

# Chapter 1

## Majority report

1.1 On 15 June 2005, the Senate referred to the Legislation Committee for inquiry, the Skilling Australia's Workforce Bill 2005 and a related bill. The committee was asked to report by 18 August. A total of 10 submissions were received.

### Policy rationale

1.2 In October 2004, the Prime Minister announced that the Australian National Training Authority (ANTA) would be abolished from 1 July 2005 and its responsibilities transferred to the Department of Education, Science and Training (DEST), bringing about significant administrative savings. In February 2005, DEST released a 'directions paper'<sup>1</sup> which included three broad principles which would guide the changes and a model for a new national training system. The principles include that industry and business needs must drive training policies, there should be better quality training outcomes through more flexible and accelerated pathways and processes should be simplified and streamlined.<sup>2</sup>

1.3 The Minister for Vocational and Technical Education, the Hon. Gary Hardgrave MP, stated in his second reading speech that the Skilling Australia's Workforce Bill sets out the objectives for the new national training system and describes the commitment by the Commonwealth and state and territory governments to support the new arrangements:

A key feature of [the bill] will be strengthening of the Australian government's leadership role in vocational and technical education by tying funding more strongly to a range of conditions and targets for national training outcomes.

Through this legislation the Australian government will drive genuine reform by requiring states and territories to increase the flexibility and responsiveness of training delivery, so that the training system can respond to the specific challenges that face training and business in the 21<sup>st</sup> century.<sup>3</sup>

1.4 Government senators agree with DEST that the vocational and technical education system makes a significant contribution to Australia's economic success by providing businesses with highly skilled and productive workers to enable them to be

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1 *Skilling Australia: New Directions for Vocational Education and Training*, Department of Education, Science and Training, February 2005, p.3

2 Skilling Australia's Workforce Bill 2005, *Bills Digest*, no. 160 2004-05, 23 May 2005, p.3

3 Mr Gary Hardgrave, Second Reading Speech, Skilling Australian Workforce Bill 2005, *House Hansard*, 11 May 2005

globally competitive.<sup>4</sup> Government senators believe that the new system must deliver high quality outcomes and be flexible enough to respond rapidly to new technologies and work practices and emerging economic and social priorities. Some of the challenges facing the vocational and education system include the increasing demand for skills development, the ageing population, advances in technology and innovation and changing work and employment patterns.

### **Purpose and objectives of the bill**

1.5 The Skilling Australia's Workforce Bill 2005 provides for a new funding framework for the provision of \$4.4 billion to the states and territories for vocational education and training (VET) for the period July 2005 to December 2008. This includes an additional \$175 million compared to 2004 and an average real increase of 3.2 per cent on that year.<sup>5</sup> While the legislation before parliament will replace the existing ANTA funding agreement, the new national training system will build on the achievements of ANTA and will retain and strengthen key elements of existing arrangements, such as a national approach and industry leadership.<sup>6</sup> The Skilling Australia's Workforce (Repeal and Transitional provisions) Bill 2005 will repeal the *Australian National Training Authority Act 1992* and the *Vocational Education and Training Funding Act 1992*. It will also provide transitional arrangements for the transfer of functions and responsibilities from ANTA to DEST, including arrangements for the transfer of assets, liabilities and custody of records to the Commonwealth.<sup>7</sup>

1.6 Together, the bills are the most significant pieces of legislation for vocational and technical education in more than a decade. They establish a new national training system and put in place arrangements to ensure a high quality, flexible and responsive system which will provide industry and business with skilled people into the future. According to DEST, the new national training system will '...provide more appropriate governance, accountability and operational arrangements, which will focus on current and future skills needs and will reinvigorate the leadership role of business and industry'.<sup>8</sup>

1.7 The purpose of the new national training system is stated clearly in the Skilling Australia's Workforce Bill. The bill will provide for a new training system:

- (a) to strengthen Australia's economic base through providing a highly skilled workforce that will meet the future needs of Australian businesses, industries, communities and individuals;

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4 DEST, *Submission 4*, p.1

5 Mr Gary Hardgrave, Second Reading Speech, Skilling Australia's Workforce Bill 2005, House Hansard, 11 May 2005

6 DEST, *Submission 4*, p.2

7 *ibid.*, p.2

8 *ibid.*, p.1

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- (b) to promote a national approach to the delivery of vocational education and training through collaboration and cooperation between the Commonwealth, the States and industry; and
  - (c) to support a national training system that:
    - is responsive to the needs of industry and employers and in which industry and employers drive the policies, priorities and delivery of vocational education and training;
    - ensures high quality and nationally consistent vocational education and training, including through providing flexible and accelerated training delivery; and
    - operates through streamlined arrangements, is simple to access, and encourages more Australians to prefer vocational education and training options when making career choices.<sup>9</sup>

### **Key provisions of the bill**

1.8 The legislation contains a number of statutory conditions that the states must meet in order to receive their share of Commonwealth funding for vocational education and training, three of which are singled out in this majority report. These include maximising choice for employers and new apprentices, workplace reforms for TAFE institutions and competency-based training.

