



Commissioners,

National Commission of Audit

This submission is in response to the Commission's invitation for submissions. It should be read in the broader context of a separate submission made by the independent chairs of the Industry Skills Councils

This submission focuses on *Scope of government* and *Efficiency and effectiveness* of government expenditure. In particular:

- Whether there remains a compelling case for the activity to continue to be undertaken with the continued direct involvement of government
- Options for greater efficiencies, improving value for money and better delivery of services to the regions

AgriFood Skills Australia Ltd (AgriFood) is the key national body on skills and workforce development for the Australian agrifood industry and regional Australia. The AgriFood Strategic Plan states that *our vision is the sustainable growth of Australia's agrifood industry through world class enterprises capability*.

AgriFood develops and implements workforce development strategies and nationally endorsed qualifications to meet the current and emerging needs of agrifood enterprises, employees and students throughout regional and urban Australia. It is unique in working across the entire food supply-chain and collaborates with other Industry Skills Councils on joint initiatives. The Department of Industry provides core funding to AgriFood to perform these roles. AgriFood also sources funds from industry and other government sources to conduct projects in support of industry objectives. This is leveraged by brokering partnerships to establish co-investment, share risk and build enduring commitment to sustainable outcomes.

In relation to the overall task of the Commission, AgriFood wishes to draw the attention to the following characteristics of our industries and the role of this organisation within it.

- At the very time when Australia needs a more productive and competitive agrifood sector, regional Australia finds itself facing an enormous *challenge in finding sufficient people and skills to produce the nation's food and fibre* to meet projected demand and exploit market opportunities, both domestic and global. Regional employers are struggling to attract and retain the skilled and capable people they need and regional economies are struggling to grow. Existing challenges of securing and retaining a skilled workforce are compounded by few agrifood companies being able to pay wages comparable to the resources/construction companies, for job roles with transferable skills. See Attachment A.

- There is arguably an *informational market failure* which impedes effective skilling across agrifood industries and their supply chains. Education itself is a classical ‘merit good’ which can be underconsumed and governments therefore choose to subsidise it. However, many skills/training interventions are still likely to be sub-optimal and wasteful of scarce industry and government resources. This is because information on the most appropriate type and quantity of training is often opaque, difficult to interpret and driven by service providers and funding systems requirements rather than industry needs. Unless compliance driven, training is often seen as discretionary rather than essential to maintaining competitiveness. The return on investment can be difficult to quantify.
- At a time when the agrifood industry most needs a highly skilled and productive labour force to be resilient and competitive, it is impeded by aspects of the *training system* and securing sufficient information on the means of achieving it. A complex supply-led training system, based on a ‘learner entitlement’¹ model in the States, with a focus on full qualifications prevents agrifood industries from achieving the quickest, most efficient targeted results for building innovative capacity and competitiveness.
- AgriFood is unique in being able to effectively address these challenges by *covering the entire agrifood supply chain and providing the only comprehensive ‘skills information brokerage’ role - between industry, governments and training providers - recognised by industry nationally*. While leveraging robust relationships with industry sectors, enterprises, research bodies and other ISCs and within industries, its functions are beyond the scope of any existing individual peak industry association or grouping. Indeed it is for this reason that AgriFood is often called upon to assist in resolving issues and enabling collaboration, where no one industry organisation is recognised as being independent and representative of an entire industry and its contemporary needs.
- The *operational model adopted by AgriFood* is unique in its identification of issues or barriers in skilling, proceeding to examine, design and test innovative solutions and then promoting these back to government, industry and service providers. This role carries with it risks which government would find difficult to internalise. We are also able to actively identify the full range of high quality training providers – often beyond the capability of our enterprises – encouraging good practice more widely than would otherwise be achievable with private organisations driven by particular commercial objectives or product offerings.
- The role and effectiveness of AgriFood is also widely recognised in the recent *Food and beverage workforce study* by the Australian Workplace and Productivity Agency, which highlights the effectiveness of the AgriFood model, while suggesting the organisation be provided with further responsibilities in light of emerging industry skill needs. See [AgriFood Skills Australia](#).
- Investing in the role of AgriFood as *a independent and trusted expert intermediary*, as distinct from pure project management/administration, is central to meeting the needs of regions, niche markets, narrowly based industry sectors, and small/medium enterprise collectives. This is where the effects of market failures are felt most

