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Dear Prof. McDonald

Review of Industry Training Advisory Bodies

NSW Business Chamber welcomes this opportunity to participate in the review of Industry Training Advisory Bodies (ITABs).

The NSW Business Chamber (the Chamber) is one of Australia's largest business support groups and is the peak business group in New South Wales. Tracing its heritage back to the establishment of the Sydney Chamber of Commerce in 1825, the Chamber works with businesses ranging in size from owner-operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

Our agenda for workforce development and skills has been clearly articulated in our reports *Could do Better*¹ and *Paving the Pathway: Addressing Post Year 10 Education*² (2015), in addition to our submissions to various Government reviews on these issues.

We make the following observations based on our experience in prosecuting this agenda, the intelligence we regularly gather from our membership base of more than 20,000 businesses, and our interactions with the existing ITABs. The Chamber is represented on the Boards of the Construction & Select Property Services ITAB in addition to the Manufacturing & Engineering ITAB.

Our commentary is structured in line with the discussion guide provided by the consultancy performing the review.

1. What intelligence and advice does the Department of Industry need from industry about workforce development and skills?

The Australian economy is undergoing a period of structural adjustment and industry must be as flexible, dynamic and productive as possible to meet the challenge of continuing technological and service delivery change.

¹ NSW Business Chamber. (2010), accessed 13 May 2016 at <<http://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Workplace%20Skills/Could-do-Better-a-blueprint-for-a-review-of-post-year-10-education-and-training-in-NSW-Jun-2010.pdf>>.

² NSW Business Chamber. (2015), accessed 13 May 2016 at <<http://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Thinking%20Business%20Reports/Reforming-Post-Year-10-Education-and-Training.pdf>>.

The Chamber has consistently advocated for a much stronger alignment between the vocational education and training (VET) system and industry. Equipping the workforce with the training, skills and knowledge they need to support economic growth relies on a VET sector which understands the changing needs of business.

The Department is responsible for ensuring this alignment occurs. We are of the view this requires up-to-date labour market intelligence concerning:

- **Skills gaps within industries**, particular where those gaps need to be reflected in the NSW Skills List;
- **Technology and process issues** that may influence demand for new skills/decline in demand for existing skills;
- **Demographic changes** across different industries and subsectors that may influence workforce skills requirements;
- The **fitness for purpose and quality** of current VET offerings;
- New **pathways required for apprenticeships and/or traineeships**; and
- The **training outcomes** desired from **new and proposed VET course streams**.

This is not an exhaustive list. Further detail concerning the Chamber's view on identifying, tracking and addressing skills gaps can be found in our submission to the 2013 Inquiry into skill shortages in NSW³. Our submission discussed the issue of skills shortages, their impact on employers and the role of skilled migration in addressing the problem.

2. Is the process working as well as it should?

ITABs are contracted to be the principal source of strategic advice to Government on the skills requirements of the industry they are aligned with, and the changes needed in the VET system to support them. ITABs are tasked with a wide range of responsibilities designed to support this role⁴.

Based on the experience of the Chamber, however, some ITABs experience difficulties discharging the full range of their responsibilities. For example, ITABs raise Vocational Training Orders (VTOs) in response to advice from industry concerning the need to establish new apprenticeship and traineeship pathways. In practice, the approval and consultation process is long and drawn out.

Further, business plans for ITABs do not include concrete strategies for delivering on their priorities. For example, the business plans for some ITABs acknowledge the need to identify new apprenticeships and traineeship pathways but do not include measurable strategies to achieve this.

³ NSW Business Chamber. (2013). *Submission to the Inquiry on Skills Shortages and Skilled Migration in NSW*, accessed 12 May 2016 at <<https://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Workplace%20Skills/Inquiry-into-skills-shortages-and-skilled-migration-in-NSW-July-2013.pdf>>.

⁴ Department of Industry. (2016). *ITAB Fact Sheet*, accessed 12 May 2016 at http://www.training.nsw.gov.au/forms_documents/industry_programs/industry_initiatives/itab_fact_sheet.pdf

On the whole, it is difficult to identify the outcomes achieved by the ITABs, with a distinct lack of transparent reporting on deliverables. The most recent summary of the achievements of NSW ITABs was published in mid-2014⁵. Clearly, to effectively monitor ITABs and their performance such reporting should be occurring in a far more systematic and transparent manner.

3. Are your messages getting through

Any mechanism for consultation is only as effective as the level of engagement of its members.

The Chamber is of the view that there are several process and governance issues hampering the effectiveness of the ITABs:

- Frequency of meetings: The Boards of the ITABs meet on a quarterly basis. This is not sufficiently frequent to share detailed intelligence concerning workforce skills requirements, particularly given the dynamic nature of industry at this time.
- Uneven attendance: In the Chamber's experience, attendance at the ITAB board meetings is uneven. Some Board members attend very infrequently, or not at all.
- Composition: ITAB Boards comprise a mix of union representatives, industry associations, registered training organisations (RTOs) and some individual business representatives. Representation from the training provider, employer and employee side is a positive and the Chamber would not suggest changing this. Nevertheless, ITABs need to strike a balance between all parts of industry. On several ITABs there appears to be a higher level of representation and engagement from the union (employee) and training provider side, rather than from business.

