

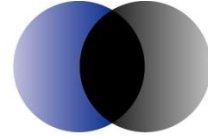


# **An economic review of the Enterprise Based Productivity Places Program**

A review of the economic basis of EBPPP and enterprise  
experiences so far

Prepared for the ISCs

**October 2011**



# ACIL Tasman

Economics Policy Strategy

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## Executive summary

### Key Findings

ACIL Tasman has analysed the first 12 months operation of the Enterprise Based Productivity Places Program (EBPPP). This analysis has shown that the key features of EBPPP have been:

- Enterprises are able to align strategy, skills development and the attainment of nationally recognised qualifications
- Assistance provided to enterprises by Industry Skills Councils (ISCs) under the EBPPP has included:
  - Identifying skills needs and how they translate into Training Package qualifications
  - Negotiating EBPPP funding agreements with the Department of Education, Employment and Workplace Relations (DEEWR)
  - Selecting and monitoring the performance of Registered Training Organisations (RTOs)
- Training and assessment carried out under EBPPP is characterised by being conducted in a timely manner, at sites convenient for the employer and employee, and based on the enterprise's own operating procedures (usually on site)
- This makes the EBPPP program the only large scale, partially publicly funded, genuinely demand-driven, skills and workforce development program currently being delivered nationally<sup>1</sup>
- The program and the role of the ISCs appears to, at least partially, overcome some of the systemic market failures in skills and workforce development:
  - As a result, there is early evidence that the program has increased the level of enterprise investment in workforce development. To date, enterprise financial co-contributions to EBPPP have been \$0.50 for every \$1.00 contributed by the Australian Government
  - Enabling employers to negotiate directly with the RTOs to provide tailored training services has enabled the cost of training places to be secured for between 62-87 per cent of the average capped value
  - Recognition of prior learning was achieved by 16.9 per cent of learners, in comparison to the 2009 VET average of 5.5 per cent
  - All learners in EBPPP are in priority occupations as determined by the Priority Occupations Productivity Places Program List or approved on an as needs enterprise basis supported by an evidence-based rationale
  - A number of case studies have shown that, after participating in the EBPPP, enterprises are able to better see the return on investment in training: thus the incentive for the enterprise to invest in training longer term is likely to be stronger.
- The EBPPP complements the skills and workforce development programs in the wider VET system and the broader Productivity Places Program (PPP) as it:

<sup>1</sup> The National Workforce Development Fund was introduced subsequent to the establishment of EBPPP and has adopted several of the broad policy settings.

- Assists employees obtain higher qualifications on average than the wider VET system does in aggregate
- Is directed at existing workforce development within enterprises
- Engages small and micro businesses that do not appear well represented in other programs
- Engages with key associations and peak bodies to promote high level skill development programs to their members

ACIL Tasman was commissioned to undertake an economic analysis of the first 12 months of the EBPPP and the role of the ISCs in coordinating the program. The ISCs commissioned the work to obtain advice on:

- The economic principles underpinning EBPPP
- The role that the program (and the ISCs) play in assisting the Australian Government achieve its workforce and skills development policies
- Comparisons, where possible, of the program and its coordination through the ISCs with alternative service and policy delivery options that the Government has at its disposal

EBPPP is relatively new, having being launched in 2010. The majority of the first placements completed their training in early 2011. There have now been two 6-month EBPPP reporting cycles completed.

### **EBPPP delivered by the ISCs**

Training and workforce development are critical to increasing labour productivity. Improving labour productivity enhances Australian industry competitiveness; particularly when near full employment is constraining parts of the economy.

However, employers often struggle to capture sufficient benefits from investments in training their employees, which leads to suboptimal investment in training in the economy as a whole. This underinvestment in training stems from a number of factors, including:

- Too much of the training delivered by RTOs against Training Package qualifications is often not directly relevant to the needs of the individual enterprise
- The payback from the training is too long (high upfront costs or delayed benefit flows), which increases the risk that the employee may leave the enterprise before sufficient benefits from the training are captured by the enterprise (improving skills may make employees more attractive to other employers):

- Maintaining workforce flexibility may add to staff turnover and further reduce incentives to invest in training. However, workforce flexibility and training both add to labour productivity growth
- Highly specialised processes or equipment may be left stranded if the employee, who is being trained in the process or is to operate the equipment, subsequently leaves and there are few employees available in the labour market with similar skills.

## EBPPP statistics

### Contributions by enterprises and government

To 30 June 2011, the contributions by enterprises to EBPPP totalled \$18.9 million, while Government contributions (taking into account changes and withdrawals) totalled \$36.9 million. This means that for every dollar contributed by the Government, \$0.50 was contributed by enterprises. This only accounts for the direct financial contributions made by industry. Considerable indirect costs, such as administration, travel, and staff and management opportunity costs were also contributed by the enterprises.

The proportion of contributions by enterprise and Government varies considerably across ISCs. The average unweighted proportions were 33 per cent (enterprise) and 67 per cent (Government). The variation across ISCs is due to the different mix of large, medium, small and micro enterprises participating in EBPPP through each ISC. It is likely to be largely reflective of the typical demographic for the industries covered by each ISC. The Australian Government's contribution varies according to the size of the enterprise, as specified in the program's funding criteria.

### Cost per training place

The average cost per training place (broken down by enterprise and government contributions) for each qualification level across ISCs is shown in Table ES 1.

Table ES 1 **Average Enterprise and Government contribution by qualification**

Qualification	Capped value of training place	Average cost of training place under EBPPP	Average Enterprise contribution	Average Government contribution
Certificate III	\$5,000	\$4,391	\$1,319	\$3,072 (70%)
Certificate IV	\$5,000	\$4,239	\$1,278	\$2,961 (70%)
Diploma	\$10,000	\$6,743	\$2,669	\$4,074 (60%)
Advanced Diploma	\$10,000	\$6,218	\$2,600	\$3,618 (58%)

Data source: ISCs six monthly reports

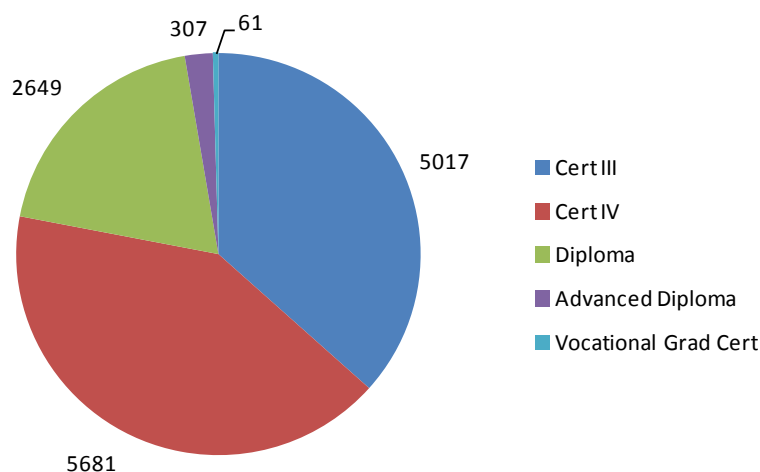
### Agreements signed

To 30 June 2011, the total number of EBPPP agreements signed by ISCs was 481 with Participating Organisations (that is, businesses or enterprises participating in EBPPP) and 434 with RTOs.

### Qualifications sought

Higher level qualifications (Certificate III and above) are the focus of EBPPP, compared with the overall VET system. The number of trainees seeking a Certificate III, Certificate IV, Diploma, Advanced Diploma or Vocational Graduate Certificate qualification (to 30 June 2011) is shown in ES 1.

Figure ES 1 **Qualifications sought by EBPPP learners (to 30 June 2011)**



Data source: ACIL Tasman analysis of data provided by ISCs

As can be seen in Table ES2, the proportions by qualification were: 36.6 per cent (Certificate III), 41.5 per cent (Certificate IV), 19.3 per cent (Diploma), 2.2 per cent (Advanced Diploma) and 0.4 per cent (Vocational Graduate Certificate).

While not a straight comparison, the 2009 Annual National Report on the VET system states that 11.7 per cent of VET students sought a Diploma or above, 43.6 per cent a Certificate III or IV qualification, and 22.6 per cent a Certificate I or II qualification in-keeping with its broader remit and focus.

Table ES 2 **Qualification proportion comparison between EBPPP and wider VET system**

Qualification	EBPPP	VET system
Certificate II	0.0%	22.6%
Certificate III	36.6%	43.6%
Certificate IV	41.4%	
Diploma	19.3%	11.7%
Advanced Diploma	2.2%	
Vocational Graduate Certificate	0.4%	

Data source: ISCs six-monthly reports and VET Annual National Report 2009

### Number of learners in qualifications aligned to skill shortage occupations (as identified in the POPPPL)

Training places have been aligned to the Priority Occupations on the Productivity Places Program List (POPPPL). If an enterprise's occupational skill needs were not on the POPPPL, enterprises have been able to apply to have individual needs considered and where deemed appropriate, approved. This capacity is in keeping with the enterprise focus and flexibility of the program.

### Completion rates

Undertaking the analysis in the program's formative stages did not enable an accurate assessment of completion rates. As at 30 June 2011, 15.22 per cent of enrolled learners had completed their training, 79.89 per cent remained in training and 0.27 per cent had yet to commence. A total of 4.62 per cent of learners had withdrawn from the program, due to changed circumstances of either the employee or employer.

### Recognition of Prior Learning rates

Recognition of Prior Learning (RPL) is a mandated component of EBPPP and has resulted in 16.9 per cent of learners being awarded some form of RPL towards the qualification in which they studied. RPL must be made available by all RTOs that operate under the VET Quality Framework. In 2009, the national average rate of students that received RPL was 5.5 per cent.

### Size of participating enterprises

The data indicates that the vast majority of enterprises participating in EBPPP are defined as small under the program guidelines (employing fewer than 100 persons). However, the proportion varies across ISCs, mirroring each industry's demographics.

While larger enterprises tend to provide more trainees than smaller enterprises, small enterprises still provide the majority of EBPPP trainees for five of the ISCs (ForestWorks ISC, Construction and Property Services ISC, Service Skills Australia, EE Oz and Community Services and Health ISC).

## Key points from the case studies

Eleven case studies were selected by ACIL Tasman from over 40 candidates chosen by the ISCs from the entire list of nearly 3000 enterprises currently participating, or that have participated, in EBPPP.

The case studies were chosen to present, in the enterprises' own words, a particular aspect of EBPPP and/or the role of the ISCs in coordinating the program. They are presented as a qualitative 'lower bound' demonstration of the program, in that they present a highly successful group of EBPPP participants. This means that, if these case studies are indicative of the wider population of successful projects, these alone could be sufficient to justify the entire program to date.

The case studies were selected to show the impact of EBPPP on enterprises across a wide range of sectors of the economy, geographic locations and business scales (from less than 20 employees, to more than 4,000). Drivers of skills needs are equally diverse, although they revolve largely around the enterprise's need to:

- Introduce new technologies, processes or strategies
- Comply with occupational health and training standards, licensing or regulation requirements
- Remain competitive
- Reduce staff turnover and allow greater recruitment from within, which would allow them to offset some of the problems of being in regional or even remote locations
- Meet staff employment expectations, where a competitive labour market means that staff members expect to receive training and professional development as part of their employment package.

The key themes from the case studies are:

- The enterprises all reported that EBPPP provided significant enterprise and employee benefits. The benefits that accrued to the enterprises were due to them being able to embed in the training the skills and knowledge specific to their operations
- Employees have benefited by receiving training that enhances their prospects within the enterprise (increasing incentives to stay with the enterprise longer, if reinforced through good workforce development



practices) and also in the wider employment market, through having nationally recognised qualifications

- In all case studies, the enterprises were able to have the training tailored to their needs. The dominant enterprise needs from the training were:
  - That it was based on the enterprise’s processes, systems and strategy
  - Structured to meet timing and location needs of both employees and the enterprise (particularly important for the employees running small businesses, franchises or in senior positions in their enterprises)
  - That participating employees were able to achieve nationally recognised qualifications
- The courses recognised the experience and skills (and prior learning) of participating staff. This enabled staff to build on their skills and experience in the enterprise or industry and improve their career prospects in the organisation. This was also important for several case study enterprises, as it meant the training focussed on skill gaps rather than wasting time on training in areas where skills already existed
- EBPPP also allowed most enterprises to offer relevant tailored training to all of their staff, regardless of diverse needs and levels of prior learning
- Each ISC played an important and trusted brokering role between the enterprise and DEEWR, and oversaw the relationship between the RTO and the enterprise
- In a number of case studies, the ISC provided a diagnostic service to the enterprise, which allowed it to identify skills needs that were not already clear, and the most appropriate qualification(s)
- The ISCs also assisted a number of case study enterprises to identify and engage a suitable RTO to deliver the required training.

The experience of the first 12 months of EBPPP provides evidence that the program substantially corrects some of the systematic labour market failures. EBPPP allows enterprises to negotiate specific training based on their individual operations, business models, processes and activities.

This has meant that, under the program, enterprises have been able to align strategy, skills development and the attainment of nationally recognised qualifications. The attainment of nationally recognised qualifications allows enterprises to meet compliance requirements, such as occupational health and safety, regulation and licensing conditions.

The delivery of a program as flexible and enterprise-centred as EBPPP is only possible because of the involvement of the ISCs as expert, trusted intermediaries. The ISCs also carry out an important role in reducing the transaction costs of delivering such a flexible training response, as they use their industry knowledge to:



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**An economic review of the Enterprise Based Productivity Places Program**

- Help enterprises identify their training needs as independent third parties
- Broker the best possible outcomes from suitably qualified and experienced RTOs
- Monitor the performance of the RTO and contractual obligations between the RTO, the enterprise and the Government.

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## 1 Introduction

ACIL Tasman was commissioned to undertake an analysis of the first 12 months of the Enterprise Based Productivity Places Program (EBPPP). It was commissioned by the ISCs to determine if the program was being implemented and adopted by enterprises in a manner consistent with the aims of the Australian Government—to be genuinely enterprise-led and, in doing so, raise commitment to the up-skilling of existing workers.

