



Australian Government

BUILDING AUSTRALIA'S FUTURE WORKFORCE

A new partnership with industry

The *Building Australia's Future Workforce* package provides a \$3.02 billion investment over six years for a new approach to deliver the skilled workers the economy needs and ensure more Australians have the opportunity to share in the nation's prosperity. This is on top of new funding of more than \$2 billion over the next four years for Australia's university sector.

The package has four components:

- Putting industry at the heart of the training system
- Skills to support increased participation
- Modernising apprenticeships
- Reforming the national training system

Employment is expected to continue to grow solidly over the next few years and with this growth there will be pressure on skills. However, we have a patchwork economy where some regions and sectors are doing well and others are not. We need to ensure that our investment in training delivers the skills our economy needs, when they are needed and where they are needed. We want to ensure this investment leads to better quality employment opportunities and jobs for Australians into the future.

What is the Government doing?

A National Workforce and Productivity Agency

A National Workforce and Productivity Agency will be established from 1 July 2012 to administer a new industry driven National Workforce Development Fund. The independent Agency will be an expansion of the role and functions of Skills Australia, through high level industry and union leadership and collaboration. It will be recognised as an authority on workforce development policy and advice and will direct skills funding to industry needs.

The Agency will engage directly with industry on workforce development issues and address sectoral and regional industry needs.

The Agency will:

- administer the new National Workforce Development Fund
- conduct skills and workforce research, including into the quality of jobs and future working life in Australia

- drive engagement between industry, training providers and government on workforce development, apprenticeships and VET reform
- develop and monitor sectoral skills and workforce development plans in conjunction with Industry Skills Councils and industry
- provide independent advice on sectoral and regional skills needs to support workforce planning and productivity, including in small business
- promote workforce productivity by leading initiatives for the improvement of productivity, management innovation and skills utilisation within Australian workplaces

Skills Australia will be transitioned into the new Agency through 2011-12, with the Agency beginning operation from 1 July 2012.

A National Workforce Development Fund

Through the National Workforce Development Fund (the Fund) the Government will provide \$558 million over four years to support training and workforce development in areas of current and future skills need. Government funding will be supplemented by a co-contribution from industry with government contributing at higher levels for small businesses.

The key features of the Fund build on successful programs such as the Enterprise Based Productivity Places Program and the Critical Skills Investment Fund.

Under the Fund, enterprises will identify their current and future business and workforce development needs. The enterprise would then apply for funding to support the training of existing workers and new workers in the area of need. Both the Government and the employer

will provide funding to support this training. Large enterprises will contribute 66 per cent of the cost of training, medium enterprises 50 per cent and small enterprises 33 per cent.

Industry Skills Councils will play a key role in assisting enterprises to identify their training needs, facilitate the selection of a training provider to meet these needs and in monitoring the implementation of successful proposals.

Under the Fund businesses, national professional associations and industry bodies will be eligible to apply for funding. This will ensure that training is driven by the workforce development and business needs of enterprises. Employers will be able to purchase the training they need in the format that suits their business to deliver valuable qualifications to their employees.

Enterprises will be eligible to apply for funding if they operate in a high priority sector or if the occupations in which they are seeking to train their workforce are in local or national demand.

The Fund will incorporate funding from the Critical Skills Investment Fund (CSIF).

In the transition to the Agency, the CSIF and the CSIF Advisory Board will continue to operate under current guidelines. From 1 July 2012, the Advisory Board will be incorporated into the Agency to ensure the coordination of the whole Fund within the Agency.

The Fund will also include \$359 million in additional support to provide immediate assistance for training at the enterprise level. This assistance will be focused on economically significant sectors with projected strong employment demand and occupations in key demand across the economy. This recognises that the skills pressures are acute in some sectors but also exist across the broader economy.

The priority sectors to be targeted in 2011-12 will be construction and aged care in addition to the sectors currently targeted under the CSIF.

These sectors are either most at risk of experiencing skills shortages in the near future or critical for our future sustainable economy. Strong growth in demand for aged care services is occurring, driven by demographic change. This funding for the aged care sector will complement other workforce development initiatives in this sector.

Construction is the third largest sector and experiencing strong growth as a result of the flow on effects of the mining boom, rollout of the National Broadband Network and the on-going demand for expanded housing associated with population growth.

There will be funding available to support occupations in critical shortage, as advised by Industry Skills Councils, in all sectors not covered by the CSIF or in the construction and aged care sectors.

The National Workforce and Productivity Agency will provide advice to Government on further priority sectors for the Fund.

A Productivity Education and Training Fund

Employers and workers will also benefit from a new partnership with peak employer and union organisations through the Productivity Education and Training Fund. These key bodies will be supported to ensure that the productivity benefits that can be achieved through the Fair Work framework are well understood. The Fund will support union enterprise representatives and employers to use the enterprise bargaining process to introduce productivity improvements in the workplace.

Why is the Government doing it?

The Government is responding to requests from its industry and union partners to improve the linkages between skills funding and industry needs and to increase the focus on workplace productivity in Australia.

Industry Skills Councils have stated that they believe the basis for moving forward on a systemic level includes using the approach of the Enterprise Based Productivity Places Program where employers drive the training that is delivered in their workplaces.

In April 2011, the Ai Group argued that to tackle deepening skills and productivity challenges industry needs to be given a stronger role in driving the VET system and proposed the creation of a new workforce development agency.

The Australian Council of Trade Unions (ACTU) in its submission to the 2011-12 Budget advised that increasing productivity required a whole of industry approach and called for Government to work with unions to build genuine productivity improvements that are about working smarter. The ACTU recommended a new independent body to investigate the quality of jobs and working life in Australia.