¹ An ‘entitlement model’ in Vocational Education and Training refers to a commitment to provide government subsidised training to all eligible persons.

acutely. ACIL-Tasman research has confirmed that the role of ISCs such as AgriFood has been critical in:

- stimulating enterprise demand and confidence in industry driven skills programs such as the Enterprise Based Productivity Partnerships Program (EBPPP) based on unbiased expertise and advice;
 - assisting industry navigate the training system and associated administration to ensure processes of no value or time consuming to the business are significantly reduced or eliminated; and
 - brokering partnerships between enterprises, industry organisations and service providers to optimise resources and enable such programs to achieve greater reach.
- As the presence of various state-based industry training advisory organisations has dissappeared – the call on AgriFood to meet this role previously met by these organisations has intensified.
 - AgriFood’s responsibility for *setting national training standards and encouraging best practice workforce development is a powerful combination*. This is delivering much more effective and targetted training interventions in a sector struggling to structurally adjust to more competitive business models. AgriFood has identified and championed several key issues which have subsequently found mainstream support and resulted in positive change, for example, a broader focus by the system on workforce development, whole of business solutions and *delivery of skills sets* (as distinct from whole qualifications). In this connection, AgriFood had a role in shaping national policy so that skills sets are now funded in several States.
 - Further and in response to industry’s demand for higher level business management, technical, extension and innovative capability, significant work has been done to align vocational and higher education outcomes. For example, through a partnership between the University of New England and TAFE New England students can gain a Bachelor of Agrifood Systems that combines deep scientific study and the latest agricultural technology with vocational outcomes from AgriFood Training Packages to ensure graduates have both the deep knowledge and vocational skills to work in modern agricultural enterprises. This course is specifically designed to meet enterprise supply chain and related business management skills to enhance productivity and profitability. .
 - By advocating improvements to the training system AgriFood has helped establish small-scale government skills funding mechanisms driven much more by industry, rather than training providers, and more adapted to the specific learning culture in many of our sectors. Much more remains to be done and these limited programs expanded upon particularly in relation to delivery of smaller skills sets – best adapted for assisting this sector of the economy to innovate and adapt faster and more efficiently.
 - The increased efficiency and effectiveness of models developed by AgriFood for industry have been independantly validated and quantified. In numerous cases industry has confirmed that training undertaken would not otherwise have occurred, but for the intervention of AgriFood. A strong focus by AgriFood on estimating and demonstrating the spectrum of *the Return On Investment from Training (ROIT)* – over

20 independent analyses and the development and advocacy for wider use of independent high quality skills needs analysis (SNA) – over 40 independent analysis is demonstrating the positive returns of a more considered approach to training. In recent years AgriFood has assisted in the conduct of a significant number of case studies of representative enterprises in various agrifood sectors using independent consultants. This is yielding very rich data which is starting to create a much stronger evidence base around the economic impact of training interventions, AgriFood projects and assisting in conduct of quality assurance processes. Summary information on a selection of such projects is at Attachment B.

- AgriFood has placed an emphasis on linking skills and work force development to solving concrete business challenges which are able to demonstrate clear and sustainable business returns. Independent evaluation in 2012 by *Employment Research Australia* of a major AgriFood program targeting food manufacturers in Australia to enhance *triple-bottom line sustainability performance* has been highly positive of the outcomes achieved. See evaluation of lessons with details on the specific national outcomes (page 136 and 137). The target cohort are highly vulnerable and largely unable to access and afford the necessary skills and support to achieve sustainability. See SEEdprogram. The program results are now being widely replicated and leveraged by both industry and governments and have been adapted for use as energy savings tools in other agrifood sectors.
- Improving *employer culture* is central to improving the competitiveness and attractiveness of the food industry. In this context food companies need support to become “employers of choice” an AgriFood emphasis, where skilled leaders and managers create contemporary and rewarding jobs and workplaces which are attractive to the talented people needed. This is far from being the case in many enterprises across the food sector and there are few high quality training providers operating in this space. The solution lies in demonstrating best practice workforce development across the value chain. The need for training is not always well understood, as specific skills needs are poorly identified and business systems are inadequate. *AgriFood supports a ‘Whole-of-Business’* approach to skills and workforce development as most suited to the food industry. It comprises analysis, more flexible skills and workforce development funding and improved skills utilisation. See Employer of Choice.
- Regional Australia is disproportionately affected by the skills market failure with thin markets reducing the ability of training organisations to deliver training profitably. An aging workforce, poor social services, competing higher wages in other industries, international competition, weather and a strong exchange rate all reduce the sustainability and efficacy of government support programs. The *AgriFood National Regional Initiatives* concept, developed and piloted in northwest NSW by AgriFood has unusually strong capacity to help address this need. Based on an evaluation of this pilot, Commonwealth and State governments have co-invested in the extension and expansion of this model to four regions selected by participating States. *It has an estimated potential impact of 3 per cent increased productivity and 33 per cent improvement in retention of labour in-region.* See Attachment C. It represents a self-sustaining skills and workforce solution based on cross-industry collaborative partnerships and building sustainable regional communities. It draws in other industries within a region on a cooperative basis. This model – driven by local