To test if EBPPP was delivering the outcomes intended, the Industry Skills Councils (ISCs) asked ACIL Tasman to consider the following eight questions:

- What is the extent of enterprise co-investment leveraged against EBPPP Government contribution of \$50m?
- What are the numbers of learners in qualifications aligned to skill shortage occupations (as identified in the Priority Occupations Productivity Places Program List (POPPPL))?
- What is the cost of EBPPP training places (to Government) compared to those in the broader Vocational Education and Training (VET) system?
- What are the student retention and completion rates and compare them to the national average?
- What is the Recognition of Prior Learning rate in comparison to the national average?
- What are the benefits for individual enterprises, including value of the upfront diagnostic process and quality of the relationship with the Registered Training Organisation (RTO) (using the initial enterprise application as a baseline)?
- Assess the efficiency of process and access to funding as experienced by the enterprise in comparison to PPP and the broader VET system
- What is the capacity of EBPPP to respond to broader industry priorities, for example, responses to legislation, evolving technologies or job roles?

## 2 Our approach

We have approached this task in three steps:

1. Assess the economic principles of EBPPP and the broad training and workforce development alternatives the Government has to the program
2. Analyse EBPPP statistics that are collected by the ISCs and which form the basis of their reporting to the Department of Education, Employment and Workplace Relations (DEEWR)
3. Prepare a series of 11 detailed case studies of organisations that have participated in, or contributed to, EBPPP to date.

## 3 Rationale for government funding of training and skills development

### 3.1 Importance of training and skills development

Australia's multifactor productivity has been declining for the past five years (Australian Bureau of Statistics, 2010). Many reasons for this have been suggested, including those in a recent report published by the Grattan Institute (Eslake & Walsh, 2011):

- a decline in productivity in the mining and utilities sectors
- a lack of productivity-enhancing reforms in the past 10 years
- an increase in regulation that harms productivity
- complacency as a result of Australia's success (and improvements in its Terms of Trade)
- a decline in Australia's take up of productivity-enhancing technologies
- capacity constraints in sectors of the economy, as the nation approaches "full employment".

If immigration is going to be limited in future years, as has been foreshadowed by both Government and opposition parties, it will become important to improve the productivity of Australia's workforce if living standards are to increase. Improving workforce productivity has economy wide and clear sectoral benefits (particularly in mining and the utilities, where labour availability is a major constraint). The term "full employment" is often used, but with little real understanding of what level, exactly, constitutes full employment in an economy.

Macroeconomists generally associate "full employment" with the Non-Accelerating Inflation Rate of Unemployment (NAIRU), the rate of unemployment that is consistent with a stable rate of inflation in the economy.

Decreasing unemployment below this level creates pressures for higher inflation through higher wage rates and spending, so that the economy may be regarded as showing signs of capacity constraints.

The Reserve Bank of Australia estimates a NAIRU of about 4.5 per cent to 5 per cent is appropriate for Australia. From April 2005 to January 2009, we had an unemployment rate below 5 per cent, and while the Global Financial Crisis increased unemployment to 6.1 per cent in mid-2009, unemployment has again returned to 5.3 per cent and lower since January 2011. As a consequence, Australia's economy might have been encountering labour capacity constraints since 2005, with some industries experiencing them for much longer.

Defining exactly what constitutes a labour shortage can pose problems because the availability of labour supply depends on any barriers to entry (such as skills and qualifications), as well as wages, the location of the jobs, the pool of people who wish to work in a given profession and the international and regional markets for that labour. A definition of a skills shortage, supplied by Shah and Burke (Shah & Burke, 2005) is where:

The demand for workers for a particular occupation is greater than the supply of workers who are qualified, available and willing to work under existing market conditions.

Clearly training addresses the supply-side issues and seeks to ease capacity constraints. Training increases the skills and knowledge of workers (or potential workers) thereby making them more productive. In some cases this makes a worker able to get a job that he/she would not be able to obtain without the training. In others, it increases their capability within their current job, or enhances their prospects of getting a promotion.

### **3.2 Market failures associated with training and skills development**

There are costs associated with skills development and training. The direct costs are those associated with paying trainers, providing material and a facility in which to conduct the training (although, increasingly, there are methods for delivering training online, thereby reducing overhead and capital costs). There are also a number of indirect costs of undertaking training for the employee and the employer. Training time has an opportunity cost, as the time spent developing skills would otherwise be spent in the workplace or by the employee engaging in productive activities. There are also costs associated with idle machinery, backfill and the administration of the training.

Generally speaking, it is efficient for the beneficiaries of an investment to pay for it. However, identifying the beneficiaries of training is not as easy as it might seem.

Typically, both workers and their employers benefit from training and skill development. By increasing the amount of human capital embodied in each unit of labour, training increases the return to both labour and capital. The former takes the form of higher wages and salaries for workers.

If the world was as simple as this, there would be no rational argument for Government funded training. The benefits of training would go entirely to the trainees and their employers, so they would be willing to fund it. The incidence of that funding, that is who pays for what share, would be negotiated between employee and employer.

In practice, there are a number of differences between the theoretical model of labour markets and the real world. Some of these were discussed by Richardson in a paper published by NCVER (Richardson, 2007).

A common market failure arises where there are benefits external to the parties taking part in a transaction. Employers do not capture all the benefits of training a worker, because that worker has the freedom to take their skills to another employer. Workers do not capture all the benefits of their improved productivity, because of imperfections in the way that wages are set and difficulties in measuring productivity, particularly spillovers of knowledge to co-workers. This is particularly so when wages are centrally fixed or collectively bargained.

Richardson suggests that, in a market context, trainees and employers will systematically undervalue training and, as a result, choose to produce less than the economically efficient level and quantity of skills. Richardson considers that there are many reasons for this, each with the common feature that the benefits of training are not captured completely by either the trainee or the employer.

Some of the reasons cited by Richardson are:

- **Poaching** – a worker who has received training leaves for another firm. The new employer benefits from the training without having incurred the expense of providing it.
- **Spillovers** - whereby greater skills in one worker increase the productivity of others with whom they work (reducing the incentive of the employee to invest in training themselves and making the results of training harder to identify by employers).
- **Stranding risk** – firms may be reluctant to invest in expensive equipment that can only be operated by workers with skills that are uncommon, for fear that the equipment will be stranded if the skills are lost. If, for example, the operator of a specialised piece of equipment is poached by a competitor and cannot be replaced, the equipment may lie unused. This reduces the incentive for workers to invest in those skills.
- **Upfront costs** – workers may be willing and able to acquire skills, but choose not to incur the upfront cost of doing so. This may reflect lack of access to funds or uncertainty (on the part of the would-be trainee) about the future value of the training. It may also reflect a high time value of money (discount rate) faced by the enterprise.

These characteristics will lead to a systematically low demand for training, which can, in turn, lead to skills gaps and shortages and thereby to reduced economic growth. As Richardson notes, so called ‘new growth theory’ posits that as the level of worker skill increases, new technologies are adopted more cheaply and growth is enhanced. Similarly, the traditional approach to growth

theory suggests that as the average skill level increases so does the average productivity per worker and therefore the enterprise's productivity. In either case, to the extent that the benefits of skills are not captured by those who meet the cost of providing it, it will be under-provided and growth will be reduced.

In summary, in the absence of government intervention and funding support, there is likely to be under-investment in training because of the spillover benefits that it generates. Better educated and trained workers improve other workers in the organisation – further benefitting the employer. Skills development and training also increases the value of the worker, who is able to leave to pursue alternative job offers if he or she is not sufficiently remunerated. It is also difficult for many workers to accurately gauge their future returns from investment. There are additional intergenerational and civic “externalities”, which arise from education, all of which are difficult to measure.

### **3.3 The Australian Government's commitment to training and skills development**

The Australian Government has recognised the importance of supporting skills development and training. The 2011 Budget handed down by the Government put an emphasis on training, with \$3.2 billion being made available through the *Building Australia's Future Workforce* package for investment in skills training over six years, on top of new funding of \$2 billion for Australia's university sector. The *Building Australia's Future Workforce* package has four components:

1. Putting industry at the heart of the training system
2. Modernising apprenticeships
3. Skills to support increased participation
4. Reforming the national training system

This package seeks to provide a comprehensive skills and training offer, including foundation skills, pre-vocational training (linked to an Australian Apprenticeships pathway), work skills and qualifications.

The 2011 budget indicated that Skills Australia will be transitioned into a new Agency, which will:

- Administer the National Workforce Development Fund, offering \$558 million over four years, this fund will build on EBPPP and the Critical Skills Investment Fund
- Conduct skills and workforce research
- 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 ISCs and industry
- Provide independent advice on sectoral and regional skills needs to support workforce planning and productivity
- Promote workforce productivity by leading initiatives for the improvement of productivity, management innovation and skills utilisation within Australian workplaces.

Establishing how EBPPP supports Government in meeting its workforce development priorities will assist both Government and the ISCs improve the program and the role of the ISCs in coordination and related initiatives in the future.

## 4 EBPPP in the context of Australia's training and skills development system

Ideally, different Government programs for education and training are designed to complement each other, so that there is little overlap or potential for programs to compete against each other in delivering the same objectives. The benefit of operating a number of programs simultaneously, is that Government is able to target training for different groups (for example those already employed, those seeking to gain skills prior to entering the job market, enterprises themselves, etc.), rather than offering a one-size-fits all approach. By offering a portfolio of programs Government can also gather evidence about which techniques work the best for which group, and which are most effective in responding to evolving economic and labour market conditions.

By offering different options to job seekers, those in work and those employers looking to benefit from training, the Government is able to gauge the effectiveness and efficiency of different policy settings, and whether additional resources should be applied or a policy adopted systemically when proven to work. This approach also avoids the “tunnel vision” that can result from a single, massive, program administered by a central body.

However, the trade-off made in avoiding tunnel vision in this way, is an increase in costs (a reduction in scale economies), by fragmenting service and policy delivery.

The Australian, State and Territory Governments work with industry to deliver a national training system that provides the basis for industry developed, and nationally recognised qualifications to about one in eight working-age

Australians. Through a national network of around 5,000 public and private RTOs, over 1.7 million Australians from all ages, backgrounds and locations, participate in VET each year (for more detail on the VET system as a whole see appendix 8A).

The Australian Government currently directs recurrent VET expenditure in accordance with the National Agreement for Skills and Workforce Development. This expenditure funds State and Territory Governments which, in turn, typically fund RTOs to train both job seekers and existing workers in accordance with the targets set out in the Agreement.

However, the size and multi-jurisdictional management of VET as a whole, leads to high transaction costs for enterprises seeking to navigate through the system to acquire the training services they require. This was a conclusion of Skills Australia in a recently released report on the system:

The way the VET sector is financed and organised is overly complex. Funding allocation organised on the basis of centralised planning has proved less than effective in addressing demand. The needs of learners and enterprises are obscured, and their choices constrained by the sector's supply-side orientation to programmatic responses and detailed funding accountabilities. This has often led to overlapping or competing jurisdictional solutions (Skills Australia, 2011, p. 3).

In other words, the broader VET system appears to have some substantial barriers to entry for both new workforce entrants and enterprises, particularly very small to medium sized enterprises. These barriers to entry create strong disincentives to invest in workplace training.

The VET system, being multi-jurisdictional and generally centrally controlled, is also prone to low levels of responsiveness to skills demands and workforce development pressures.

To reduce the supply side orientation, and to improve the responsiveness of the VET system to labour market demand, the Government created the *Skilling Australia for the Future* policy – the Productivity Places Program (PPP).

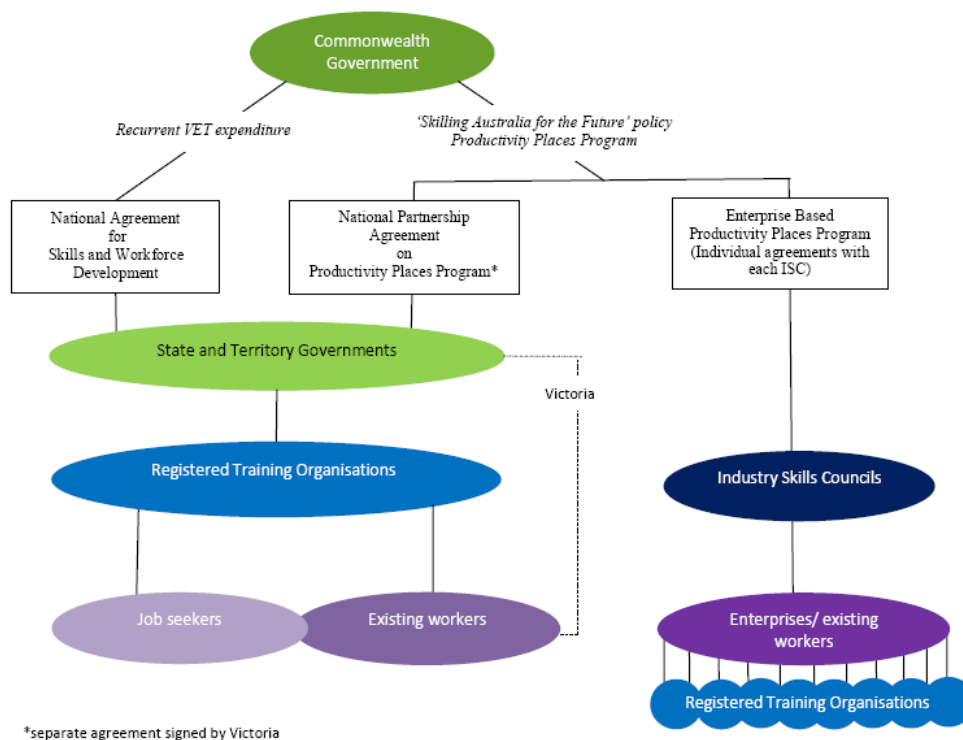
PPP aims to provide targeted training to support the development of skills in Australia. PPP is directed to up-skilling both job seekers and existing workers and provides funds through State and Territory Governments. Each jurisdiction administers the program separately and differently (see appendix 8A.6 for more details).

EBPPP is an extension of the PPP, directed at enterprise-based and enterprise-focussed training for those already in work. It is administered nationally. EBPPP places the enterprise at the centre of identifying the skill development needs, designing a training response to meet the skills needs, and selection of an RTO to deliver the training services.