The Australian Chamber of Commerce and Industry called for better planning for future skill needs so Australia has the required pool of skills and knowledge to drive productivity and economic growth. In particular, ACCI called for apprenticeship reform and an innovative approach to future skill shortages focussed on proactively recruiting employees from those outside the labour force.

In its Australian Workforce Futures (A National Workforce Development Strategy), Skills Australia recommended a new partnership approach to workforce development at government, industry and enterprise level. Skills Australia also called for a collaborative approach between government and industry to support a network of expertise; to explore, promote and resource new knowledge on workforce development; and disseminate information on how to best harness workforce development to drive sustainable productivity growth.

The Government has heard these calls for an industry-led approach and acted with the establishment of new industry governance arrangements and initiatives. The changes give industry the key role in driving reform of the VET system into the future.

What has the Government already done?

Against a background of huge investment in skills, Government has long recognised the importance of Australian industry in achieving productivity and participation objectives. This has been done in several ways throughout the national training system where industry associations, unions and Industry Skills Councils provide direct input to training packages and government policy. Internationally, Australia's training system is highly regarded for the depth and breadth of its industry engagement.

In the past three years the Government has continued to strengthen the role of industry through the following measures:

- Establishing Skills Australia in 2008 as a statutory body tasked with providing independent advice to the Government on workforce planning and industry requirements for skills.
- Strengthened funding for Industry Skills Councils to take on an expanded role to work with industry on workforce development.
- The Government appointed an industry-led Expert Panel to review the Apprenticeship system. The Panel reported to the Government in early 2011 with 14 recommendations.
- Through the Enterprise Based Productivity Places Program \$50 million was provided in Government funding in 2010 to support the delivery of 13 815 new training places for high demand skills for existing workers. Training was at the Certificate III level and above. Industry contributed a further \$22.7 million to the program. Under the program, a total of 8199 commencements or 59 per cent of the target had occurred by 31 December 2010 with the remaining commencements expected to occur by 30 June 2011. A wide range of qualifications are being delivered with training places allocated in 285 qualifications across all industry sectors.
- The Government worked directly with the resources industry through the National Resources Sector Employment Taskforce to develop joint industry and government responses to workforce development in the resources sector.
- The first round of the Critical Skills Investment Fund (CSIF) is currently being finalised with funding to be announced in mid 2011. The CSIF has an industry-led Advisory Board to advise the Government on priorities. The initial expressions of interest for the CSIF included more than 190 proposals from all states and territories. Proposals sought

funding for each of the critical sectors - resources, construction, infrastructure and renewable energy and included applications from large, medium and small businesses. Training outcomes identified include technical, safety and management training at all levels from Certificate II to Advanced Diploma.

- Renewing a focus on Australian Apprenticeships through reform of incentives, funding and priorities.

Who will benefit?

Industries and employers, workers and job seekers across Australia will all benefit from a more coherent approach to workforce development and access to industry driven training.

Industry, through the new National Workforce and Productivity Agency, will not only have a stronger voice in research, policy and planning, including in regions, but in the allocation of training funding. Employers and individuals will directly benefit from additional funding to support training driven by employers offering job opportunities and wishing to up skill their existing workforce.

What funding is the Government committing to this initiative?

\$25 million – National Workforce and Productivity Agency

\$20 million – Productivity Education and Training Fund

\$558 million – National Workforce Development Fund (including funding from the Critical Skills Investment Fund)

For more information:

Visit www.skills.gov.au or www.deewr.gov.au/budget or call 1300 363 079.

Large Enterprise

Enterprise X is a large employer operating in the civil construction sector in urban and regional areas and in a number of states and territories. Enterprise X has developed a workforce development strategy that identifies a range of training options to improve the efficiency of site practice, project timelines and safety.

Enterprise X is able to seek funding to support a range of training options. It seeks \$250,000 in Government funding and commits to providing \$495,000 (66 per cent of the cost of training) to support the training to the total value of \$750,000 for 150 employees. The training is a combination of recognition of prior learning, on-the-job training and workplace assessment.

After receiving training, employees' skills and future prospects have expanded and they have greater opportunity for career progression and redeployment within the enterprise on other projects. The enterprise also greatly values the benefit of improvements in staff retention, safety performance and quality of workmanship.

Medium Enterprise

Enterprise Y is a medium enterprise operating in the health sector in the area of pathology. Enterprise Y is seeking to improve the quality and accuracy of testing by training 15 employees in Certificate III in Pathology.

With the assistance of the Community Service and Health Industry Skills Council, Enterprise Y finds a training provider that is willing to deliver the training at a total cost of \$45,000. In partnership with the training provider it seeks \$22,500 in Government funding to support the training.

As a medium size enterprise, Enterprise Y commits to providing \$22,500 or 50 per cent of the cost of training. The delivery of qualifications is a combination of online, face-to-face and on the job training.

As a result of the training the enterprise has seen a decrease in the number of errors in sampling, which has had a flow on effect in the reduction of costs and has improved customer satisfaction.

Small Enterprise

Enterprise Z is a small business operating in the retail sector. Enterprise Z considers customer service to be central to the viability of the business. It receives advice from Service Skills Australia, the Industry Skills Council covering the sector, on the training options available to meet this need. Based on this advice it is seeking to train one new employee and one existing employee in a Certificate IV in Retail Management. This qualification is on the list of eligible qualifications in national and local demand under the Fund. Enterprise Z finds a training provider that is willing to deliver the training and in partnership with the training provider it seeks \$5360 in Government funding to support the training which is estimated to cost \$4000 per qualification. As a small business, Enterprise Z commits to providing \$2640 or 33 per cent of the cost of training. The proposal is successful, the employees receive training, they receive compliments every week on their customer service, they feel central to the business and turnover is up.