#### ***Maximising choice***

1.9 Government senators believe that employers and apprentices should be able to select the most suitable training provider for their needs. The submission from DEST argues that the introduction of choice in selecting a training provider and delivery method results in improvement in training outcomes and increases flexibility for employers and employees. Government senators believe that the user choice provision contained in the legislation is designed to increase the flexibility and responsiveness of the user choice policy which was agreed to by the states and the Commonwealth in 1997. Under this provision, states will be required to take action to maximise choice for employers and new apprentices. States will be required, for example, to implement arrangements to introduce genuine competition in the education and training sector and to ensure that employers and new apprentices have greater choice and flexibility in relation to their VET provider and the method and location of the training provided.<sup>10</sup>

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9 Skilling Australia's Workforce Bill 2005, Section 4 'Objects'

10 *ibid*, Division 2, Clause 11 'Condition of grant – maximising choice for employers and new apprentices'

### ***Workplace reforms***

1.10 An important and innovative feature of the bill is the requirement for states to introduce a range of workplace reforms and new management practices in TAFE institutions as a condition for the receipt Commonwealth funding. Government senators strongly believe that the introduction of flexible and responsive employment arrangements in TAFE's, including Australian Workplace Agreements (AWAs) and performance pay, will improve their responsiveness to local employer and industry needs.<sup>11</sup> It is important to stress that the bill only requires that TAFE staff be offered an AWA. As the DEST submission pointed out, the choice of individual or collective arrangements will be a matter for each staff member. The principle supported by the Government is that TAFE staff should be given the choice of working arrangements. This choice should also be supported by a fair and transparent performance management scheme in TAFE institutions that rewards high performance and manages underperformance.<sup>12</sup>

### ***Competency-based training***

1.11 The legislation requires that states and territories remove impediments in their awards to enable training qualifications to be based on competence rather than on length of time. This new approach will offer more flexible options for students and employers. According to DEST:

In the current arrangement many New Apprentices take up to four years to complete (and in some cases, even longer) rather than having access to accelerated and more relevant, competency-based pathways. Rigid time-based approaches cannot meet the needs of employers of individuals in the rapidly changing economy.<sup>13</sup>

### ***Issues raised in evidence***

1.12 Government senators note that the legislation is supported by TAFE Directors Australia (TDA), the national peak body representing TAFE institutes and TAFE divisions of multi-sector institutions, and the Australian Council for Private Education and Training (ACPET).<sup>14</sup> While the TDA submission actively supported the objectives of the bill as set in Clause 4, it noted that training providers are not acknowledged as a key partner in the cooperative process between the Commonwealth, the states and industry. It proposed an amendment to include specific reference to training providers as a contributor to the cooperative arrangements which will bring about a flexible, high quality training system as set out in clauses 4(a) and 4(c).<sup>15</sup> Government senators agree with TDA that much of the inflexibility and non-

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11 DEST, *Submission 4*, p.4

12 *ibid.*

13 *ibid.*

14 TDA, *Submission 7*; ACPET, *Submission 9*

15 TDA, *Submission 7*, p.2

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responsiveness for which ANTA arrangements were often criticised was due in no small part to the absence of training providers from relevant consultation and decision making processes. However, Government senators do not believe that the absence of any specific mention of training providers at Clause 4 (b) will diminish their future role under the new arrangements.

1.13 Submissions from both TDA and ACPET supported, with a few minor reservations, the statutory conditions as set out in the bill. They supported user choice policy in respect of new apprentices who represent approximately 20 per cent of total TAFE enrolments. They also supported the view that the workplace reforms will improve the flexibility and responsiveness of TAFE to local industry and community needs. The TDA submission fully supported the bill's requirements for a competence-based training approach rather than one based on length of time. Government senators appreciate TDA's concern that the provisions of the bill will require careful interpretation and implementation if its intent is to be successfully realised within the three year funding period.<sup>16</sup> The ACPET submission strongly supported the provision relating to the increased utilisation of publicly funded training infrastructure:

ACPET is strongly supportive of this condition of grant in the legislation. Third party access increases the use of taxpayer funded facilities and maximises the return on this publicly funded capital investment. Private providers are often small and, whilst highly experienced in training and better suited to meet the specialist training needs of employers and employees, it is simply impossible to duplicate the expensive infrastructure in the TAFE system.<sup>17</sup>

