select their own training provider and negotiate key aspects of their training;
- The Group Training Scheme which assists employers to employ a New Apprentice;
- The Enterprise and Career Education Programme which supports enterprise and career education in schools;
- The National Industry Skills Initiative, an industry and government initiative which is identifying and implementing strategies to address current and emerging skill needs in selected industries; and
- The Innovation Access Programme and Cooperative Research Centres Programme which are encouraging government, education and research institutions and small businesses in the science and technology field to create employment and work productively together.

OVERVIEW OF VOCATIONAL EDUCATION AND TRAINING IN AUSTRALIA

Under the ANTA Agreement, the Commonwealth shares responsibility for vocational education and training with the States and Territories retaining primary responsibility for their own training systems. This includes State level planning, regulation of training providers and the New Apprenticeships system, allocation of funds to individual providers, setting student fees and charges and managing the TAFE system.

The Commonwealth contributes funds to the States and Territories through ANTA, provides ongoing funding for ANTA's operational costs and funding for several ANTA national programmes. The ANTA Agreement for 2001-2003 provides an estimated extra \$365 million over three years to support training places. It brings the Commonwealth funding to States and Territories to over \$1 billion a year for the first time.

Apart from this financial role, the Commonwealth plays an important role in national policy setting, in collaboration with the States and Territories and industry. It also has direct responsibility for some vocational education and training programmes, such as employer incentives for New Apprenticeships and the associated operation of New Apprenticeships Centres and programmes for disadvantaged people (including the Language, Literacy and Numeracy Programme and the Workplace English Language and Literacy Programme).

The ANTA Agreement also sets out an ongoing peak decision making and planning role for the ANTA Ministerial Council, which comprises the Commonwealth and State and Territory Ministers for vocational education and training, and a strong leadership role for industry through membership on the ANTA Board.

More information about ANTA is available at www.anta.gov.au

National Reforms Initiatives

The national cooperation provided by the initial and subsequent ANTA Agreements has facilitated reform initiatives aimed at making the vocational education and training system more flexible and responsive to the needs of industry. These initiatives are embodied in the National Training Framework, New Apprenticeships and User Choice.

The National Training Framework is an agreement between the Commonwealth and State and Territory Governments, which guides the States and Territories in their regulation of the VET system. Its aim is to ensure that the system provides quality, nationally recognised, industry relevant training. The National Training Framework comprises the Australian Quality Training Framework and Training Packages.

The Australian Quality Training Framework (AQTF), which was endorsed by Commonwealth, State and Territory Ministers in June 2001, is a set of agreed national standards for registration and auditing of training providers and accreditation of courses. These standards apply to all training providers delivering and assessing recognised training and issuing national qualifications. Full implementation of the AQTF by the States and Territories commenced from 1 July 2002.

The national standards for training are set out in national Training Packages, which are sets of nationally consistent qualifications and competency standards for recognising and assessing people's skills. They are developed by industry and are subjected to a rigorous quality assurance process to ensure they meet the needs of industry. Funding for Training Package development is provided by the Commonwealth through ANTA under the Training Package National Programme.

The New Apprenticeships initiative modernises traditional apprenticeships and traineeships, making them a more attractive proposition for small business employers. New Apprenticeships involve a formal agreement between an employer and an apprentice or trainee that the employer will provide, and the apprentice or trainee will undertake, training. This is the major distinction between apprenticeships and traineeships and other forms of vocational education and training. New Apprenticeships training usually involves a combination of on and off the job training with the qualification issued by a Registered Training Organisation.

User Choice for New Apprentices allows employers with their New Apprentices to select their Registered Training Organisation, whether public or private, and negotiate key aspects of their training (including aspects of content – within the framework of the relevant Training Package or accredited programme – and the timing, location and mode of delivery) and public funds will flow from the State or Territory to that training provider.