The Government has agreements to direct funding through ISCs to enterprises and existing workers, and, through them, to training through RTOs.

The basic structural relationship between the wider VET system, PPP and EBPPP can be seen in Figure 1.

Figure 1 **EBPPP in the context of the VET system and PPP**



Source: ISC

## 4.1 Comparison with the general VET system

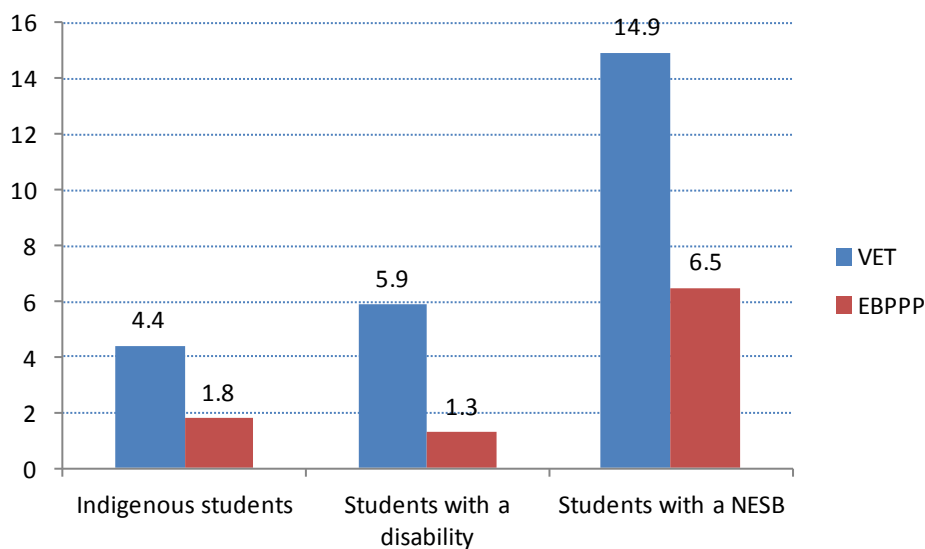
This section highlights some statistical differences between the wider VET system and EBPPP, noting that given the differences in the way the VET data and EBPPP data are reported, it is difficult to make many valid comparisons.

### 4.1.1 Disadvantaged trainees

There are proportionately fewer disadvantaged persons in EBPPP, compared with the overall VET system. Across all ISCs, the proportions of EBPPP trainees with a NESB, a disability and an Indigenous background were 6.5 per cent, 1.3 per cent and 1.8 per cent respectively.

By comparison, the proportion of VET students in 2009 who had a NESB, a disability, or were Indigenous, were 4.4 per cent, 5.9 per cent and 14.9 per cent respectively (see Figure 2). This reflects the broader remit of VET in removing social disadvantage and lifting participation rates.

Figure 2 **Students in disadvantaged groups as a proportion of total reported VET and EBPPP students (%)**



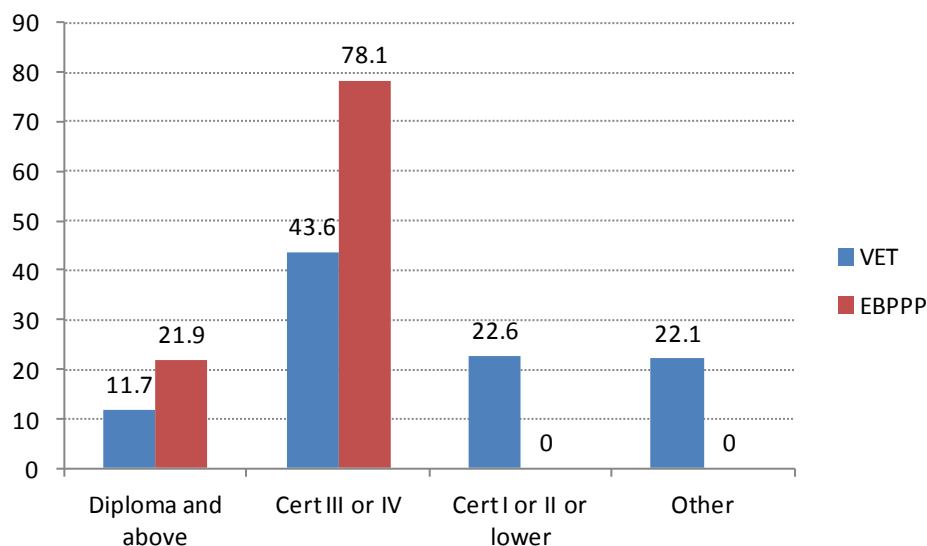
*Note:* Data is for 2009 (VET) and 2011 (EBPPP); NESB refers to Non-English Speaking Background  
*Data source:* ACIL Tasman (EBPPP) and DEEWR, *Annual National Report of the Australian Vocational Education and Training System 2009* (VET)

#### 4.1.2 Qualification sought

Higher qualifications (Certificate III and above) are the focus of EBPPP. As noted previously, as at 30 June 2011, 36.6 per cent of EBPPP participants were seeking a Certificate III qualification, 41.5 per cent a Certificate IV qualification, 19.3 per cent a Diploma, 2.2 per cent an Advanced Diploma, and 0.4 per cent a Vocational Graduate Certificate.

By comparison, in 2009, only 11.7 per cent of VET students sought a Diploma or above, 43.6 per cent a Certificate III or IV qualification, and 22.6 per cent a Certificate I or II qualification (see Figure 3).

Figure 3 **Proportion of total reported VET and EBPPP students, by qualification level (%)**



Note: Data is for 2009 (VET) and 2011 (EBPPP)

Data source: ACIL Tasman (EBPPP) and DEEWR, *Annual National Report of the Australian Vocational Education and Training System 2009* (VET)

## 5 EBPPP and the role of ISCs in coordinating the program

### 5.1 Industry Skills Councils

ISCs are not-for-profit, independent, industry-led companies, recognised and funded by the Australian Government. Charged with driving the skills and workforce development agenda across industry, the formal roles of ISCs involve:

- Providing integrated industry intelligence and advice to Skills Australia, government and enterprises, on workforce development and skills needs
- Actively supporting the development, implementation and continuous improvement of high quality training and workforce development products and services, including training packages
- Providing independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions; working with enterprises, employment service providers, RTOs, and government, to allocate training places under the PPP and other emerging skilling programs

- Engaging with State and Territory Governments, State and Territory industry advisory bodies and peak representative bodies in their area of industry coverage.

The 11 ISCs are:

- AgriFood Skills Australia
- Community Services and Health Industry Skills Council
- Construction and Property Services Industry Skills Council
- EE Oz Training Standards
- ForestWorks Industry Skills Council
- Government Skills Australia
- Innovation and Business Skills Australia
- Manufacturing Skills Australia
- Skills DMC (Drilling, mining, quarrying, civil infrastructure)
- Service Skills Australia
- Transport and Logistics Industry Skills Council

## **5.2 Industry Skills Councils' role in EBPPP**

EBPPP provides opportunities for employers to align the skills and workforce development requirements of the enterprise with the attainment of nationally recognised qualifications by employees. This is expected to assist enterprises to increase labour productivity and the proportion of the existing workforce with nationally recognised qualifications.

EBPPP is part of the Australian Government's continuing efforts to reform the training system to be more demand driven; where enterprises decide what skills they require and where training is delivered.

By placing the enterprise at the centre of the program, EBPPP is a fundamental shift from the supply-oriented wider VET system, and earlier industry oriented training programs, such as the PPP.

This 'fundamental shift' is because industry benefits are not necessarily the same as enterprise benefits. The aim of industry or sector-led training, such as PPP or some of the broader work of the ISCs, is to improve the size and productivity of the pool of employees available for the economy, either in general or for specific sectors. These schemes may be delivered through investments to improve the productivity of existing workers or of potential new entrants. This can produce significant net benefits when assessed at the

economy, industry or sector level, as the aggregate productivity of the economy or industry rises.

However, each enterprise in the sector may not share equally in access to the pool of labour; therefore, the benefits of improved labour productivity are unevenly shared among enterprises. This means that individual enterprises that are not receiving the sufficient benefit of improved productivity have low incentives for investment.

It is also important to consider that most industries depend on a level of flexibility within the workforce. That is, enterprises benefit from having a flexible workforce that can be matched to the circumstances of each enterprise over time. However, one of the tradeoffs of greater workforce flexibility is higher staff turnover, as enterprises adjust the number of employees according to changing demand for the products and services they produce. High staff turnover is, however, a significant disincentive to training investment and workforce development (Productivity Commission, 2011, p. 346).

The uneven distribution amongst enterprises of industry-centred skills and returns on their investment in workforce development is caused by the same market failures as those identified in section 3.2. This has led to underinvestment in these areas, which is likely to continue unless the market failures are corrected at the enterprise level.

However, dealing with the market failures at the enterprise level entails high transaction costs. Transaction costs are the direct and indirect costs associated with:

- Identifying skills needs and compiling a targeted but holistic training solution in response
- Identifying and engaging RTOs
- Monitoring the provision of the service
- Providing oversight of the program, including reporting and financial accountability, where third parties (Government) are providing funding
- Having productive staff taken off-line for training that is not needed (where existing skills are not recognised).

Therefore, while EBPPP appears to overcome some of the labour market failures, by providing the means to ensure enterprises received sufficient benefits from the training, the transaction costs can, and often do, become prohibitively high, particularly for micro and small enterprises.

The coordination of EBPPP by the ISCs reduces the transaction costs of the program, as the ISCs are Government funded and provide scale economies that otherwise could not be achieved.

The program is a partnership between enterprises, ISCs and the Australian Government. The Australian Government's contribution is structured on a sliding scale according to business size. Enterprises with less than 100 employees are funded for 90 per cent of the training place cost; for enterprises with between 100 and 199 employees, the Government contributes 75 per cent; and for enterprises with over 200 employees 50 per cent is contributed by the Australian Government. In each case the employer provides the balance.

ISCs, with their specialised industry knowledge, play a critical role in coordinating EBPPP. They promote the program within their respective industries and work with enterprises and industry associations to assist in developing funding applications. ISCs also play an important role in the monitoring and coordination of the program.

The Australian Government has made available up to \$50 million in Australian Government funding, to support the delivery of approximately 14,000 training places for existing workers. The training is delivered at the Certificate III level and above, across all industry sectors, in areas of national and local skills demand.

Training supported by EBPPP funding commenced on or before 31 December 2010. The duration and completion of training has been dependent on the time required to gain the qualification sought. It is expected that all of this training will be completed before 31 December 2013. The final evaluation of the program is scheduled to be completed by 30 April 2014.

The following sections describe in more detail EBPPP and its coordination by the ISCs.

### 5.3 Distinguishing characteristics of EBPPP

EBPPP has been implemented to improve on existing programs in the following ways:

1. Leveraging co-investment in skilling of the workforce, through joint Australian Government/enterprise contribution
2. Targeting the identified skill needs of existing workers
3. Focusing on Certificate III, IV, Diploma and Advanced Diploma qualifications, primarily from the *Priority Occupations Productivity Places Program List*
4. Using ISCs as independent, expert intermediaries on qualifications, skill needs, workforce planning and development more broadly, and as the central coordinators of the program

5. Streamlining engagement through a single process and simple funding model, as distinct from the eight different jurisdictional approaches to the state-based *Productivity Places Program*
6. Responding equally well to the individual needs of small, medium and large enterprises
7. Growing individual enterprise understanding and commitment to skilling and workforce planning as a fundamental business strategy.

Each of these objectives is dealt with in the following sections.

### 5.3.1 Leverage co-investment

By establishing individual agreements between ISCs and individual enterprises, there is an opportunity for the business to better recognise, understand and benefit from the value of training. ISCs have added value by identifying better and more appropriate training opportunities and brokering cost-effective training solutions for enterprises.

A measure of the success of EBPPP is an increase in enterprise funding of the scheme above the level of training investment they would have made if the program was not available as evidenced by several of the case studies. In the first twelve months of EBPPP, for every dollar contributed by Government, \$0.50 was contributed by enterprises.

### 5.3.2 Targeted training

A key feature of EBPPP is the upfront identification of training needs in accordance with an enterprise's current *and* future business requirements and in the context of the existing workers and their skills base.

Because of this focus, RPL is a mandated and critical element of the program; it both reveals the latent skills base of the workforce, which might be better utilised, and ensures that any training solution does not replicate the acquisition of skills or knowledge already held.

From a staff retention perspective, the recognition of individuals' skills through a formal process that results in a qualification of national standing is considered a further benefit for those enterprises struggling to retain skilled workers.

### 5.3.3 A focus on higher level qualifications

EBPPP is focussed on qualifications at Certificate III and above, which reflects the program's objective of increasing productivity and skill levels of individuals in priority occupations. EBPPP will make a positive contribution to the Council of Australian Government's (CoAG) 2020 targets for halving the

proportion of 20-64 year olds without qualifications at Certificate III and doubling the number of higher qualification completions.

### 5.3.4 The role of ISCs as the central coordinators

ISCs are a key feature of EBPPP, leveraging off their already recognised role in workforce planning and development. ISCs act as the coordinators of the program, and work with employers to identify skills gaps and training needs; they also direct employers to appropriate qualifications and modes of delivery.

It is unlikely that a program such as EBPPP could be delivered without the oversight of independent organisations with both industry specific knowledge and workforce development expertise, such as the ISCs.

ISCs have, over time, developed capacity in forecasting the skill needs of specific industries and as a result, they offer specialist knowledge that employers may find valuable. Most employers, particularly small and medium sized enterprises, are excellent at identifying their immediate skills needs, but may not have a clear view about demographic changes, future technologies and consequently, their future skill requirements. The enterprises may also have little or no capacity to 'package' their skills requirements into a form that can be taken to the training market.

ISCs also deal with a large number of individual enterprises within their industries, and develop a more comprehensive view of the future than most enterprises are able to in isolation. This could be called “economies of scope”, where the ISCs can be more efficient (and possibly more accurate) than individual enterprises in predicting skills shortages, because they have a wider field of experience.

ISCs also develop and maintain the nationally endorsed qualifications on behalf of industry. These reflect the skills and knowledge required by a person to perform competently in the workplace.