While it is important to ensure employees have a voice, the businesses hiring from the VET system are well equipped to advise on the skills required to perform the jobs they create. If the ITABs are to be a useful source of industry intelligence and a valuable part of the system, their membership needs to balance representation from the employer and employee groups.

- General difficulties in industry engagement across education and training: We note that there have historically been difficulties in industry engagement across the education and training sector, including at the national level. This is indicated by the Federal Government's recent decision to abolish the Industry Skills Councils (which were the key national interface for State-based ITABs) and replace them with five Skills Service Organisations (SSOs).

⁵ Department of Industry. (2015). *NSW ITABs Good Stories 2014-15*, accessed 12 May 2016 at https://www.training.nsw.gov.au/programs_services/funded_other/itab/itab_news.html

4. What would you change if you could?

A mechanism to capture industry input into VET is essential. The NSW Skills Board, in addition to its substructures, provides a mechanism for doing this at the strategic level. The ITABs appear to be responsible for collecting industry intelligence on a more operational, day-to-day level: although the relationship between the Skills Board and ITABs structure, how they interrelate and how intelligence is shared is not clear.

The review should look to clarify:

- The roles of the Skills Board and ITAB structures, how they interrelate and share intelligence and/or provide advice to the Department
- How the ITABs and Skills Board interface with the new Federal model for industry engagement (outlined further below).

Irrespective of this, in the Chamber's view ITABs are not capturing industry intelligence effectively in their current form. As outlined above, the level of industry engagement via ITABs has been limited and it is difficult to measure the impact their work has had in strengthening the VET system.

A robust, effective system for industry engagement would be market focussed and industry led. This would involve taking action to adapt the current ITAB model to improve its effectiveness. The review should consider the following adjustments to strengthen ITABs, the intelligence they collect, their level of industry engagement and role in improving the quality of the VET system:

- Composition: Membership of the ITAB Boards should strike a better balance between employer and employee representation. The business presence on ITABs should be strengthened.
- Measurable outcomes: ITABs should develop and be held accountable to business plans which incorporate specific, measurable and results-driven actions traceable to the roles and responsibilities outlined in the ITABs' terms of reference. As outlined earlier above, ITABs are tasked with a broad range of functions which, if fully discharged, would contribute greatly to a stronger VET system in New South Wales. Without open and transparent monitoring of their outcomes, it is hard to measure the effectiveness of ITABs in discharging any of their roles or functions.
- Channels of engagement: In addition to the quarterly Board meetings, ITABs should also establish more flexible channels for engaging with industry. These should be measurable: for example, via structured industry forums where the advice of the attending business representatives is documented, actioned and reported.

Alternatively, the review could consider the industry engagement models in other jurisdictions for their suitability for the New South Wales context, for example:

- The revamped national model: As outlined earlier in this submission, the Federal Government has overhauled its arrangements for industry engagement on workforce skills to bring business closer to Departmental decision makers. With this in view, the newly appointed SSOs are entities such as PricewaterhouseCoopers and Australian Industry Standards with a depth of private sector experience on the employer side, specifically tasked with collecting and sharing industry intelligence⁶. Training packages are developed by the separate Industry Reference Committees. The review should consider this model and its implications for the NSW ITABs, particularly in terms of placing the employer at the centre of the engagement process.
- Germany: Another alternative would be to entrust industry associations with ownership of the advisory bodies and drive consultation through contact with their members. This system is in place in Germany, where Chambers of Commerce provide a direct line of communication to Government from businesses concerning their changing workforce skills needs, particularly where these touch on apprenticeship and traineeship pathways⁷. There are some important differences: membership in Chambers of Commerce is, for example, compulsory in Germany, although the NSW Business Chamber's membership base is also very broad in terms of its size and spread across different industries. New South Wales would do well to learn from the German Government's heavy emphasis on the role of the employer as job creator and the need to closely involve employers in activities designed to strengthen our VET system.

5. Would industry bodies be prepared to pay for an expanded or more effective role for ITABs?

The Chamber would not support this proposal.

The cost of Government-industry engagement should be borne by Government. Ensuring our future workforce is equipped to meet the needs of employers and industry is a major economic imperative for the nation. The health of our industries and our future economic growth is dependent on a skilled, agile and adaptable workforce.

The Chamber would, however, recommend that ITABs are provided with a greater level of funding security if they are retained. Currently, ITABs receive an annual funding envelope with no certainty of continued funding until close to the end of financial year.

ITABs (or any alternative industry engagement model established in their place) should have the security of longer term funding arrangements to enable them to be more forward thinking and outcomes-oriented in their planning.

⁶ Department of Education and Training. (2016). *New Arrangements for Training Product Development for Australian Industry*, 12 May, accessed 12 May 2016 at < <https://www.education.gov.au/news/new-arrangements-training-product-development-australian-industry>>

⁷ Deissinger, Thomas. (2015), 'The German dual vocational education and training system as good practice', *Local Economy*, August, 30: 557-567.

Conclusion

We ask for consideration of these issues in the review of ITABs and their future role. Please contact Rebecca Burdick on rebecca.burdick@nswbc.com.au or 9458 7267 if you would like to clarify any aspect of our submission.

Yours sincerely

A handwritten signature in black ink that reads "Paul Orton".

Paul Orton
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