More information about New Apprenticeships is available at www.newapprenticeships.gov.au

POLICIES AND PROGRAMMES WHICH MAY ENHANCE THE CAPACITY OF SMALL BUSINESSES TO EMPLOY MORE PEOPLE

Training Packages – helping to meet the needs of small business

At the beginning of September 2002 there were 74 Training Packages (67 industry and 7 enterprise), estimated to cover around 75 % of the workforce. A variety of industries, such as beauty, caravans, transport and distribution, floristry, museums, outdoor recreation, sport and rural operations, now have structured national training as a result of the implementation of Training Packages. New Training Packages are being developed in 2002 for a number of other industries, including aviation, visual arts, craft and design, sugar milling, and building and construction services.

New sectors and/or qualifications are also being developed for endorsed Training Packages on an ongoing basis to meet new and emerging skill needs. Recent examples include: Indigenous health workers (Health Training Package), call centre operations (Telecommunications Training Package), digital television (Electrotechnology Industry Training Package), e-business (Information Technology, Retail, Tourism, Hospitality and Business Services Training Packages) and finance and financial planning (Financial Services Training Package).

Many Training Packages contain skills sets and qualifications designed to support management needs in small and medium sized enterprises. In addition, the recently endorsed Business Services Training Package has adopted a generic approach to skill development for small business. Its competency standards are described in broad terms with the express intention that they are used in and contextualised to meet the requirements of many, if not all, other industries. The qualifications are designed to maximise flexibility, allowing a variety of skill combinations, to cater for the specific needs of individual businesses.

The Certificate IV in Business (Small Business Management) in the Business Services Training Package covers the essential management skills for small business. For example, it includes skills such as researching business opportunities, establishing a business and legal requirements, financial and business planning, managing business operations and small teams. There are also other management related competency standards in the Business Services Training Package that can be used by small and medium sized enterprises, including frontline management, record keeping plus specialist areas such as marketing and human resources. The competency standards described in the Business Services Training Package have also been incorporated into numerous industry specific training packages.

New Apprenticeships and small business employment

Small businesses are significant employers of New Apprentices, with around 28% of the 334,370 current New Apprentices being employed by businesses with fewer than 20 employees, and a further 9% being employed by businesses with between 20 and 49 employees.

New Apprenticeships combine practical work with structured training. The training can be delivered on the job, off the job, or a combination of both. Off the job training is delivered by approved training providers and employers can select the provider of their choice.

New Apprenticeships are covered by formal agreements which set out the training and supervision an employer must provide for the employee, as well as the employee's obligations as

a New Apprentice. On successful completion of a New Apprenticeship, participants receive a nationally recognised qualification as well as considerable work experience in their industry.

Under New Apprenticeships, financial assistance is provided for eligible employers. This includes incentives payable on commencement and on completion of relevant training and incentives to employ and train a New Apprentice in a skill classified as being 'in shortage' in rural and regional Australia. The Disabled New Apprentice Assistance Programme provides additional assistance to eligible employers who recruit a New Apprentice with a disability, including a wage support payment. Some State governments also offer additional incentives for employers to engage New Apprentices, such as exemptions on workers' compensation and/or payroll tax.

Financial assistance is also available to employers who take on Indigenous New Apprentices through the Wage Assistance Programme, which is administered by Centrelink and is part of the Department of Employment and Workplace Relations' Indigenous Employment Policy.

New Apprentices can be employed in the same ways as any other employees, including through Australian workplace agreements and certified agreements. These options provide employers with considerable flexibility in terms of work hours, training hours and other terms and conditions. New Apprenticeship wages vary according to the particular characteristics of the individual (e.g. years of school completed, years of training), the type of New Apprenticeship and the industry or occupation. A New Apprentice is usually paid a training wage, reflecting that the employee spends time in training.

It is recognised that small businesses might encounter difficulties in engaging New Apprentices for a number of reasons. For example, they might be unable to offer a New Apprentice a permanent position because they can not guarantee ongoing work; they might not have the range of work available to ensure that a New Apprentice gains all the necessary job skills for that industry; or they might not have the time to undertake all of the required employment and training functions.