As part of this process, ISCs maintain Continuous Improvement Plans, which outline the changes to be made to the qualifications and units of competency they include, to meet the existing and emerging skill needs of industry. The Plans are updated annually, and posted on each ISC’s website to ensure industry, RTOs and State and Territory Training Authorities, are able to plan and respond accordingly. This research adds to the depth and breadth of vocational information available to industry and governments that may not be otherwise available.

ISCs may also have the position and opportunity to negotiate better prices and quality of outcome for training through their central role in the program. Their recommendations to enterprises will also be important for RTOs, which in

some instances may only seek to compete on the basis of low cost training to secure the training contract.

The important question is whether the ISCs generate benefits comparable to their costs. This needs to be carefully evaluated, because the benefits of the ISCs will be reflected ultimately in their ability to contribute to labour force productivity growth, through:

- Provision of independent, expert advice and oversight of the development of training standards and delivery of training programs
- Oversight, often on behalf of enterprises, of the quality of training service delivery by RTOs
- Assisting enterprises to navigate the complex and multi-jurisdictional VET system (and, in doing so, reducing transaction costs for enterprises)
- Providing long established, and at the same time, contemporary market knowledge and expertise

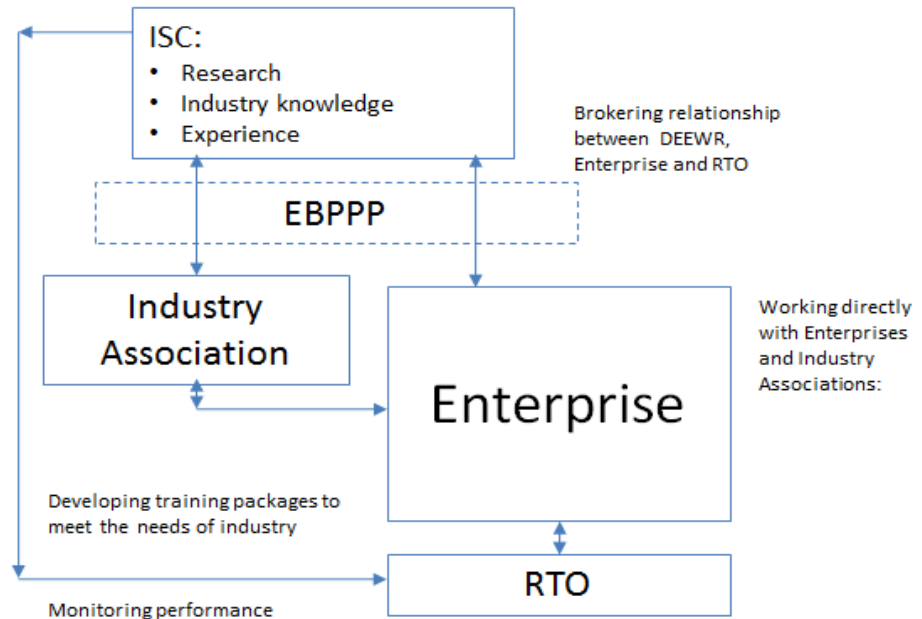
A detailed case study of how the ISCs activities contribute to industry workforce development and EBPPP can be seen in case study 11 (see appendix 8L). This case study analyses the role that one ISC, Service Skills Australia (SSA), plays in assisting the service industries in tackling their workforce development challenges.

SSA was chosen by ACIL Tasman as a case study in its own right as the service industries are dominated by micro, small and medium sized enterprises employ a significant proportion of the Australian workforce, which according to the ISCs are some of the hardest to engage in formal training.

As part of the ISCs' workforce development role, a range of diagnostic tools that allow enterprises to identify their skills needs and the training required to fill actual and anticipated skills gaps (see Box 1). Most ISCs conduct business and workforce development diagnostics through consultation with interested enterprises.

A graphical representation of the role that the ISCs play in delivering EBPPP, and more broadly in workforce development, is presented in Figure 4.

Figure 4 Overview of ISC activities and relationships



Data source: ACIL Tasman

**Box 1 An example of the workforce developments tool developed by the ISCs**

SkillsDMC is the ISC for the Resources and Infrastructure industries in Australia. In addition to its intelligence gathering role, the organisation develops tools and competency-based training materials for individuals, work sites, companies and industry.

SkillsDMC has developed an Online Workforce Planning and Development program, the Skills Maximiser. The Skills Maximiser is a diagnostic tool that calculates workforce demand in the resources and infrastructure industries. It helps organisations to identify skills gaps in the current workforce, as well as to predict any future workforce gaps in the organisation and on-site. It links skills development needs and strategies to business objectives, to accurately identify the skills needed at any given time (SkillsDMC, 2011).

It allows the user to:

- Develop a competency profile for job roles
- Tailor competencies to specific site needs
- Develop assessment tools that are linked to site requirements
- Report and chart skills development efforts
- Provide an overview of employee performance and performance standards.

The Skills Maximiser can be used to meet a variety of strategic business targets, such as safety targets, productivity targets and cost reduction targets (SkillsDMC).

#### How it works

The Skills Maximiser bases its skills demand estimates on the national competencies and applies these to individual sites. To do this, the user goes through a five step process:

1. Profile – determine the skills and expectations of the individual sites
2. 'Contextualisation' – determine the level of competency needed and the performance level required for the respective work in the operation or business
3. Identification - determine employees' skill levels and identifies the gaps. These gaps show where employee performance can be enhanced
4. Fulfilment – the user (business or operations manager) is provided with an overview of skill shortages in the business and ways to improve them
5. Evaluation – a SkillsDMC representative, in cooperation with the user, will monitor key figures, such as employees, equipment, production levels and the performance standards they have met. This evaluation step gives the user a full evaluation of the training effort.

#### 5.3.5 What it provides to the user – the outcome

The outcome of the evaluation process is real-time planning data at enterprise or site level. This data includes:

- Workforce requirements for an entire site by occupation, category and by year
- Projection of the current workforce, incorporating expansion and turnover
- Additional workforce required to achieve the business objectives of the respective enterprise<sup>2</sup>.

Source: SkillsDMC

### Opportunities to improve the ISC role

To fulfil their role, ISCs have developed extensive industry networks and expertise in the area of skills development and workforce planning. They are charged with the oversight and expenditure of considerable amounts of public funds, acting as agents for the Government.

In seeking to optimise the returns to Government in a market-based economy, where the enterprise returns from training are generally high (although often not well quantified), there is considerable potential to 'crowd out' private investment in workforce development, or to make investments in training that the enterprise may have sufficient incentive to make if Government does not invest.

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<sup>2</sup> Additional workforce is calculated by taking the total required workforce less the existing workforce and the impact of turnover.

To reduce the risk of crowding out private investment, the ISCs need to assess each enterprise application in terms of market failure. The aim should be to correct any market failure that has produced under-investment and determine the ISC's most economically efficient course of action.

ACIL Tasman believes that the ISCs should consider developing a market failure framework that can be used to assess enterprise applications and make recommendations to Government. ACIL Tasman has developed a generic market failure investment check list that has been applied to a number of situations and which could be adapted by the ISCs to reduce intervention failure risk. Such a framework could underpin and support the assessments undertaken by each of the ISCs, and the formal program guideline they administer for programs such as EBPPP.

The main elements of the check list can be found in appendix 8M.

### **5.3.6 Streamlined engagement**

EBPPP streamlines engagement with employers through a single national program, rather than the State and Territory administered national training system. This benefits employers that operate in more than one jurisdiction and would normally have to negotiate with each individual jurisdiction or across multiple RTOs to undertake the same breadth of training.

### **5.3.7 Offer solutions to benefit all sizes of firms**

EBPPP has been able to service the needs of micro, small and medium sized business in particular, due predominantly to three reasons:

- The demand-driven model places enterprises in the driving seat of discussions with RTOs and gives them a high level of negotiating ability regardless of business scale
- The support and independent expertise of ISCs has reduced the transaction costs for smaller enterprises which are often acutely felt at this scale and which rarely have the in-house dedicated expertise to skills development/ workforce planning
- By optimising ISCs' enterprise networks and, in a number of instances, using industry associations as a conduit to access their members, this program was able to attract significant numbers of enterprises, often in regional areas, that may not otherwise have had this opportunity afforded to them.

It is difficult to see how a demand-driven, flexible skills development program with high levels of Government support could be administered without well-

resourced and independent oversight, such as that provided by the ISCs. The resources provided by the ISCs are their detailed industry knowledge and network of industry contacts, their technical expertise as well as their capacity to undertake industry-wide workforce development research.

### **5.3.8 Skills development and workforce planning as a fundamental business strategy**

Evolving enterprise culture to a point where workforce planning and skills development is seen as a fundamental business strategy is a long-term proposition – and not within the window of EBPPP operations under analysis.

There are however, promising signs emerging from the case studies in appendix C, where enterprises have witnessed immediate productivity returns and as a consequence, made clearer links to the value and importance of skills development and workforce planning. Conversations with enterprises do, however, emphasise that for this to be considered an effective and supported strategy, it must not only be solutions focussed, but must also be extremely timely in application. This is not to be confused with training being provided at a ‘time, pace and place’ of the enterprise’s choosing. This is about the lead time between initial negotiations, agreement to proceed and, ultimately, the delivery of training.

In simple terms, training and workforce development will only be seen as a valid business strategy by enterprises when content and delivery is itself, based on the factors critical to ‘doing business’.

## **6 EBPPP statistics**

This chapter presents summary statistics for EBPPP from 1 July 2010 to 30 June 2011. A brief comparison with the VET system, based on the data available at the time this report was written, is also provided.

These statistics are based on data provided by the ISCs. The data is not audited, but is predominately the same data that the ISCs submit to DEEWR every six months as part of their EBPPP reporting obligations.

### **6.1 Contributions**

Both enterprises and Government have contributed significantly to EBPPP. The average proportions were 32.8 per cent (enterprise) and 67.2 per cent (Australian Government).

The proportion of contributions by enterprises and Government varies considerably across industries, reflecting sectoral demographics and the sliding scale of incentives according to enterprise size. As noted previously, the Australian Government's maximum contribution is 90 per cent of the cost of a training place for enterprises with less than 100 employees, 75 per cent for enterprises with between 100 and 199 employees, and 50 per cent for enterprises with over 200 employees. In each case, the employer provides the balance.

## 6.2 Cost per training place

The cost per training place varies across sectors partly because of the high variation of cost between vocational areas, which is further impacted by location, delivery mode and individual learner requirements.

Table 3 shows the average contributions by enterprises and Government, by qualification level. Program policy settings appear to have enabled the average cost per training place to be brought in well under the maximum price for each qualification level (program cap) for each qualification level.

Table 3 **Enterprise and Government contribution by qualification**

Qualification	EBPPP capped cost of training place	Actual cost of training place under EBPPP on average	Enterprise contribution on average	Australian Government contribution on average
Certificate III	\$5,000	\$4,391	\$1,319	\$3,072
Certificate IV	\$5,000	\$4,239	\$1,278	\$2,961
Diploma	\$10,000	\$6,743	\$2,669	\$4,074
Advanced Diploma	\$10,000	\$6,218	\$2,600	\$3,618

Data source: ISCs six monthly reports

## 6.3 Agreements signed

The total numbers of agreements signed by ISCs with Participating Organisations (POs) and Registered Training Organisations (RTOs) to 30 June 2011 were 481 and 434 respectively.

## 6.4 Gender of learners and social inclusion

### 6.4.1 Gender

The total numbers of male and female learners participating in EBPPP to 30 June 2011 were 9,907 and 3,783 respectively. Across ISCs, the proportion of females varied greatly between 2.2 per cent and 87.1 per cent (averaging 27.6

per cent), which was reflective of the gender mix of employees in industries represented by each ISC.

#### **6.4.2 Social inclusion**

To 30 June 2011, 9.6 per cent of EBPPP learners were from a disadvantaged background. These are categorised according to those with a Non-English Speaking Background (NESB), those with a disability and those with an Indigenous background.

The proportions of EBPPP learners with a NESB, a disability and an Indigenous background were 6.5 per cent, 1.3 per cent and 1.8 per cent respectively. According to the Australian Bureau of Statistics (ABS), Indigenous persons comprised approximately 1.5 per cent of the total labour force in 2009.

### **6.5 Qualifications sought**

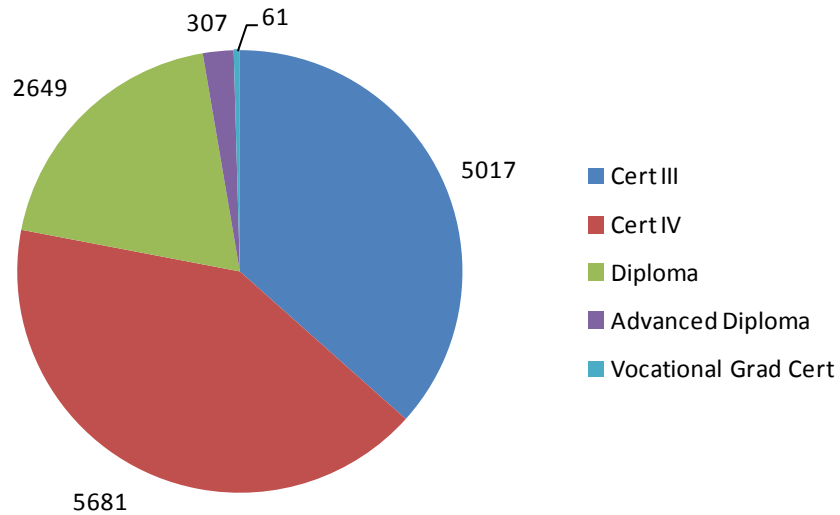
The number of learners seeking a Certificate III, Certificate IV, Diploma, Advanced Diploma and Vocational Graduate Certificate qualification across ISCs (to 30 June 2011) is shown in Figure 5.

The total numbers across ISCs were 5,017 (Certificate III), 5,681 (Certificate IV), 2,649 (Diploma), 307 (Advanced Diploma) and 61 (Vocational Graduate Certificate). The corresponding average proportions for the above qualifications were: 36.6 per cent, 41.4 per cent, 19.3 per cent, 2.2 per cent and 0.4 per cent.