industries and communities - represents an effective regional skills solution that could be made more widely available. It is currently subject to further independent evaluation to verify earlier estimates of economic impact. See [agrifoodregional](#).

- The food manufacturing industry will benefit from the Government's commitment to the Food Innovation Australia Ltd initiative (FIAL). AgriFood has been working closely with industry to *design and establish mechanisms to produce best practice training interventions* (fast, effective, just-in-time) with targeted skills sets delivered through short courses to meet precise industry need. In this context, AgriFood has proposed creation of a 'Training Triage Centre' serving innovative food manufacturers to assist such hubs – particularly in product development and export readiness. It will establish a mechanism for intense value-adding collaboration between the highest performing trainers, researchers, universities and industry. See Attachment D.
- AgriFood's *annual 'Environmental Scan'* is now widely recognised within industry, government, training providers and universities as a key source of intelligence based on real-time industry views and evidence from across the country. It gives readers a clear understanding of the key factors currently shaping and impacting on agrifood workforce development and how well the training system, its products and services, and industry itself are responding. AgriFood's ability to readily access grass-roots insight and immediacy of industry intelligence are what sets the Environment Scan apart from other reports in the education and training system. See [EnviroScan2013](#).
- As outlined in the joint ISC submission to the Commission, the maintenance of *national Training Packages* is a key role of AgriFood and all ISCs. The ability for AgriFood to ensure that these national competency standards remain firmly led by industry is paramount to ensuring Australia's vocational education and training system can deliver contemporary skills to the labour market. The inclusion of critical competency standards; for example those related to animal welfare practices; biosecurity awareness and response, and skills for sustainable practices is helping to ensure Australian enterprises have access to the skills and knowledge required to meet consumer and community expectations in both domestic and international markets. See [Training Packages](#).
- AgriFood has also been active in assisting the industry begin to address the significant problems of *attracting young people* into considering a career in the industry. We have done this in close cooperation with States Governments and other organisations with similar objectives. AgriFoods Career Access Pathway (Ag-Cap) is one such example – which will provide a visual pathway from school right through to university – with significant industry experience provided along the way. See [AgCap](#). Another project, the Agriculture and Food in the Australian Curriculum project is a national education programme initiated by the previous Government and funded by the Department of Agriculture, to raise awareness amongst teachers, students and career guidance officers of the sector and its national importance and career opportunities, focussing on city-based schools. See [Schools Program](#).
- AgriFood conducts an *annual Perception Audit* with its key stakeholder groups to ascertain satisfaction with the company's performance during the past year. This year's Audit was conducted by Consono Pty Ltd and Galaxy Research in July 2013. The categories surveyed include:

- Areas of AgriFood's work which are of most importance to industry
- Views on performance of training packages
- Views on our Continuous Improvement Register
- Attitudes to Workforce Development activities and projects
- Industry rated AgriFood extremely highly against in all these categories (that is, very satisfied or satisfied, with above 70% in most categories). AgriFood's ability to drive industry leadership is a major contributing factor in this high satisfaction rating. AgriFood's initiatives in regional Australia recieved one of the strongest results.
- As a company AgriFood continually strives for *operational efficiencies* and has reduced its administrative overheads by the adoption of streamlined best practice processes and current software. AgriFood has also improved its effectiveness through enhanced reporting and collaboration with other ISC's. AgriFood has addressed matters raised in the 2011 Senate Enquiry into ISCs which has helped to position AgriFood well for the future. In 2006 AgriFood moved to the appointment and annual renewal of a high quality and skills-based board of industry directors.

