

19 December 2014

VET Reform Taskforce

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Dear VET Reform Taskforce

## INDUSTRY ENGAGEMENT IN TRAINING PACKAGE DEVELOPMENT

The NSW Business Chamber (the Chamber) welcomes the opportunity to respond to the *Industry Engagement in Training Package Development – Towards a Contestable Model* discussion paper.

As you may be aware, the Chamber is one of Australia's largest business support groups, with a direct membership of more than 17,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of its members to create a better environment for industry.

NSW Business Chamber owns and operates the Australian Business Apprenticeship Centre (ABAC). ABAC is NSW's most experienced provider of Australian apprenticeship services. ABAC has specialist knowledge, expertise and over ten years' experience in the signup processes and ongoing management of apprenticeships and traineeships. Through this work and our deep engagement with our 17,000 members across the state, the Chamber is well placed to advise on the skills needs of NSW industry.

NSW is the engine room of the national economy and represents one third of all economic activity in Australia. The NSW economy is Australia's most diverse and as a consequence needs a skilled, flexible and motivated workforce that contributes to productivity gains and drives economic development not only within the state but across the nation. Ensuring that the available workforce has the skills and knowledge required to meet the needs of industry and employers is a significant issue for NSW.

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The Chamber believes that addressing high levels of youth unemployment through more effective school to work transitional arrangements, increasing employment participation and driving productivity growth need to be a central focus of the Australian Government and the community, including business.

Employers expect better outcomes and continually look for products tailored to their needs.

### Key points and recommendations:

- In principle, the Chamber supports the introduction of a contestable model of training package development and services. This is consistent with the Chamber's broader policy position supporting contestability in the public service economy.
- The current timeframe for implementation of a new contestable model for training package development poses an unacceptable risk for employers, particularly SMEs. The Chamber believes that there is not sufficient time to implement this reform between now and July 2015. A more realistic timeframe will ensure important skills and knowledge are not lost from the system, and to ensure that SME engagement is not undermined.
- A one size fits all approach is unlikely to deliver optimal outcomes for all industries. In recognition of the need for flexibility in meeting industry needs, the Chamber supports a contestable model with sufficient scope to allow each industry sector to determine arrangements that will best meet the needs of their industry. The Chamber believes that Approach 3 could allow for such flexibility to be achieved with the least disruption to the system.
- While the Chamber supports the exploration of alternative revenue streams, there is a risk that private financial contributions may limit SME input to training package development. SMEs have a limited capacity to make financial contributions and this should be recognised when considering the introduction of industry co-contributions.
- There is some variation in industry support for their ISCs. There is however consensus on the need for an industry driven body to oversee the development and review of training packages. To this end, the Chamber, therefore, welcomes the establishment of the Australian Industry and Skills Committee (AISC).

### Innovation & Competitiveness Agenda - industry prioritisation

The Australian Government's National Industry Innovation and Competitiveness Agenda identifies five key priority industries: food and agribusiness; mining equipment, technology and services; medical technologies and pharmaceuticals; oil and gas; and advanced manufacturing. These industries will be prioritised under the \$476 million Industry Skills Fund. While other industries will not be excluded from accessing the fund, the lack of prioritisation of other important industries is a concern and may limit opportunities for many businesses to access training funds.

Importantly, the five priority industries do not include those industries that are projected to have the largest jobs growth over the next five years. According to the Department of Employment, the industries projected to grow most strongly are Health Care and Social Assistance (+16.3%), Education and Training (+13.3%), Retail Trade (+11%), Professional, Scientific and Technical Services (+9.9%), Administrative and Support Services (+9.6%) and Construction (+9.3%). A decline in employment is expected in Manufacturing (down by 40,300), Mining (12,300) and Agriculture, Forestry and Fishing (2,800).<sup>1</sup>

<sup>1</sup> Department of Employment. (2014) *Australian Jobs 2014*. Australian Government

NSW Business Chamber has expressed concerns about industry prioritisation and the tendency of governments to “pick winners”. Access to the Industry Skills Fund should be determined by demand from businesses rather than government imposed priority sectors.

### Objective of a contestable model

In 2012, the Chamber released a major report focusing on contestability in the public service economy - *Diversity and Contestability in the Public Service Economy*.<sup>2</sup> This report sets out seven guidelines to improve the delivery of public services in NSW by introducing new competition and contestability principles. The report identifies that as governments are no longer directly responsible for the delivery of many public services, greater participation by the private sector needs to be recognised, encouraged and supported.

In principle, the Chamber supports the introduction of a contestable model of training package development and services. This is consistent with the Chamber’s broader policy position supporting contestability in the public service economy.