It should be noted, however, that the qualifications sought by industries vary significantly and reflect many factors, such as the recognised entry level, evolving nature of job roles and rate of technological change.



Figure 5 **Qualifications undertaken by learner (to 30 June 2011)**

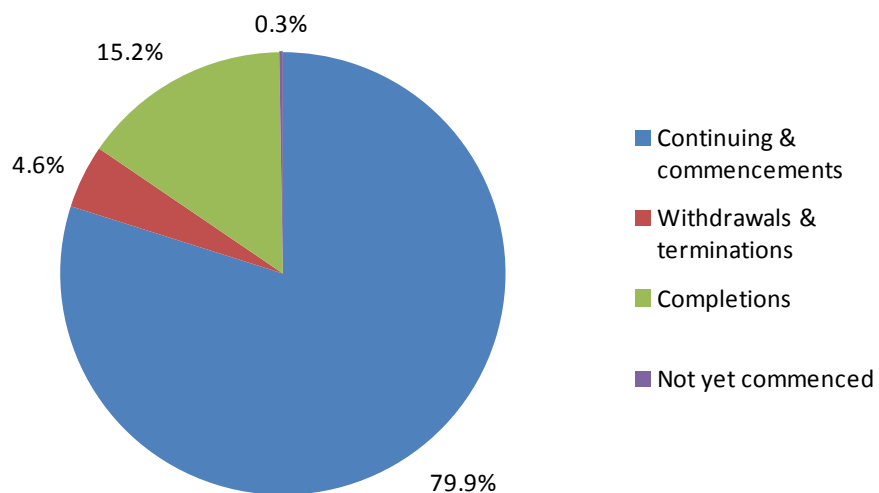


Data source: ACIL Tasman analysis of data provided by ISCs

## 6.6 Status of trainees

Figure 6 shows the status of trainees as of 30 June 2011. The data clearly indicates that the majority of the trainees had commenced and/or were continuing but had not yet completed their training at that point.

Figure 6 **Status of learners (as at 30 June 2011)**



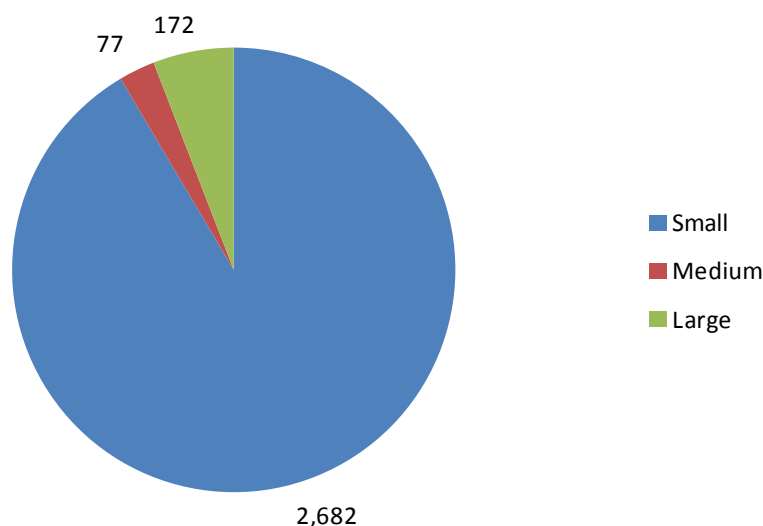
Data source: ACIL Tasman analysis of data provided by ISCs

## 6.7 Size of participating enterprises

### 6.7.1 Number of participating enterprises, by size

The number of small, medium and large enterprises participating in EBPPP (as at 30 June 2011) is shown in Figure 7. The data indicates that the vast majority of participating enterprises are small (employing fewer than 100 persons) according to the program guidelines. However, the proportion varies across ISCs and most likely largely reflects sector enterprise demographics.

Figure 7 **Number of small, medium and large participating enterprises (as at 30 June 2011)**



Data source: ACIL Tasman analysis of data provided by ISCs

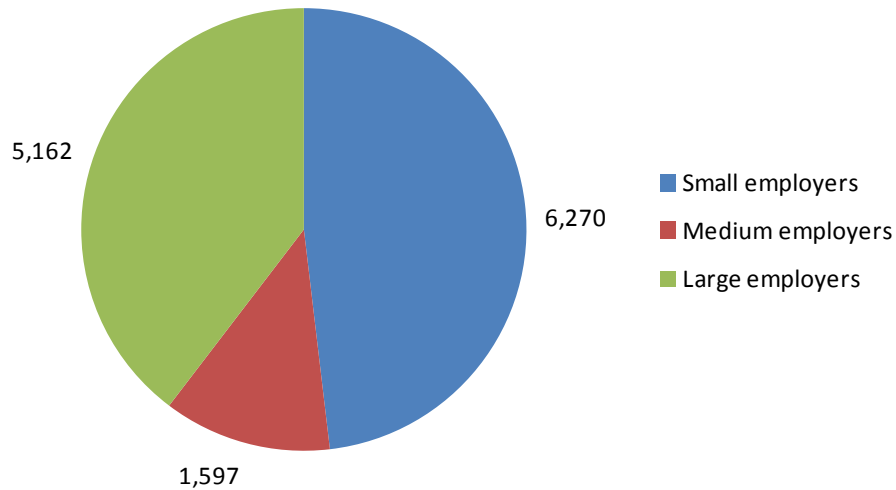
### 6.7.2 Number of learners, by size of enterprise

The number of learners in small, medium and large enterprises participating in EBPPP (as at 30 June 2011) is shown in Figure 8.

Comparison with the previous chart shows that, unsurprisingly, larger enterprises tend to provide more learners than smaller enterprises. Nevertheless, small enterprises still provide the majority of EBPPP learners for five of the ISCs (ForestWorks ISC, Construction and Property Services ISC, Service Skills Australia, EE Oz Training Standards and Community Services and Health ISC).



Figure 8 **Number of learners in small, medium and large enterprises participating in EBPPP (as at 30 June 2011)**



Data source: ACIL Tasman analysis of data provided by ISCs

## 6.8 Location of training<sup>3</sup>

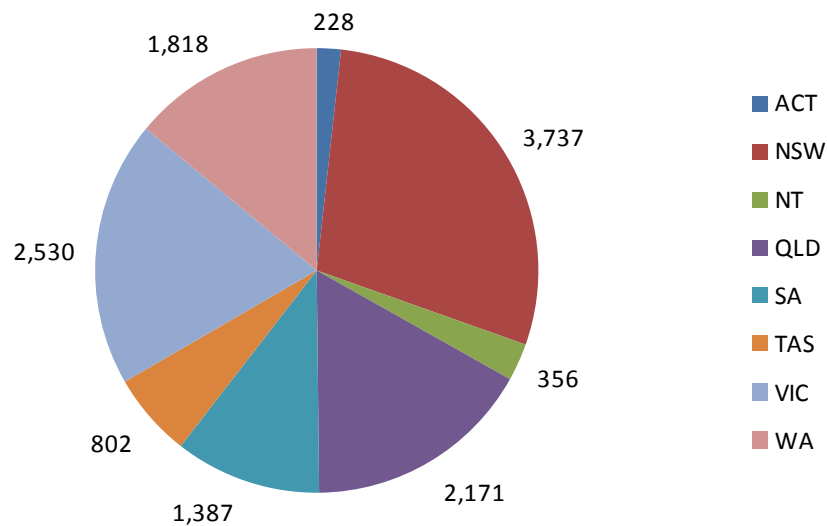
Figure 9 shows the number of learners being trained in each state/territory (as at 30 June 2011).

The ISCs have advised that:

- Uptake of training places across the jurisdictions is to a large degree reflective of industry concentration and demographics
- In several instances, the national focus of the program has enabled national enterprises to engage in a single, borderless approach to skilling their workforce. The broader system, where enterprises are required to navigate eight different interpretations of national policy, continues to be cited as an on-going disincentive to enterprise workforce development.

<sup>3</sup> Defined by where training is delivered

Figure 9 **Number of learners being trained in each state/territory (as at 30 June 2011)**



Data source: ACIL Tasman analysis of data provided by ISCs

## 6.9 Recognition of Prior Learning

While EBPPP focuses on existing workers attaining higher level skills – as distinct from it being a recognition program for existing skills – the program’s RPL rate of 16.9 per cent is significantly higher than the national average of 5.5 per cent achieved through the VET system in 2009.

ISCs have advised that:

- The up-skilling objective of the program and focus on the acquisition of new knowledge and skills, has meant a lesser amount of RPL than some external observers would expect of a program focussed on existing workers
- The definition of “existing worker” has been flexible on the amount of time someone had already been employed. This meant some learners have been relatively new to the job, with limited skills relevant to RPL
- Where the program is intended to drive a culture change within an enterprise, learners may undertake the training together in a team environment, irrespective of existing skills being present.

## 6.10 Priority occupations

In addition to responding to the POPPPL, the flexibility of EBPPP has enabled it to respond to the individual needs of enterprises and to geographic hot spots, where skill needs are localised, as well as to the needs of niche industry segments.

If an enterprise's occupational need was not identified on the POPPPL, enterprises have been able to apply to have their specific enterprise priorities considered. This flexibility is in keeping with the enterprise focus of the program, and recognises that skill needs differ between regions, jurisdictions and industries.

## 7 Case studies

The third tranche of the analysis conducted for this review was a series of case studies drawn from the nearly 3000 enterprises that have applied for and received funding under EBPPP.

There were 11 case studies prepared for this analysis. Nine were enterprises that put staff through qualifications under EBPPP. One case study was of an RTO and one involved Service Skills Australia, an ISC working in the service industries (see appendix L-53).

The case studies have been chosen to present, in the enterprises' own words, a particular aspect of EBPPP and/or the role of the ISCs in coordinating the program. They are presented as a qualitative 'lower bound' demonstration of the program, in that they present a highly successful group of EBPPP participants. This means that, even if these case studies are only indicative of the wider population of successful projects, these alone are likely to be sufficient to justify the entire program to date.

### 7.1 Case study approach and methodology

Each of the ISCs was asked to nominate three to four enterprises, from which one was chosen by ACIL Tasman. The ISCs were given broad criteria to use, to ensure that as a whole, the case studies demonstrate a range of experiences of the program and the role of the ISCs. The criteria the ISCs were asked to consider when making their selections were:

- Size of enterprise (by number of employees)
- Location
- Type of training

Once each of the case studies was selected, they were contacted by the ISC to confirm participation. When that was confirmed, ACIL Tasman contacted each of the participants and arranged a time to meet or discuss the project over the phone. ACIL Tasman provided each company with a two page introduction to the analysis and a series of topics, based on the organisation's

approach to training investment, their past experiences and their experience with EBPPP.

Once a draft of each of the case studies was completed, it was sent to the ISC to check for accuracy and to provide an opportunity for the ISC to add any additional relevant material. In almost all cases, the case study draft was also sent to the enterprise to review, correct and add material as they saw fit.

### 7.1.1 Case study participants

The case study organisations and contacts from each enterprise are listed in Table 4.

Table 4 **Case study participants**

Enterprise name	Enterprise contact	Type of business	Responsible ISC
GEON Print and Communication Solutions	Martin Cansell: HR Manager	Printing, communications	Manufacturing Skills Australia
Broome Port Authority	Rob Wilkinson: Operations Manager	General cargo stevedoring	Transport and Logistics ISC
Heritage Building Society	Heather Timbs: Manager Learning and Development	Financial services	Innovation and Business Skills Australia
Ausgrid	Neil Roberts: Manager of Professional Development	Electricity retailing and transmission	EE-Oz Training Standards
Raine and Horne	Kevin Magee: CEO South Australia	Real estate and property management	Construction and Property Services ISC
Grampians Wimmera Mallee Water	Jenny Reid: Learning and Development Manager	Water regulation and management	Government Skills Australia
Hyne	Peter Kelly: Learning and Development Manager	Sawmilling and timber products	ForestWorks ISC
Seafood Training Tasmania	Rory Byrne: Manager	Registered training organisation servicing the Tasmanian seafood industry	AgriFood Skills Australia
Energy Resources Australia	Kelly Morrissey: Learning and Development Manager	Uranium mining	Skills DMC
NSW Department of Community Services	Amanda Mathers and Al Dawood: Learning and Development Managers	Community services and child protection	Community Services and Health ISC
Service Skills Australia	Bernard Moore: Workforce Development Manager	Industry Skills Council	Service Skills Australia

## 7.2 Case study results

The full case study report can be found in appendices B to L.

The key themes from the case studies are:

- The enterprises all reported that EBPPP provided significant enterprise and employee benefits. The benefits that accrued to the enterprises they gained

because they could embed the skills and knowledge specific to their operations within the training

- Employees benefited from the training by gaining skills that enhanced their prospects within the enterprise. They also obtained nationally recognised qualifications, valued in the wider employment market
- In all case studies, the enterprises were able to have the training tailored to their needs. The dominant enterprise needs from the training were:
  - That it was based on the enterprises processes, systems and strategy
  - Structured to meet timing and location needs of employees and the enterprise (particularly important for the employees running small businesses, franchises or those in senior positions in their enterprise)
  - Able to ensure that participating employees were able to achieve nationally recognised qualifications
- EBPPP recognised the experience and skills (and prior learning) of participating staff. This enabled staff to build on their skills and experience in the enterprise or industry and improve their career prospects in the organisation. This was also important for several case study enterprises, as it meant the training focussed on skill gaps, rather than wasting time on training in areas where skills were already available
- EBPPP also allowed most enterprises to offer relevant tailored training to all of their staff, regardless of diverse needs and levels of prior learning
- Each ISC played an important brokering role between the enterprise and DEEWR, and oversaw the relationship between the RTO and the enterprise
- In a number of case studies, the ISC provided a diagnostic service to the enterprise that allowed it to identify skills needs where they were not already clear, establish the most appropriate qualification(s), and engage a suitable RTO to deliver the required training

The following sections contain the results for each of the specific questions put to the case study enterprises.

### 7.2.1 Key skills and workforce development drivers

The case studies reported a number of key drivers of workforce development and skills demand for the enterprise. They can be summarised as:

- Managing occupational health and safety risks
- Regulation and compliance such as meeting license conditions or financial services regulation
- Workplace planning, as part of the introduction of new employees
- Improving labour productivity in tight labour markets
- Introducing new technology, equipment and processes.