I trust the information contained in this submission will be able to shed a little further light on the operations of an Industry Skills Council such as AgriFood Skills Australia and the important and productive funtion it is peforming on behalf of Australia's agrifood industries.

Yours faithfully




AgriFood Skills Australia Ltd

26 November 2013

Attachment A

Challenging Regional Conditions

Regional Australia is home to over 90 per cent of employment in agriculture and seafood, and almost 50 per cent of people in food processing. Agrifood has one of the most diverse and rapidly evolving workforces in the economy comprising permanent, casual, seasonal and contract workers. Many occupations are traditionally self-employed, and seasonal employment is intrinsic to sectors such as horticulture, wildcatch fishing and agriculture. This untenured approach to labour, especially skilled or semi-skilled labour, gives rise to shortages on a regular basis although few 'employers of choice' report difficulty in recruiting workers as their reputation within the sector or locally makes them a first choice for those seeking employment.

Australian agrifood sectors have been traditionally dominated by family enterprises, cooperatives or statutory authorities. Many small family businesses are closing down or selling out and the larger operations replacing them are adopting a corporate business model, often including professional management teams, boards of management and external equity. The labour model is increasingly turning to contract workers, outsourced technical and advisory services provided by a new generation of small businesses.

Cooperatives have also generally moved to a corporate model. All but one of the top twenty food companies are now owned by multinational enterprises.

Between 2006 and 2011, the number of farmers fell by 19,700 to 157,000 and continues to be the most 'mature occupation' in the nation with an average age of 53, compared to 39 for all employed persons². Ageing is a trend undermining some of industry's most critical occupations.

Skills shortages at the occupational level are notoriously difficult to quantify across sectors as diverse and fragmented as agrifood although an enduring trend is that most rural areas struggle to attract young people to the industry and retain workers more broadly which has negative consequences for most primary sectors due to the ageing demographic. Industry is not just losing physical manpower but crucial knowledge and experience.







Apart from scale advantages and a trend to corporate style farming, the lack of labour has also encouraged larger scale investment in capital equipment needing less labour, but requiring higher skills to operate efficiently and safely. Employers report a shortage of available workers with these higher level skills, and therefore a need to utilise existing workers' skills better and to use more innovative skilling to train workers that are available locally to meet the need.

Reflective of the decline in tourist numbers and the high dollar, the numbers of backpackers have reduced, which is problematic because they are the traditional mainstay of the seasonal fruit and vegetable harvesting workforce. Seasonal labour mobility arrangements for cotton and cane growers and aquaculture ventures in specific regions are now possible for approved employers following the introduction of a small-scale three-year trial of the Seasonal Worker Program (Pacific Islands), previously restricted to the horticultural sector.






² ABS yearbook, 2012

Attachment B

**SELECTION OF CASE STUDIES AND THE RETURN ON INVESTMENT ANALYSIS
UNDERTAKEN BY AGRIFOOD**

<i>Document</i>	<i>Benefits of informal training</i>	<i>Benefits from Training – full quals</i>	<i>Benefits of Training – skill sets</i>	<i>Description and Benefit of AgriFood Involvement</i>
<i>SEE program – Alba Oils</i>				<i>Example Participant in the SEE program. Major changes undertaken in company as a result with significant multi million dollar co-funded new investment. Full case study available. See evaluation of program for other industry outcomes.</i>
<i>ROI – Eastern Tree Services</i>				<i>Participant in the ROI pilot phase. Analysis conducted by ACIL-Tasman. – demonstrated that AgriFood project generated \$7000 cost reduction for every staff member retained and a 25% reduction in weaner mortality compared to the national average.</i>
<i>ROI – Teys Brothers meat processing</i>				<i>Example of participant in the current AWPB ROI pilot phase – based on AgriFood methodology.</i>
<i>ROI-Phillipas Bakeries</i>				<i>Example of participant in the current AWPB ROI pilot phase – based on AgriFood methodology.</i>