GROUP TRAINING

The Group Training Scheme - assisting small business to employ New Apprentices

The Group Training Scheme can assist small businesses which might have otherwise not been able to take on New Apprentices to do so. Under Group Training, a Group Training Organisation employs New Apprentices and hires them to other businesses, called host employers, while they are undertaking their training. The Group Training Organisation acts as the primary employer and manages the training, takes responsibility for all paperwork connected with wages, allowances, superannuation, workers compensation, sick pay holiday pay and other employment benefits and rotates the New Apprentice from business to business, where necessary, to ensure that each New Apprentice receives a broad range of training and experience.

Group Training provides a cost efficient and administratively simple way for small to medium sized businesses to hire New Apprentices when this might otherwise not be possible. It also creates quality employment and training opportunities for young people and provides a breadth of experience gained in a number of different enterprises. Group Training Organisations operate across Australia. Some specialise in servicing a particular industry, while others may cater for an entire region, covering many industries.

Group Training is an Australian innovation developed specifically to provide a means by which businesses, particularly small businesses, can continue to develop the skills they need without having to make individual, long term commitments.

Group Training Organisations

There are approximately 180 Group Training Organisations operating nationally. At June 2001, they employed approximately 36,000 New Apprentices.

Research conducted by the National Centre of Vocational Education Research (NCVER) in 2001 '*Group training apprenticeships and traineeships in Australia*' indicates that Group Training Organisations are used almost exclusively by small firms, although Group Training Organisations in their own right are large employers. A survey by the group training employer association, Group Training Australia, in 1996 found that host employers tended to be small or medium businesses with almost 90% employing 50 people or less and over half employing 5 people or less.

The Commonwealth and States and Territories provide funding to support group training arrangements through the Joint Policy programme. This programme, managed by the Australian National Training Authority (ANTA) and administered by States and Territories provides annual funding of approximately \$19 million.

In addition, the Commonwealth through the Department of Education, Science and Training, provides funding under the Group Training New Apprenticeships Targeted Initiatives Programme to establish New Apprenticeships markets in areas considered critical, challenging or under serviced. Programme funding is \$4 million annually and most projects have a requirement that at least 50% of commencements be with small to medium sized businesses.

ENTERPRISE EDUCATION

Enterprise and Career Education Programme

The Commonwealth is committed to supporting enterprise education in schools and through the Enterprise and Career Education Programme (ECEP) it is providing \$25 million over four years 2000-2001 to 2003-2004 to support the development of an enterprising culture in Australian schools. The Programme focuses primarily on enterprise education and transition systems including vocational and career education for young people. It aims to:

- support the development of an enterprising culture in Australian schools; and
- assist young people to develop the skills, attitudes and attributes to make smooth transitions through and from school to work and/or further education and training.

ECEP is targeted at school students in both primary and secondary schools, with particular emphasis on Years 5 to 10. The Programme is focusing on strengthening support for enterprise and career education through partnerships with schools, business and industry.

Enterprise education will assist young people to develop their creative capacities and develop enterprising skills and attitudes that are critical for successful transitions from school to further education, training and work. The Programme will support communities and business to work in partnership with schools in the development, implementation and evaluation of curriculum and

approaches to school management that promotes an enterprising culture. The Programme targets all primary and secondary school students and incorporates enterprise education, career education and vocational education and training.

A key to successful enterprise education is the involvement of the local community. By developing partnerships with local businesses, government and community organisations, teachers can build a deeper involvement by students in the workforce and community and thereby provide a context for the learning. However, while schools can and do seek the support of local businesses, which are often small businesses, in developing an enterprising culture in their schools, this support is voluntary in nature.

Enterprise education initiatives support schools to develop in young people the skills and attributes that employers are looking for such as teamwork, commitment, flexibility and a realistic understanding about what it means to participate in the workforce. Equipping students with the enterprising skills and attributes necessary for either employment or self employment provides the foundation for their future careers as well as supporting the development of a highly skilled and innovative Australian workforce.

Enterprise and Career Education Foundation

The Enterprise and Career Education Foundation (ECECF) has a key role in working with the Department in the development and delivery of the ECEP and will be funded up to \$10 million over the life of the Programme to facilitate, among other things, the development of partnerships between industry and schools and their communities at the local level.