### **7.2.2 Identification of skills and training needs**

The case study participants related a number of ways that they identified their skills and workforce development requirements; they can be grouped around:

- Enterprise strategy: where workforce development requirements are identified as part of the implementation plan of an enterprise's strategy
- Employee performance reviews
- Formal learning and development plans, often developed by dedicated learning and development staff
- Project planning where skills development is included as part of the suite of project planning disciplines
- Staff retention, inducting new staff, and redeploying staff from within the organisation
- Meeting employee expectations and workplace agreement conditions.

### **7.2.3 Prior training and workforce development experience**

When considering the case study participants' response to the quality of the training received, it is important to differentiate between the 'quality' of the qualification (its usefulness and relevance to the enterprise and the employee) and the quality of the training provided by the RTO.

In most case studies, the usefulness and relevance of the qualification was high if the training demand was driven by meeting a compliance requirement. That is, if a recognised qualification was needed to obtain a license (such as a Real Estate agent's licence) or meet OH&S standards, and the training meant that the qualification was achieved, it met the needs of both the employer and employee.

Where training was undertaken to meet compliance requirements, the greater the level of RPL achieved, the lower the cost of achieving the qualification. However, by definition, a high level of RPL means that the employee attending the training does not learn as many new skills. This was the experience of GWM Water, where Certificate III in Water Industry Operations was obtained by staff through non-EBPPP training; but the enterprise and staff were dissatisfied because there were very high rates of RPL and no new skills had been acquired.

However, a key theme of the case studies was that much more value was realised from the qualification and training experience where the RTO delivered it in the context of the specific enterprise's operations, policies and procedures. In all case studies, the enterprises reported that EBPPP combined the achievement of nationally recognised qualifications (Certificates, Diplomas or Advanced Diplomas), with the development of skills relevant to their

operations. This meant that the skills acquired delivered immediate value to the enterprise.

The case study participants' previous experience of the quality of the training providers was generally good, although some felt that some RTOs had been more intent on ensuring employees obtained qualifications, rather than learning any new skills.

#### **7.2.4 The role the ISC plays in the industry**

Most of the case study participants did not know a great deal about the broader industry role of the ISC, other than the ISCs worked with some of their peak industry bodies or sat on Industry Training Advisory Boards (ITABs).

#### **7.2.5 The enterprises' experience of the role of the ISC in delivering EBPPP**

In all case studies, the ISCs were reported as playing a brokering role to assist enterprises apply for funding and fulfilling reporting and accountability requirements to DEEWR. Most case studies reported that the relevant ISC also worked with the enterprise to select and oversee the performance of the RTO.

In many case studies, such as Raine and Horne, the Construction and Property Services ISC developed a close working relationship with the enterprise. The enterprise would raise skill needs and the ISC would then provide advice on possible training solutions, or assist in the selection of RTOs.

In some cases, such as Energy Resources Australia (ERA), the ISC provided comprehensive diagnostic services that allowed the skill requirements of the enterprise to be identified, a suitable training response designed and training services secured.

In the case of the Broome Port Authority, the Transport and Logistics ISC identified a Melbourne based RTO and negotiated an arrangement in which the RTO was willing to provide training on site in Broome.

In most cases, the ISC also provided auditing services on the training delivered and, in doing so, provided essential independent oversight of the program.

#### **7.2.6 What would the enterprise have done if EBPPP was not available**

In almost every case study, the training undertaken through EBPPP would have been delayed or reduced if the program had not been available. Where training was driven by compliance requirements, enterprises confirmed a

modified version of the training would have been undertaken, but only to meet minimum compliance requirements.

Seafood Training Tasmania, an RTO which has participated in EBPPP and provided qualifications across a consortia of small businesses, confirmed that the program had enabled a response specifically designed to meet their needs and structured to fit into the seafood production calendar. There was no equivalent training solution available.

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## **A The VET System**

### **A.1 Providers and funding**

Historically a supply-side scheme, the VET system is largely funded by governments and student fees, and to a lesser degree through fee for service activities. The VET system is largely provided through government-owned TAFEs, universities with TAFE divisions and private RTOs, although it also includes:

- agricultural colleges
- adult community education providers
- secondary schools and colleges
- industry and community bodies with an RTO arm
- businesses, organisations and government agencies that have RTO status for training their own staff.

Australian Government funding is directed to the State and Territory governments, Australian Apprenticeship Centres and to employer incentives for Australian Apprenticeships and Registered Training Organisations (RTOs). State and Territory governments provided \$3.2 billion (68.1 per cent) of the government funding for VET in 2009, with the Australian Government providing \$1.5 billion.

The majority of VET funds are allocated to public and private RTOs, based on the planned targets and priorities set by State and Territory Training Authorities.

### **A.2 Services**

Outputs from the VET system are the wide variety of qualifications; ranging from a single module or Unit of Competency, through to Advanced Diplomas, Graduate Certificates and Graduate Diplomas.

### **A.3 Uptake**

In 2009, approximately 1.7 million people were reported as participating in VET programs at 14,893 locations across Australia. This represented 11.2 per cent of the population aged between 15 and 64 in that year. Of these, 1.3 million students (74.7 per cent) were government funded and the remaining 431,400 students (22.5 per cent of total) were either domestic students or were international students (2.8 per cent of total).

The 1.3 million students who participated in government-funded VET programs in 2009, undertook 352.1 million hours of VET (on average, 276.3 hours per student). Of these, 75,984 (6 per cent) gained some recognition of prior learning.

The level of qualifications undertaken in 2009 is shown in the table below:

Table 5 **Level of qualifications undertaken in the VET system in 2009**

Qualifications	Proportion of VET students enrolled
Diploma or above	12.2%
Certificate III or IV	49.1%
Certificate I or II	24.8%
Does not lead directly to a qualification	13.9%

## A.4 Cost

In 2009, the recurrent expenditure on VET was \$4.7 billion (compared with \$4.4 billion in 2008). State and Territories are responsible for allocating funding for VET services and supporting the maintenance of public training infrastructure. They oversee the delivery of publicly-funded training and facilitate the development and training of the VET workforce.

## A.5 National Agreement for Skills and Workforce Development

The National Agreement for Skills and Workforce Development (NASWD) as implemented on 1 January 2009. It replaced the previous agreement, Commonwealth-State Agreement for Skilling Australia's Workforce (CSASAW), which ran from 1 July 2005 to 31 December 2008.

The objectives of NASWD are:

- All working-age Australians have the opportunity to develop the skills and qualifications needed, including through a responsive training system, to enable them to be effective participants in, and contributors to, the modern labour market.
- Individuals are assisted to overcome barriers to education, training and employment, and are motivated to acquire and utilise new skills.
- Australian industry and individual businesses develop, harness and utilise the skills and abilities of the workforce.

The targets of NASWD are:

- Halve the proportion of Australians aged 20-64 without qualifications at Certificate III level or above, between 2009 and 2020.
- Double the number of higher qualification completions (Diploma and Advanced Diploma), between 2009 and 2020.

The performance indicators used to measure progress under the NASWD are the:

- proportion of the working age population at literacy levels 1, 2 and 3;
- proportion of 20–64 year-olds who do not have qualifications at or above a Certificate III;
- proportion of graduates employed after completing training, by previous employment status;
- percentage of graduates with improved employment status after training;
- number of hard to fill vacancies; and
- proportion of people employed at or above the level of their qualification, by field of study.

## **A.6 Overview of PPP**

The primary objective of the Productivity Places Program (PPP) is to provide targeted training to support the development of skills in Australia to meet existing and future industry demands.

Under the *Skilling Australia for the Future* initiative, the PPP aims to provide access to up to 711,000 qualifications over 5 years, from 2007 to 2012, for existing workers wanting to gain or upgrade their skills, and for job seekers wishing to enter the workforce.

The Australian Government's investment through the PPP in areas of existing and future skills needs is increasing the qualifications of Australians and playing an important role in preparing the workforce for the future. As at 31 December 2010, over 366,000 training commencements had occurred across all elements of the program.

Training has been offered to eligible existing workers and job seekers under the Council of Australian Governments' negotiated National Partnership Agreement for PPP, signed by seven state and territory governments. The Victorian Government signed a separate agreement. A number of places are being delivered directly by the Australian Government, through the New Enterprise Incentive Scheme (NEIS)-PPP.

## **A.7 State and territory government delivery of PPP**

Under the Agreements, State and Territory governments will deliver over 70 per cent of the total PPP training places, to both existing workers and job seekers. The NP – PPP commenced on 1 January 2009 and will expire on 30 June 2012.

The program has two outputs: 557,556 course enrolments and 402,881 qualification completions. The entitlements to training are divided between existing workers and job seekers.

For each payment for an existing worker, the Commonwealth will contribute 50 per cent, the State or Territory will contribute 40 per cent, and the individual/enterprise will contribute a minimum of 10 per cent. The Commonwealth will contribute 100 per cent of the cost of training places for job seekers.

In the first year of State and Territory government delivery under the National Partnership, 71,633 total enrolments (including new commencements and participants continuing in training), were reported for job seekers and existing workers. This equates to approximately 70 per cent of the total enrolment target for 2009.

This total includes 34,567 enrolments for job seekers (93.5 per cent of the target for 2009); and 37,066 enrolments for existing workers (56.3 per cent of the target for 2009). Nationally, approximately 88 per cent of all enrolments were at the Certificate III level or above.

Through the delivery of training by State and Territory governments, individuals who have been retrenched or made redundant may be eligible for priority access to a PPP job seeker training place.

COAG agreed with State and Territory governments to deliver a Compact with Retrenched Workers on 2 July 2009. Where workers are able to meet eligibility requirements, this Compact allows them to access state and territory delivered, government-subsidised, Vocational Education and Training qualifications, such as those available through PPP. Workers need to have a separation certificate or notice of redundancy.

## **A.8 Australian Government delivery of PPP**

Under the Australian Government administration of PPP, of the 59,420 participant commencements in the program in 2009, 3,559 identify as NESB; 2,621 as people with a disability; 1,903 as ATSI; and 25,648 of the participants are women. This data cannot, however, reflect the true number of participants

from these groups, due to the element of ‘unknown’ or ‘not-stated’ responses in each category.

### **A.8.1 NEIS-PPP**

From 1 July 2009, the Australian Government began delivering training places to New Enterprise Incentive Scheme (NEIS) participants, through the Productivity Places Program (PPP). NEIS helps support eligible unemployed people to start up and run new, viable, small businesses. A minimum of 19,700 training places are being provided to NEIS participants through the PPP over three years (7,100 places in 2009-10, with 6,300 places in each of the subsequent two years).

The training delivers a qualification in either:

- Certificate III in Micro Business Operations (BSB30307)
- Certificate IV in Small Business Management (BSB40407).

The training is providing NEIS participants with small business management skills, which assists them in the development and execution of a business plan. Business plans need to be approved by the NEIS provider before the participant can start operating their business.

### **A.8.2 Job Seeker and Structural Adjustment Places**

Prior to the state and territory governments’ delivery of job seeker training places, from April 2008 to June 2009, the Australian Government directly administered this element of the program. Furthermore through Structural Adjustment Places, the Australian Government delivered training places to groups of retrenched or redundant workers, as well as funded re-training opportunities for individual insulation workers.

## B Case Study 1: Geon Australian Pty Ltd

Name of enterprise	GEON Australia Pty Ltd
Contact	Martin Cansell (HR Manager)
Industry	Printing and Communications
Type of enterprise	Sales and manufacturing
Responsible ISC	Manufacturing Skills Australia

### B.1 Background

This case study was prepared with the assistance of Martin Cansell, Human Resources Manager for GEON Australia Pty Ltd ('GEON'), based at the company's Australian head office at Banksmeadow.

GEON is a printing and communications business operating in Australia and New Zealand. Its services include:

- Printing (digital media, offset and digital print)
- Direct marketing and data management
- Graphic and communications design and development
- Warehousing and logistics management

GEON employs more than 1,250 people across Australia and New Zealand, and generates annual revenues of over \$300m per annum. GEON is one of the largest printing and communications companies in New Zealand and Australia.

Given the mix of manufacturing, management, design and communications development activities across the firm, GEON has a wide range of skills and workforce development needs across a large geographic spread of locations.

Skills and workforce development needs include:

- Apprenticeships
- Sales force training
- Occupational health and safety training
- Management and corporate professional development
- Adopting new technology.

Given the diverse range of skills needs, GEON's training and workforce development drivers are varied. They include:

- Maximising manufacturing and warehouse efficiency
- Reducing labour costs
- The introduction of new technology (printing presses, machinery, etc.)

- Retention and attraction of staff (staff expect a level of training in employment contracts or they may not seek employment with GEON).

The major non-EBPPP training initiatives that GEON invests in include: OHS, leadership development, sales force training and apprenticeships. GEON has recently appointed a full time learning and development manager, to focus on leadership and sales development across the company.

## **B.2 Identification of skills and workforce development requirements**

Two years ago, GEON decided to implement a lean manufacturing strategy across the whole organisation. Lean manufacturing strategies were being implemented by competitors and a registered training organisation (RTO) Applied Training Solutions (ATS) had developed a lean manufacturing course that, with some modifications, could be applied to GEON's business.

The criteria used by GEON to identify the training needed were:

- It had to be a bottom-up approach to training (shop floor up)
- Applicable to the whole of the company
- Had to be able to be branded as a GEON package, with the company's Learn Engage Action and Perform (LEAP) continuous improvement concept
- Had to enable employees to use the training to achieve Certificate III and IV qualifications
- Had to be undertaken on site and delivered by a dedicated trainer supplied by the RTO

The company worked with ATS to modify its lean manufacturing course to meet its needs, with the overarching objective of embedding in the course GEON's enterprise training requirements, with the need to ensure staff could achieve nationally recognised Certificate III and IV qualifications.

## **B.3 Experience with other skills and training programs and the wider VET system**

GEON's previous experience with other skills and training offered by the wider VET system is largely through apprenticeships. The company has not generally engaged, regularly or widely, in the broader VET system; it has fully funded and conducted most of its past workforce development in-house

## **B.4 Direct and indirect costs of improving skills and workforce development**

As GEON has a high number of apprentices, many of the company's staff did not qualify for government training grants, since many of the apprenticeships have been completed within the last seven years.