Pilot Federal Skills Program (EBPPP)-Case Studies





<i>Woolworths and Ingham's Chickens</i>				<i>Review of the pilots involving Woolworths and Ingham's which confirmed advantages of the approach confirmed in the formalisation of EBPPP. Without AgriFood would not have proceeded.</i>
<i>Tas Oyster Industry</i>				<i>Full review of the identification of need, methodology and outcomes of training 12 dispersed Tasmanian oyster farmers in the Diploma of Aquaculture. Without AgriFood would not have proceeded.</i>
<i>Horticulture workers-</i>				<i>Case study of the success of training horticulture workers from NESB and</i>

NESB				<i>the support services essential to assist Learners with language etc challenges</i>
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Industry Sector Skills Needs Analysis















<i>Baking Industry</i>				<i>Qualitative and quantitative analysis of labour market and training issues in the baking industry-positioned the industry to implement initiatives to increase retention of workers and raise the attractiveness of jobs and careers.</i>
<i>Hatcheries Sector- Aquaculture industry</i>				<i>Analysis of the training needs of technicians at the 20 largest hatcheries across all species including those involved in genetics. Informed the sector's people development programs managed by the FRDC, Seafood CRC, and individual sectors eg abalone.</i>
<i>Landscaping Industry</i>				<i>Examination of a range of labour market and workforce development issues faced by the industry. Confirmed need for new higher-level skills and composition of new Skill Sets.</i>
<i>Horticulture businesses- Qld</i>				<i>Managed by Growcom- identified training needs across 3 production horticulture businesses and confirmed the business-case for their involvement in structured training.</i>
<i>Oasis Horticulture</i>				<i>Assisted Oasis to raise their productivity and implement a program of on-going staff development</i>

SNAs- Business Case for Skill Sets

<i>Fresh Select</i>				<i>Skill sets project. Provided the opportunity and means to introduce clearly focussed post-induction training including food safety/quality to all field workers</i>
<i>Geraldton Fishing Coop</i>				<i>Skill Set Project. Identified a number of Skill Sets as the basis for upskilling the Co-ops supervisors and Leading</i>

				<i>Hands</i>
<i>Feedlot</i>				<i>Saleyard Operators- confirmed how training, assessment and accreditation based on Skill Sets can assist an industry implement a much needed quality assurance scheme in a short timeframe</i>
<i>Others..</i>				

SNAs- individual businesses

<i>Charlies Group</i>				<i>Review of WFD needs of a small premium beverage manufacturer . Identified workers' training needs to operate new automated processing lines.</i>
<i>Boars Rock Pty Ltd</i>				<i>The TNA allowed this small winery to adjust to fluctuations in demand and loss of critical skills in periods of low product demand.</i>
<i>Sydney Fish Market</i>				<i>SNA of Floor Operators- provided the management team with a pathway to achieve improved productivity and team cohesiveness from their shift supervisors and general hands.</i>
<i>Hall & Co-poultry division</i>				<i>Provided a pathway to introduce formalised, structured training in the place of unaccredited training into a rapidly expanding business.</i>
<i>AgriExchange</i>				<i>Assisted this vertically integrated citrus company to identify existing and future skill needs required in the packing facilities.</i>
<i>Elders</i>				<i>Review of the training needs of agronomy staff including an examination of farmers' needs</i>
<i>Tassal</i>				<i>Recommended improved processes for training record management and confirmation of skill needs of the 750 employees across Tassal's fish farms and related activities.</i>

Attachment C



Developing the Narrabri workforce

Executive summary

ACIL Tasman was commissioned to prepare an *ex ante* impact assessment of the Narrabri Initiative of the National Skills and Workforce Development Strategy by AgriFood Skills Australia.

This analysis was conducted during October and November 2010.

This analysis has been conducted in two broad parts; how the Narrabri Initiative is likely to produce an economic impact; and the potential scale and scope of that impact.

Characterising the Narrabri economy and regional workforce

The Narrabri economy is dominated by rural businesses. Resource industries are also expanding in the region. The rural businesses, and the businesses that support them, employ more than 50 per cent of the Narrabri region's workforce, and contribute over 43 per cent of gross value adding in the region.

