

25 November 2013

Mr Tony Shepherd AO  
Chair  
National Commission of Audit

Dear Mr Shepherd,

The National Commission of Audit has been established to review and report on the performance, functions and roles of the Commonwealth government consistent with the Terms of Reference announced on 22 October 2013. This advice is provided in direct response to those Terms of Reference and specifically relates to the *'options to manage expenditure growth, including through a review of existing policy settings, programs and discretionary spending'* and *'whether there is a strong case for continued direct involvement of government'*.

Australia's vocational education and training (VET) system is recognised as one of the world's most respected and emulated models for skills formation. Its distinguishing feature remains industry leadership (as distinct from 'involvement') with its current and emerging skill needs independently identified, codified and articulated into nationally endorsed qualifications that serve as the system's central currency.

The qualifications/ units of competency, and the 'Training Packages' in which they are housed, form the agreed outcomes of the national VET system and reflect the skills and knowledge required by 85 per cent of job roles in the economy. They ensure that regardless of skill level, industry sector or where within Australia the training takes place, that a learner's skills are nationally recognised, portable between enterprises and across jurisdictional boundaries – quite simply they form the bedrock of a mobile, highly-skilled workforce. In 2012, nearly 1.5 million students enrolled in a Training Package qualification, a figure which continues to grow each year.

Industry Skills Councils (ISCs) are the industry-led, Government supported bodies responsible for the continuous improvement of Australia's nationally endorsed qualifications to ensure that they meet industry's current and emerging skill needs. Importantly, ISCs ensure that Training Packages also support macro-economic reform, for example:

- Lifting participation rates through the inclusion of foundation skills;
- Preparing the workforce and communities for the digital economy through the inclusion of digital literacy skills;

- Maintaining international market access through the embedding of biosecurity and animal welfare skills into units of competency and qualifications;
- Improving labour mobility and reducing red tape through the harmonisation of qualifications and occupational licensing requirements in construction and property services;
- Supporting structural change through development of lean manufacturing qualifications and embedding of ‘green skills’ into Training Packages more broadly.

Most recently the Australian Chamber of Commerce and Industry, the Australian Industry Group and Australian Council of Trade Unions jointly signed the ‘Industry Compact’ which reaffirmed their collective support for national industry Training Packages as the central currency of Australia’s VET system (Attachment A).

*ISCs maintain that the Training Packages must remain the responsibility of the Commonwealth Government given their pivotal role in building Australia’s future capability and that ISCs are a proven mechanism by which they can be maintained efficiently and to great effect.*

At an enterprise level, the National Workforce Development Fund (NWDF) and its forerunner (Enterprise Based Productivity Places Program or ‘EBPPP’) have enabled Training Packages to be used as they should be, as part of the workforce planning/skill development /skills utilisation continuum.

Both programs focus on upskilling existing workers through Training Package qualifications and critically, are premised on the notion of enterprise/ Government ‘co-investment’.

Outcomes from both programs clearly show that industry will invest in highly relevant, comprehensive, industry-led solutions to skills development:

- To 30 June 2013, Government had invested \$240m and industry co-invested \$159m in the skilling of existing workers through the NWDF;
- An independent economic review of EBPPP by ACIL Tasman found that for every dollar contributed by the Government, \$0.48 was contributed by enterprises. It also found that when enterprises had ‘skin in the game’ they were able to negotiate training for between 64 – 88 per cent of the capped price allowable under the program (Attachment B).

With a well-recognised imperative to lift Australia’s productivity levels and as many industries undergo structural change, the demand for skills is both urgent and widespread right across the Australian economy. As clear as the imperative may be, the quantum of skills development needed to build a world-class, highly productive workforce is considerably beyond the resources of any single party.

*ISCs believe that the answer lies in Government leveraging its traditional contribution to the national VET system through the adoption of ‘co-investment’ as the national funding principle for skilling of existing workers. While underpinning policy settings would ensure efficiency and responsiveness, the overarching concept would enable Government to achieve far greater impact with precious resources and grow the overall pool of funding available to build the nation’s human capital.*

Through ISCs' coordinating role in both EBPPP and NWDF, we have witnessed firsthand how co-investment delivers not just direct benefits to enterprise productivity but also drives cultural change and positive behaviour within enterprises, particularly around further investment in building workforce capability. ISCs have well documented case studies on the efficiencies and compelling effectiveness of both programs and would be pleased to provide clarification or supporting information on the impact of co-investment and Training Packages.

ISCs greatly appreciate the opportunity to provide this advice to the National Commission of Audit. Our submission is short in length and deliberate in focus to emphasise the untapped potential of co-investment as a national funding principle for skilling of existing workers, the intrinsic value of Training Packages as the central currency of an industry-led VET system and that there remains a strong case for the continued direct involvement of Commonwealth Government.

It should be noted that while this submission is from the ISC collective, individual ISCs may make separate representation to the Commission on other matters pertaining to the Terms of Reference.

In relation to this joint submission, I may be contacted directly on [REDACTED] or through [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

Chair, AgriFood Skills Australia

**On behalf of the Chairs of Australia's Industry Skills Councils**

*Attachment A – Industry Compact on Training Packages*

*Attachment B – ACIL Tasman - Independent economic analysis of EBPPP*

# INDUSTRY SKILLS COUNCIL CHAIRS

ISC	Chair
	AgriFood Skills Australia 
	Community Services and Health Industry Skills Council 
	Construction and Property Services Industry Skills Council 
	Energy Skills Australia 
	ForestWorks Industry Skills Council 
	Government Skills Australia 
	Innovation and Business Skills Australia 
	Manufacturing Skills Australia 
	SkillsDMC 
	Service Skills Australia 
	Transport and Logistics Industry Skills Council 