Without Government assistance, based on the direct cost of implementing the training, the program would have been prohibitively expensive. This does not take into account the considerable indirect costs, such as: employee opportunity costs, and management time involved in putting together and overseeing the training.

Under EBBPP, GEON was eligible for government funding of 50 per cent of the direct costs of this training.

## **B.5 The role of the ISC in your industry**

GEON is aware of the MSA's role at a strategic level to identify wider skills and training needs, promoting programs such as EBPPP, and assisting enterprises where required.

## **B.6 The role that the ISC played in assistance with EBPPP**

In this case study, Manufacturing Skills Australia, the ISC with coverage in this industry, did not play a large role in GEON's negotiations with the RTO. MSA did assist GEON with the funding application, development of the tri-party contract, and ongoing administration and program payments to the RTO.

## **B.7 Experience of EBPPP**

GEON is one year into a two-year program of its EBPPP training. It has already seen significant improvements in its printing and warehouse productivity. This has led to significant and measurable labour savings.

Other benefits observed by GEON include:

- Stronger engagement of staff in work practice changes; resulting in higher productivity and improvements in occupational health and safety
- A willingness among staff members to meet regularly and discuss work practice improvements.

### **B.7.1 The number of staff that have participated in EBPPP placements**

Total number of participants - 62

### **B.7.2 The types of courses acquired**

- Certificate III in Competitive manufacturing – 53 participants
- Certificate IV in Competitive manufacturing – 9 participants.

### **B.7.3 The role of the RTO in the EBPPP program**

The role of the RTO was threefold:

- Offer off-the-shelf lean manufacturing training package
- Modify the training package to meet the needs of GEON
- Provide dedicated on-site trainers.

## **B.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

Without access to EBPPP, GEON would have delayed the start of the training program, reduced the content (probably removing much of its own branding and enterprise needs), and delayed its rollout.

## **B.9 Your intended use of EBPPP in future**

GEON is currently rolling the program out to over 380 staff, across four sites in NSW. The company has recently commenced the roll-out of the program for its Australian workforce across other sites (WA 60 staff and Queensland 100 staff).

## **B.10 A description of the results of EBPPP for your enterprise and your employees**

GEON has seen measurable and immediate benefits from the training and workforce development investment undertaken through EBPPP. These results allow a strong case for senior management to make to the GEON board and shareholders to invest in training and workforce development in future.

## B.11 Key lessons from this case study

The experience of EBBPP and the implementation of a tailored training solution have created greater incentives for GEON to invest more of its own capital in training in the future. This is likely to be a lasting legacy of EBPPP.

Without the flexibility of EBPPP, which allowed it to match its enterprise workforce development needs with nationally recognised qualifications, GEON would have invested considerably less in training and workforce development than it did.

The outcomes of the training were immediate and measurable for GEON, which overcomes some of the asymmetry of information often cited as a constraint on greater investment in training by enterprises.

## C Case study 2: Broome Port Authority

Name of enterprise	Broome Port Authority
Contact	Rob Wilkinson
Industry	General cargo stevedoring
Type of enterprise	Port Authority
Responsible ISC	Transport and Logistics Industry Skills Council

### C.1 Background

This case study was prepared with the assistance of Rob Wilkinson, Operations Manager.

The Broome Port Authority manages the Broome Port in Western Australia. The Port caters for the needs of a wide range of industries and social activities in the Kimberly region of Western Australia. The users of the port include:

- Mining companies
- Live cattle exporters
- General cargo operations
- Tourism operators (cruise ships regularly visit the port)
- Pearling companies
- Social activities on the pier, including sightseeing and recreational fishing.

The Broome Port Authority employs approximately 75 people and has 9 trainees in EBPPP.

The Broome Port Authority manages stevedoring, access to the berths on the pier and community access. Given its wide responsibilities and range of commercial operations of the port, the Authority has a similarly broad need for skills and workforce development.

Also, due to the remote location of Broome, labour is difficult to attract to the region. This is particularly so during the current regional mining boom. The result is that each member of the port's workforce has to be multi-skilled in the operations of the port:

BrPA provides its own stevedoring service. The port has a highly skilled, experienced and motivated workforce, renowned for their flexibility.

The workforce performs all manner of duties around the Port including, stevedoring, mooring and un-mooring, and maintenance of port assets<sup>4</sup>.

The main occupations at the port are:

- Crane driving
- Dogman (workers at the bottom of cranes who sling loads, hook up weights, and act as the eyes and ears of the crane driver)
- Forklift operator
- Rigger
- Line workers.

Port operations also have significant occupational health and safety risks that need to be constantly managed. This is also a high priority of the highly unionised workforce at the port.

Therefore, the main drivers of training and workforce development investments by the Authority are:

- Occupational Health and Safety
- Multi-skilling the existing workforce and any new recruits (who usually join with only one or two recognised qualifications)
- Ensuring that each worker is trained in the way that the Authority conducts operations at the port (not just standard machinery operations).

In the words of Rob Wilkinson, the primary driver of training 'is to manage the unusual risks of running a general cargo port in a remote location'.

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<sup>4</sup> From the BrPA website <http://broomeport.wa.gov.au/employment-opportunities>, accessed on 24 June 2011.

## **C.2 Identification of skills and workforce development requirements**

The demands of a general cargo stevedoring operation constitute the main drivers of skills and workforce development at the port. The Maritime Union of Australia, the dominant union at the port, is keen to see all of the Authority's dock workers obtain nationally recognised Stevedoring qualifications.

However, while nationally recognised qualifications are of value to the employees, the Authority runs a general stevedoring operation and is different to the larger ports, where employees can specialise in specific activities or machinery operations.

This means that a workforce with high levels of specialist skills may not be the optimum outcome for the Authority. It needs a workforce developed to meet the needs of a diverse port, with high levels of flexibility and multi-skilling.

Also many of the machinery operations at the port are considered high risk and specific training is required for employees that operate this equipment.

The Authority also trains employees to become supervisors and managers, requiring leadership and human resource management training (described by Rob as 'soft skills').

## **C.3 Experience with other skills and training programs and the wider VET system**

The Authority currently participates in EBPPP and has 25 trainees registered in the traineeship program to complete the Certificate III T&L Stevedore qualification.

The Authority has found it difficult in the past to engage in the wider VET system, due to its remote location and the unusual requirements of the training.

In 2008, DEEWR rejected a training grant application from the Authority because the training requirement did not align with nationally recognised qualifications.

While the Authority recognised the value of obtaining nationally recognised qualifications for its employees, the standard training available at the time did not provide the employee with the appropriate skills to achieve a full qualification in Stevedoring. There were no WA based RTOs offering the Certificate IV for supervisors and no RTOs actively delivering the Certificate III Stevedoring course.

## **C.4 Direct and indirect costs of improving skills and workforce development**

The Authority found that dealing with the wider VET system was costly, due to the lack of RTOs and funding sources that would suit its requirements.

As the standard qualifications and RTOs did not have suitable programs for the Authority, engaging in the wider VET system held greater risks than for other employers and the Authority believed it would not get the benefit it required from training and workforce development.

## **C.5 The role of the ISC in your industry**

The Authority was not aware of the wider role played by the Transport and Logistics Industry Skills Council (TLISC) in the industry, but stated it was of considerable help in getting EBPPP training approved and started for the Authority.

## **C.6 The role that the ISC played in assistance with EBPPP**

Due to the unusual requirements of the Authority and its remote location, finding an RTO to deliver its training was difficult. TLISC had worked with an RTO in Melbourne that was able to tailor the stevedoring training to achieve nationally recognised Certificate III and IV and to meet the needs of the Authority.

Not only did TLISC find one RTO for the Authority's EBPPP training, the funding agreement with DEEWR required it to also have a backup RTO identified, in case the first failed to provide some, or all, of the training.

TLISC also assisted the Authority secure the funding from DEEWR; it regularly monitors the program and the relationship between the Authority, the RTO and DEEWR. It also assisted the Authority to navigate through the traineeship system in WA, to secure funding and tax relief for the trainees. In preparation for the program, three port employees were put through the Certificate IV TAA qualification at the local TAFE, to help support the RTO in delivering the program. As travel costs associated with the program were significant, these trainers would help offset the cost. They were also better placed to understand the unique nature of the port's services and the operational equipment used.

TLISC also worked closely with the Authority to develop a workforce development plan that was included in its application for funding to DEEWR. In this case, TLISC was able to bring to bear its extensive experience in

workforce development for port operations from across the country and its general transport and logistics expertise.

## **C.7 Experience of EBPPP**

### **C.7.1 The number of staff that have participated in EBPPP placements**

At present, the Authority has 9 participants enrolled in EBPPP training.

### **C.7.2 The types of qualifications acquired**

- Certificate III and IV Transport & Logistics Stevedoring
- Certificate IV Training and Assessment.

### **C.7.3 The role of the RTO in EBPPP**

The National Learning Centre is the RTO delivering EBPPP training for the Authority. The National Learning Centre has tailored its training solution and is delivering it in conjunction with Challenger TAFE.

The RTO has tailored a solution that covers the wide variety of skills required at the port.

## **C.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

It is unlikely the Authority would have gone ahead with the training if EBPPP funding and the help and advice from TLISC had not been available.

## **C.9 A description of the results of EBPPP for your enterprise and your employees**

The main benefit of EBPPP for the Authority was that it allowed the training to be on-site and embedded the actual operating procedures of the Authority with nationally recognised qualifications.

## **C.10 Key lessons from this case study**

There are three key lessons from this case study:

- Without the assistance of TLISC and the funding from EBPPP, the Authority would not have been able to tailor the training delivery to its needs, and there would have been limited value in the investment for the Authority.
- The Authority could not get this level of assistance elsewhere

- TLISC brokered the funding arrangement between the Authority and DEEWR, which would have been costly for the Authority to undertake itself. The application itself was also unlikely to have been successful without the TLISC intervention as DEEWR is not familiar with the industry or the skills and workforce development requirements of a remote port Authority
- Additional training through the TAA and through the traineeship program would not have occurred.

## D Case study 3: Heritage Building Society

Name of enterprise	Heritage Bank
Contact	Heather Timbs
Industry	Financial and Insurance Services
Type of enterprise	Building Society
Responsible ISC	Innovation & Business Skills Australia

### D.1 Background

This case study was prepared with the assistance of Heather Timbs. Heather is the Training and Development Manager at the Heritage Building Society. The Society employs 727 people in south east Queensland, with a small number of employees in New South Wales and Victoria.

As a building society, it is a mutualised organisation that works to benefit its members. The finance sector is highly competitive and subject to extensive regulatory controls that create significant compliance requirements. Since the global financial crisis, the sector has been the focus of considerable government attention and intervention.

The workforce at the Heritage Building Society has an average age of 30-40 years, with a significant spread around this average. The staff members are predominately full time, with some casual positions. The employment market for skilled financial services employees is very tight, particularly in regional areas.

The prevailing skills needs of the organisation are in management and financial services, with 'front line' (customer support) skills being particularly important. Personalised service is an important competitive advantage that a small regional building society such as Heritage uses to compete with the large banks.

The main drivers of skills and workforce development at Heritage are:

- Compliance with changes to credit legislation and process changes that result from revised legislation
- Retention of existing staff members and expanding their skills
- Providing employees that are technically competent as accountants and finance managers, with leadership and human resource management skills
- Inducting and up-skilling new staff

The cost of compliance with finance sector regulation is high, for example for a regulation change that requires prescribed training at a qualification level it will generally cost industry around \$2,000 per trained staff member. Based on a staff head count at Heritage, this equates to between \$600,000 and \$700,000 across the entire organisation each time a compliance change is made that requires additional training.

In response to the constant and highly specialised training needs of the organisation, Heritage became an enterprise Registered Training Organisation (RTO). This means that although almost all the training is done internally, staff members achieve nationally recognised qualifications.

Heritage believes that being an enterprise RTO reduces the direct and indirect training costs that would otherwise be incurred in finding and negotiating with scarce financial services RTOs.

Another reason for establishing itself as an enterprise RTO, was that it allowed the Training and Development Department to better align its accredited training to the organisational business strategy. The Training and Development Department has 17 staff all dedicated to developing, supporting and delivering training activities against nationally recognised qualifications within Heritage.

## **D.2 Identification of skills and workforce development requirements**

Skills and workforce development needs are identified as a matter of course by senior managers when they:

- Have to respond to new compliance requirements
- Introduce new systems and processes (some driven by compliance and some by improving productivity)
- Receive feedback on delivered training.

As an enterprise RTO, Heritage is able to constantly monitor the results and modify its training in response to staff and management feedback. Heritage also conducts regular career development surveys with its staff, to maintain a constant record of the staff demand for training.

Most importantly, Heritage identifies its workforce development requirements by comparing the skill demands of its business strategy with its existing workforce skill levels. In this regard, Heritage makes sure its strategy drives demand for training; it does not fit the strategy to the existing skills of its workforce.

### **D.3 Experience with other skills and training programs and the wider VET system**

Heritage has conducted very little training with external RTOs since becoming an enterprise RTO. However, prior to becoming an RTO itself, Heritage found that the financial services training offered by external providers was generic, and targeted at achieving qualifications rather than delivering skills of value to Heritage.

Heritage also suggested that the market in financial sector RTOs is limited and it is difficult to get the specific skilling the business requires.

### **D.4 Direct and indirect costs of improving skills and workforce development**

Heritage Building Society was co-funded 50 per cent, at \$5,116 per qualification for 35 places. The total government contribution was \$172,930, which is the adjusted amount for 32 out of the 35 completions.

As discussed, the direct costs of improving skills and workforce development is substantial for Heritage. It has attempted to reduce the cost by becoming an enterprise RTO.

### **D.5 The role of the ISC in your industry**

Innovation & Business Skills Australia works with Abacus-Australian Mutuals and the financial services industry more widely, to identify finance sector training and workforce development requirements, and then develop qualifications to meet these needs. Abacus-Australian Mutuals is the peak industry body representing the Australian mutual sector, comprising credit unions, mutual building societies and friendly societies.