However, the Chamber is concerned that the current timeframe for implementation of a new contestable model for training package development poses an unacceptable risk for employers, particularly SMEs. The Chamber believes that there is simply not enough time to implement this reform between now and July 2015. A more realistic timeframe will ensure important skills and knowledge are not lost from the system, and that SME engagement is maximised. If alternative arrangements are not in place in time there is a risk to the national skills development system. The Chamber recommends that the VET Reform Taskforce and Minister for Industry reconsider the current timeframe and propose a new timeframe (for example, an extension of six months) that will allow for a smooth transition with minimal impact on the end users of training package services.

### Industry engagement in training package development

The Chamber supports the basic underpinning of the structure of the VET system, being the development of training packages that are reviewed to reflect changes in occupations and skill needs.

Industry views about the role of Industry Skills Councils (ISCs) in training package development are mixed. However, too often business and industry feel as though they are left out of the training package development process and aren’t getting what they need or expect out of graduates. The Chamber recognises that reforms proposed by the Government aim to ensure more direct industry input to determine the qualifications that are required by industry. Improving direct employer input, including input from SMEs, needs to be the central focus of these reforms.

Competencies for occupations must come from within the relevant industry, they cannot and should not be driven by training providers or bureaucrats. If industry provides the basis, that is the skills and knowledge that various job roles require, then it is the role of the training industry to take that information and translate it into training outcomes that ensure graduates meet the needs and criteria of employers.

It is important that identifying the needs of business is conducted using a business productivity and success framework – not through a ‘skills’ or ‘training’ perspective.

<sup>2</sup> NSW Business Chamber (2012). *Diversity and Contestability in the Public Service Economy*. Professor Gary L. Sturgess. June 2012

Past experience with the current system, which must not be repeated in a new system, is that discussions move straight to competencies and 'training speak' which, apart from alienating businesspeople, especially small business operators, misses a discussion about what role each skillset has in making the business successful and profitable. For example, part of the training task is to be able to explain to learners how their skillsets contribute to the business and hence why they are important (i.e. that getting performance right in each role increases efficiency and/or retains and grows revenues).

A one size fits all approach is unlikely to deliver optimal outcomes for all industries. In recognition of the need for flexibility in meeting industry needs, the Chamber supports a contestable model with sufficient scope to allow each industry sector to determine arrangements that will best meet the needs of their industry. The Chamber believes that *Approach 3: Government contracts for Designated VET Sector Bodies* could allow for such flexibility to be achieved with the least disruption to the system.

### Leveraging co-contribution

While the Chamber supports the exploration of alternative revenue streams, there is a risk that private financial contributions may limit SME input to training package development. SMEs have a limited capacity to make financial contributions and this should be recognised when considering the introduction of industry co-contributions. The Chamber is concerned that large businesses that are able to make considerable financial contributions will have a disproportionate influence on training package content.

The considerable in-kind contribution that SMEs make to training package development should be recognised. Taking time away from their businesses to contribute to training package development poses a cost on SMEs.

### Principles for training package development

The Chamber supports the Australian Chamber of Commerce and Industry's (ACCI) fundamental principles for reform of the training package development process. The structure put in place to facilitate the development of training packages must be:

- **Employer Driven** – employers must be central to the development process, identifying the need for Training Package development, approving the procurement processes for training Package development services, setting occupational standards and providing final sign off in the endorsement process.
- **Robust** - they must be able to survive election cycles and changes of government. This may mean engagement and involvement with employers, unions, State Training Authorities, training providers and community groups as is necessary and most appropriate to the needs of the various industries and training packages;
- **Flexible** - different training packages have different industry and stakeholder structures and the development structure needs to cater to these different environments.
- **Responsive** - They must be able to respond rapidly to changes in industry need and to government policy and not be locked into a three year review cycle.
- **Consultative** – They must be able to engage openly with all relevant stakeholders and apply appropriate weighting to the views of all parties.

- **Sustainable** – The structure should enable industries or stakeholders associated with particular training packages to develop a sustainable model to last through the cycle. Although the Chamber accepts there are funding savings that can be achieved, it remains important to ensure that the bodies tasked with training package development are appropriately funded to allow them to adequately undertake training package review work, do environmental scans of skills use and needs and conduct continuous improvement and Training Package product maintenance.
- **Contestable** – No entity or body should have an automatic right to receive funding to review training packages. Employer support for the process should be tested every, say, five years to ensure bodies continue to be responsive to industry needs. The cycle of market testing should not be too short as to limit robustness and the development of appropriate business or consultative models.

If you have any questions regarding the content of this submission, please contact Nick Minto on (02) 9458 7267 or [Nick.Minto@nswbc.com.au](mailto:Nick.Minto@nswbc.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read "Stephen Cartwright".

**Stephen Cartwright**  
CHIEF EXECUTIVE OFFICER