The primary industry businesses are predominately cereal, cotton and oilseed producers they have similar seasonal and skilled labour demand. These businesses also have a history of collective action through a number of regional bodies such as the Chamber of Commerce, the Cotton Research and Development Corporation (CRDC) and peak farming bodies.

The Narrabri region's population is slowly falling, the workforce is aging and there is significant migration of young workers out of the region each year. The aging workforce and considerable competition for skilled staff from outside the region pose challenges for the businesses operating in and around Narrabri, as they do for many regional businesses.

These businesses have realised that by acting alone or in small voluntary groups they cannot deal with the labour constraints affecting their businesses.

The objectives of the Initiative

The objectives of the initiative are to:

- Match the skills development of the regional workforce to the skills demanded by local industries now and in the future
- Reduce the migration of skilled employees from the region, particularly those in the 20 to 30 year old age group
- Increase the productivity of the existing work force as the Australian economy reaches labour capacity constraints, and as the number of new workforce entrants recruited from within the region declines as the population falls and ages

Executive summary

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Developing the Narrabri workforce

How the initiative creates value

The Narrabri Initiative was initiated by AgriFood Skills Australia following a jobs summit held in Narrabri in mid 2009, with the Initiative being jointly funded by AgriFood Skills Australia and the NSW Department of Industry and Investment. Branded *Make It Work*, the initiative appears to have several key elements:

- A cross industry regional skills development model driven by a local employer and community leaders' group to attract, train and retain workers in the region, and to improve the mobility of workers across enterprises:
 - An important investment under this theme is cross industry skills training in machinery and operations where participants are trained to work across a range of industries and enterprises in the region. This training also introduces trainees to basic management concepts and operational practices to help them better understand the role they play in the business, and equips them to better communicate with their employers
- The Employer of Choice program aimed at improving employers workforce management capabilities:
 - The principal activity in this area is enhancing employers' capability in job design and titling, contemporary and employment and remuneration packaging practices, work organisation and skills utilisation. This builds the capacity to attract new entrants to industry and the region and to retain and better utilise existing workers.
- Employers collectively working to enhance innovation and productivity through a range of initiatives, including through new career pathways, and developing skilled labour pools and demand schedules within the region, to manage seasonal and other employment needs
 - One activity of this part of the Initiative is the labour pool pilot being run by the Narrabri Shire Council. This trial is designed to test the concept establishing a pool of skilled labour resources that can be tapped into by a range of businesses across the region. The Council is offering the pool participants 12 months full time employment and will subcontract the employees out to business in the region as needed, with many ultimately being offered jobs by industry.
- Improving the skills of the regions broader transport, services and local government workforces that support key agrifood and resources sectors.



Developing the Narrabri workforce

The potential scale of the economic impact

After characterising the Narrabri region, the nature of the regional labour market and the core elements of the Initiative we reviewed the literature to identify what the likely regional economic impacts might be.

ACIL Tasman identified two potential quantifiable impacts of this Initiative:

- An improvement in the productivity of the Narrabri labour force of potentially as much as 3.2 per cent per year (**Labour productivity only**)
- A 33 per cent reduction in net migration of workers in the target labour market (**Labour productivity plus reduced outward migration**)

These impacts were used as the base assumptions in the Tasman Global general equilibrium model to quantify the potential Narrabri local government area economic impact of the Initiative.

The results of the modelling were:

- Under the *Labour productivity only* Scenario a cumulative total of \$29 million relative to the reference case (with a net present value of \$22 million, using a 4 per cent real discount rate) was estimated
- Under the *Labour productivity plus reduced migration* Scenario a cumulative total of \$60 million relative to the reference case (with a net present value of \$46 million, using a 4 per cent real discount rate) was estimated

These results were based on a conservative estimated adoption rate for only the businesses most likely to utilise the machinery and operations skills of cross industry training. Clearly these results will represent the lower bound impact if the skills program is extended to other enterprises, and there is wider adoption of the Employer of Choice survey and diagnostic tool.

While this is not a cost benefit analysis the direct financial contribution to this initiative by AgriFood Skills Australia and the NSW Government is likely to be between \$250,000 to \$300,000 over the life of the project.

Attachment D