1.14 Criticism of the legislation by unions focused, not surprisingly, on the Government's determination to introduce necessary workplace reforms to the VET sector. Submissions from the ACTU and several other unions accused the Government of being 'authoritarian' by taking away the rights of the states and driven by an 'ideological obsession' to have individual contracts as the primary form of regulation of employment.<sup>18</sup> Rhetorical grand standing of this kind is misleading and shows that unions are not serious about a high quality, flexible and responsive vocational education and training system which this legislation provides for. Government senators reject the proposition that its legislation erodes states' rights or forces workers to sign individual contracts. The Government is committed to principles of collaboration with the states and territories and providing workers with a choice of individual or collective working arrangements.

1.15 Government senators also reject the criticism by unions that its proposed funding package for the new national training system is inadequate and that it reflects a lack of vision by government in investing in the future.<sup>19</sup> This ignores the fact that

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16 *ibid.*, p.4

17 ACPET, *Submission 9*, p.2

18 ACTU, *Submission 3*, pp.9-15

19 *ibid.*, p.18

the Australian Government's investment in training is currently at record levels. The Government has committed \$2.1 billion in 2005 to vocational education and training with a further \$4.4 billion in new funding for VET to be appropriated under this new legislation. The Government has called on the states and territories to match the additional funding provided by the Commonwealth in 2005. As Minister Hardgrave stated in his second reading speech to the bill:

This government's strong commitment to vocational and technical education is illustrated by the significant funding of \$4.4 billion provided through this bill and a further \$1.4 billion over four years announced last year for an integrated and comprehensive suite of policies to reinforce nation-building skills needs. This lifts the Australian Government contribution to vocational and technical education to a record 10.1 billion over the next four years. These initiatives represent one of the most significant boosts to vocational and technical education ever undertaken by any Australian Government.<sup>20</sup>

### **New national training arrangements**

1.16 The 'directions paper' for vocational education and training published by DEST in February 2005 identified two elements which laid the foundation for a successful training system: national collaboration and industry engagement.<sup>21</sup> According to DEST, these elements underpin two key components of the new national training system: a national governance and accountability framework and a national skills framework. Added to these components will be business and industry leadership and engagement operating at all levels of training.

1.17 The national governance and accountability framework establishes decision making processes and bodies responsible for training. Of note is the Ministerial Council for Vocational Educational and Training and the National Senior Officials Committee. The Ministerial Council replaces the ANTA Ministerial Council and has responsibility for the operation of the national training system, including setting national priorities and standards, planning for the operation of the national system and monitoring and accountability roles. The National Senior Officials Committee is the administrative arm of the Ministerial Council, performing such roles as establishing work plans for the Council, coordinating the preparation of proposals and ensuring that Council decisions are executed. According to DEST, a focus on performance and governance is vital to ensure that the national training system remains high quality and responsive. Also included in the accountability framework are bilateral funding agreements between the Australian Government and the states.

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20 Mr Gary Hardgrave, Second Reading Speech, *Skilling Australian Workforce Bill 2005*, *House Hansard*, 11 May 2005

21 *Skilling Australia: New Directions for Vocational Education and Training*, Department of Education, Science and Training, February 2005, p.3

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1.18 The national skills framework is the second component of the new training system, setting out the requirements for quality and national consistency of qualifications and the delivery of training. Government senators believe that the new training system should include strong quality assurance mechanisms to ensure consistency and high quality training across a range of different learning environments. Not only will this provide opportunities for Australian employers and students; it will also enhance Australia's reputation overseas and increase its share of the international training market. The new framework will see a continuing role for the Skills Councils, the establishment of a new Ministerial-owned company to manage training materials and products, the amalgamation of the National VET Quality Agency and the National Skills Agency, and public reporting of the performance of Registered Training Organisations.<sup>22</sup>

### **Conclusion and recommendation**

1.19 The Australian Government is committed to building Australia's skills. Legislation before the parliament is intended to establish a new streamlined and high quality national training system. While the Skilling Australia's Workforce Bill 2005 and a related bill retain successful elements of the existing arrangements, their effectiveness will be enhanced through a range of new measures, including a new national governance and accountability framework and a new national skills framework. Together, the bills are the most significant pieces of legislation for vocational and technical education in more than a decade, representing one of the most significant boosts to vocational and technical education ever undertaken by any Australian Government.

1.20 The committee majority commends these bills to the Senate and recommends their passage without amendment.

**Senator Judith Troeth**  
**Chair**

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22 Skilling Australia's Workforce Bill 2005, *Bills Digest*, no. 160 2004-05, 23 May 2005, p.3