More information about the ECECF is available at www.ecef.co.au

NATIONAL INDUSTRY SKILLS INITIATIVE

The National Industry Skills Initiative has proven a very effective vehicle for facilitating industry and government partnerships in addressing skills related issues and making a difference for the future.

The National Industry Skills Initiative is designed to identify and implement strategies to address current and emerging skill needs in selected industries. It is based on a genuine partnership between industry and government.

Established in 1999 as a result of a meeting with key industry groups, the Skills Initiative established industry lead Working Groups to focus on skill needs in particular industries and develop Action Plans to address the identified needs.

Key industry associations involved include, the Australian Chamber of Commerce and Industry, the Australian Industry Group, the Business Council of Australia and the National Farmers Federation. Other major contributors to the process are the National Centre for Vocational Education Research, the Australian National Training Authority and Department of Employment and Workplace Relations

Industry Taskforces are currently overseeing the implementation of recommendations contained in the Working Group reports for six industries, engineering, electrotechnology, retail motor,

commercial cookery, building and construction and sectors of the rural industry. These Taskforces will be reporting to the Minister in the later half of this year.

In July 2001 a further three industries were added to the Initiative – Emerging Technologies, Retail and Road Freight Transport. The Working Groups for these three industries are also expected to complete reports in 2002.

For more information about the National Industry Skills Initiative is available at www.skillsinitiative.gov.au

INNOVATION

The Innovation Access Programme (IAP)

Innovation and adoption of the latest technologies and processes are critical to the development, growth and capacity of Australia's small businesses to create employment in the new global business environment where the acquisition and use of knowledge are becoming increasingly important. As Australia does not have sufficient resources to meet all the research and technology needs of industry and society, its economic and social wellbeing depends critically upon timely access to, and effective use of, the approximately 98% of global science and technologies which are developed offshore.

The IAP, an initiative of the Government's *Backing Australia's Ability*, aims to promote innovation and competitiveness among small businesses by increasing Australian access to these global research and technologies and facilitating their uptake by Australian companies and researchers.

The IAP has \$100 million over five years from 2001-02 to 2005-06 to fund both science and industry related activities. The Department of Industry, Tourism and Resources administers industry related activities. The science related part of the programme, IAP - international science and technology, is administered by the Department of Education, Science and Training. It provides support to a wide range of collaborative projects including:

- strategic leading edge collaborative science, engineering and technology activities under Australia's international science and technology agreements and cooperation programmes to give Australian small business and researchers access to leading edge research and technology; and
- strategic demonstration of Australian science, engineering and technology and innovations internationally, to increase awareness of Australia's capability in leading edge skills and technologies.

The IAP assists Australian firms and researchers in:

- leveraging collaboration and funding commitments from partner countries;
- increasing access to overseas leading edge skills, facilities and equipment not available in Australia;
- raising international awareness of Australia's science and technology capabilities;
- achieving commercial outcomes and attracting inward research and development investment;

- increasing the uptake of leading edge science and technology through increased participation of strategically focused leading edge international science and technology; and
- increasing access to leading edge knowledge and world class scientists.

An evaluation of the predecessor of the IAP the Technology Diffusion Programme (TDP) concluded that extrapolating the responses from a sample of grantees which received funding for international science and technology collaboration activities indicated that total future benefits to project participants could exceed \$900 million. The evaluation indicated that additional employment had taken place and more was expected, principally as a result of increased product development activity. The IAP has been successful in building on the achievements of the TDP in its first year of operation. For example, support provided for Australian science and technology showcasing in Europe and USA has generated valuable commercial and economic benefits for Australian small businesses.

RESEARCH

The Cooperative Research Centres Programme

The Cooperative Research Centres (CRC) Programme encourages Government, business, education and research institutions to work productively together to realise our national potential and enhance Australia's international competitiveness. One of the strengths of the CRC Programme has been its flexibility in the range of participants and operating structure of each individual CRC.

Under the current selection round for funding under the Programme, applicants have been asked to think innovatively about how they can better involve the many small businesses that make up an integral part of Australia's industrial structure in their proposals. In particular applicants must address small business involvement in the CRC through direct or indirect participation and through involvement in the application of research outputs through commercialisation, technology transfer or utilisation.