IBSA is responsible for the development and maintenance of the Financial Services Training Package (FNS10). The Training Package is recognised by industry, training and financial regulators as providing the national standards for vocational education and training in Australia's financial services industry. The Package is maintained through continuous improvement processes to meet ongoing and emerging skills needs in the industry.

FNS10 contains national skills standards that apply to enterprises and individuals working across all financial services sectors. There are 51 qualifications in the Training Package, from Certificate I to Advanced Diploma, and which cover skilling in all financial sectors.

Through its annual environment scan and strategic industry relationships, IBSA reports timely and up to the minute advice to governments and the industry, on workforce development and skilling priorities.

Those industry relationships also underpin the work IBSA does with individual enterprises, establishing workforce development plans and workforce development strategies for specific sectors.

## **D.6 The role that the ISC played in assistance with EBPPP**

Increasing government regulation has also heightened the need for relevant, high quality training and skill development.

IBSA's initial work with Heritage was primarily in brokering between Heritage and the Department of Education, Employment and Workplace Relations (DEEWR). In this case, IBSA did not assist in identifying the relevant qualifications nor in identification and selection of the RTO, as other ISCs have done in other case studies prepared for this analysis; Heritage has an established internal capacity through its own enterprise RTO.

Having IBSA operating as a partner, both in development of the project and broking the relationship between Heritage and DEEWR, allowed Heritage to focus on tailoring the training to increase its value to the organisation. The Skills Council used its knowledge of both the skills and workforce development needs of the industry, and its familiarity with the EBPPP Guidelines and application requirements, to add value to the brokering role. The effect was to significantly reduce and streamline the time and cost of applying for the funding. Heritage was then able to focus on the early staff engagement and assessment processes.

At the time of application for EBPPP funding, Heritage had identified that the leadership and supervision skills of team leaders and branch managers were fundamental in maximising the effectiveness of those roles across the business; along with recognising the functional link between staff development and good business performance. The Building Society intended to stream both the Certificate IV in Frontline Management and the Diploma of Management through the business, to build these capabilities.

Following approval of the project, the business reviewed its priority level and areas of need in supervision and leadership skills, and decided to up-skill the 35 participants to the Diploma level.

Heritage summarises the key advantage of EBPPP, in association with the role of IBSA, as flexibility and timeliness of program development and delivery of specific skills to the business.

## **D.7 Experience of EBPPP**

### **D.7.1 The number of staff that have participated in EBPPP placements**

Heritage Building Society was successful in receiving funding for 35 staff. As a result of the successful application, Heritage was able to offer 42 staff the opportunity to participate in the training program, with the additional seven places being funded by Heritage.

The training program put together by Heritage under EBPPP was 'aggressive', planning to have participants complete within 12 months; the result was successful completion by 32 of 35 staff participants - an excellent 91 per cent. At the point of establishment and commencement of training, Heritage was emerging from the global financial downturn, as were most other financial institutions. This resulted in a number of resignations from the business and a somewhat higher than usual non-completion rate; however, the Building Society was satisfied that the program made a substantial contribution to the up-skilling program in the supervision and leadership capability of the business.

### **D.7.2 The types of qualifications delivered**

The qualifications generally delivered by Heritage are Advanced Diplomas in banking, credit and customer management, to meet the organisation's business strategy, including related compliance requirements. Heritage, wherever possible, aligns internal learning and up-skilling with the nationally recognised qualifications, so that staff members achieve both outcomes – skills to meet business needs and a nationally portable qualification.

In addition to delivering formal qualifications that develop technical financial services capabilities, Heritage's main goal from training under EBPPP was to increase the front-line customer, leadership and management skills of its employees. This was to ensure they are able to implement new processes and procedures and effectively manage change across the business; the Building Society used a Business Services Training Package qualification, the Diploma of Management, to achieve these outcomes.

### **D.7.3 The role of the RTO in EBPPP**

As discussed, Heritage Building Society is an enterprise based RTO. While managed internally, the role of the RTO is consistent with that expected of an external RTO - to provide training and skilling that support development of staff capability, in the most effective learning format, to deliver to the Building Society's business and productivity plan.

However Heritage was able to take advantage of its internal RTO when it used maximum flexibility to respond to the varied personal circumstances of staff, and the Building Society's wider community, during the serious Queensland floods in early 2011. It is a credit to the business that the completion rate of 91 percent was achieved in these circumstances.

## **D.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

Heritage would not have had the resources to undertake the training to the same extent, or in the time, that it did if EBPPP funding had not been available. Heritage estimates that completion of the Diplomas of Management, 33 of which have now been completed, would have been delayed for two years if the EBPPP application had not been successful.

The EBPPP funding also allowed delivery of the up-skilling program to be specifically aligned with Heritage's business and productivity plan. The training would otherwise have been done to the minimum requirements, to meet compliance and qualification standards that have shifted in response to legislative change.

## **D.9 A description of the results of EBPPP for the enterprise and employees**

Access to EBPPP funding has allowed Heritage to tailor and roll out, more quickly than it otherwise would have been able, a business targeted up-skilling program. One of the key results of the training is that it has allowed a greater number of Heritage staff members to achieve higher levels of management and leadership capability than would otherwise have been possible.

This means that Heritage is much better placed to fill supervisor, management and senior customer relations positions from within the organisation than would otherwise have been the case. This has a couple of specific and important impacts; the first is to address the challenge of attracting suitably qualified people to a small financial institution that operates mostly in regional Australia. Secondly, in that same context, retention of staff is improved, with the increased capacity facilitating internal career progression opportunities.

## D.10 Key lessons from this case study

The key findings of this case study are:

- Under EBPPP, Heritage Building Society has been able to align its business and productivity strategy with delivering nationally recognised financial and business services qualifications, to ensure its staff members have both the technical skills to meet financial regulations and the leadership capacity to implement change effectively across the business.
- A larger number of staff members achieved advanced management and leadership skills and qualifications sooner than would have been possible had the organisation not had access to EBPPP funding.
- Flexibility and timeliness of program development and delivery, along with negotiating adjustments to the qualifications against which to train, were the key attributes of IBSA's role in EBPPP for the Heritage Building Society.
- Having a professional and mature enterprise/RTO relationship, allowed for maximum effectiveness between the enterprise and IBSA, in communication, customisation and flexibility, to address critical enterprise and participant needs during the course of the project.

## E Case study 4: Ausgrid

Name of enterprise	Ausgrid
Contact	Neil Roberts
Industry	Electricity retailing and transmission
Type of enterprise	Electricity Distributor
Responsible ISC	EE-Oz Training Standards

### E.1 Background

This case study was prepared with the assistance of Neil Roberts, Manager of professional development at Ausgrid Australia.

Ausgrid, formerly Energy Australia, is one of the largest energy suppliers in Australia. It distributes electricity to over 3 million people in Sydney, the Central Coast and the Hunter region of NSW, and also manages some transmission assets.

Ausgrid is a NSW state owned corporation. It has approximately 5,900 employees and manages electricity transmission and distribution assets valued at more than \$10 billion.

The primary drivers of skills and workforce development at Ausgrid are the management of occupational health and safety risks, and efficient delivery of

outcomes defined by its licence conditions as an electricity distributor. To manage occupational health and safety risks, Ausgrid provides a mixture of competency based training and assessment and other learning activities or programs.

As many of the national electricity grid companies face similar risk management issues, they have cooperated in developing an industry-based qualification to address specific competency areas.

Ausgrid has an aging workforce profile, particularly in the para-professional grades. A significant number of the company's employees in this category are approaching retirement and have substantial amounts of experience.

Ausgrid runs a substantial apprenticeship program in powerline and electrical fitter trades. It also runs a traineeship program to develop para-professional electrical engineering skills. Ausgrid has identified an opportunity to use the Electrical Supply Industry Training Package to develop staff members from trade qualifications, to para-professional qualifications, and meet the expected shortfall in the para-professional workforce.

The introduction of new technology, such as Smart Grid systems, is likely to play an increasing role in workforce development in Ausgrid, in both the short- and medium-term.

## **E.2 Identification of skills and workforce development requirements**

Identification of skills and workforce development requirements are driven largely by:

- Compliance and nationally agreed levels of competency among network operators
- A need to manage an aging workforce and skills mix
- The induction and development of new employees.

## **E.3 Experience with other skills and training programs and the wider VET system**

At the para-professional level, much of the employee training towards qualifications was delivered by TAFE colleges. Beyond basic mathematics, report writing, and electrical engineering calculations, the TAFE delivery model did not address desired industry competencies.

## **E.4 Direct and indirect costs of improving skills and workforce development**

Ausgrid has cooperated with Endeavour Energy to develop consistency in training delivery based on both TAFE and enterprise assessments, and to reduce costs in delivering the program.

## **E.5 The role of the ISC in your industry**

EE-Oz Training Standards is the Industry Skills Council for the Australian ElectroComms and EnergyUtilities Industries. EE-Oz is the custodian of four National Training Packages: UEEE07, UET09, UEG06 and UEP06.

The UET09 Training Package contains units of competency, qualifications and skill sets for the Electricity Supply Industry–Transmission, Distribution and Rail Traction (ESI-TDR) Sectors.

EE-Oz Training Standards works in consultation and cooperation with ESI – TDR industry organisations, representative bodies, regulatory authorities and RTOs, to ensure the UET09 Training Package maintains pace with changing industry work practices and technologies.

EE-Oz Training Standards also assists the industry to address its workforce development and training needs. Utilisation of EBPPP to address the defined and immediate need for electrical engineers is an example of this work.

## **E.6 The role that the ISC played in assistance with EBPPP**

EE-Oz brought EBPPP to Ausgrid's attention and assisted it to apply for funding. EE-Oz also plays an ongoing monitoring role as the program progresses.

## **E.7 Experience of EBPPP**

### **E.7.1 The number of staff members that have participated in EBPPP placements and the types of courses acquired**

At present Ausgrid has 19 employees participating in EBPPP; enrolled in an Advanced Diploma. The qualification is the UET 60109 Advanced Diploma ESI (Electricity Supply Industry). The major categories of specialisation covered in the Advanced Diploma are:

- Design of overhead, underground substations and/or public lighting systems

- Electrical testing of network protection systems, control systems and power systems, communications equipment
- Operation of LV and HV distribution systems, transmission systems and sub transmission networks.

### **E.7.2 The role of the RTO in EBPPP**

Under EBPPP, the South West Sydney Institute of TAFE (SWSI) has taken a lead institutional role in delivering and administering the qualification.

Most of the core units are delivered by the TAFE, but they do not have the expertise to run the whole program. Where they do not have expertise, third party registered trainers or the enterprise RTO provide training and assessment activities to address the other units. SWSI, as the lead institute, is the issuing RTO for the qualification.

## **E.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

Ausgrid believes that the alternative to EBPPP would be to apply for State funding. The potential to access funding exists via the registration of traineeships under a Vocational Training Order (VTO) and formal training contract/ indenture. However, this would not be a perfect alternative as it is only available for new entrants to the workforce.

Ausgrid decided to participate in EBPPP in preference to the alternative funding model, to maintain greater flexibility in the program while developing some of the procedures for assessment and delivery.

### **E.9 Your intended use of EBPPP in future**

Subject to review, Ausgrid is likely to use the program in future, if it remains available and Ausgrid's future applications are successful.

## **E.10 A description of the results of EBPPP for your enterprise and your employees**

At this stage Ausgrid believes that it is getting the training and workforce development outcomes it requires.

### **E.11 Key lessons from this case study**

The key lesson for the program from this case study is that EBPPP provides Ausgrid with the opportunity to develop its trade employees through industry relevant competencies that are contextualised in its own business processes.

## F Case study 5: Raine and Horne

Name of enterprise	Raine and Horne
Contact	Kevin Magee
Industry	Real Estate and Property Management
Type of enterprise	Real Estate Agency
Responsible ISC	Construction and Property Services Industry Skills Council

### F.1 Background

This case study was prepared with the assistance of Kevin Magee, CEO of Raine and Horne (SA).

Raine and Horne SA is the South Australian branch of a national real estate and property management company. The company runs a predominately franchise business model and prefers to offer existing franchise employees the opportunity to establish new franchises when they become available.

There are 40 Raine and Horne offices across SA. As most of these are franchises, their training needs are essentially those of small business. Many are located in regional areas which often makes access to metropolitan training facilities difficult.

The company's real estate services include industrial, rural, commercial and residential property sales. The company also provides property management services. In SA, real estate agents are required to be licensed and the Government is also foreshadowing the introduction of licensing requirements for property management. At present in SA a real estate licence requires a minimum of Certificate IV qualification.

According to Raine and Horne, real estate companies have a high level of staff turnover. Anecdotal information about the industry, suggests that 50 to 80 per cent of real estate employees leave in the first year. Raine and Horne also estimate that up to 70 per cent of those employed in the sector achieve only minimum wage rates. The high levels of turnover and minimum wage rates are due to the remuneration structure, which is often commission-based, and the high levels of competition amongst real estate agents.

Raine and Horne claims its staff turnover is less than 20 per cent.

Raine and Horne puts the high rate of turnover in the industry down to low levels of staff support and training right across the industry.

Training existing employees is an important part of Raine and Horne's human resource strategy, which the company believes contributes strongly to high staff retention rates/low staff turnover.

## **F.2 Identification of skills and workforce development requirements**

While much of the core training in the industry is driven by the need to achieve Certificate IV qualifications to become licensed, Raine and Horne believes its proprietary training is driven by a number of additional factors, including:

- An aging workforce that needs to be up-skilled (the aging workforce in the company is largely driven by low levels of staff turnover)
- Staff retention and reducing the need to recruit (Raine and Horne's experience is that, in general, there are significant risks associated with filling positions from outside the firm. This has been a common theme in the EBPPP cases studies)
- Staff moving into management roles or establishing new franchises
- Competing for labour by offering employees the chance to improve their level of training and qualifications (in a tight labour market, employees have much higher bargaining powers and their expectations of additional benefits are higher)
- Achieving best practice across the firm (that is, increase labour productivity rates to remain competitive with other firms).

## **F.3 Experience with other skills and training programs and the wider VET system**

In a previous role, Kevin Magee used the New Apprenticeship scheme. However, while the apprenticeship scheme has a 6-week probation period, Raine and Horne believes that it can take up to 6 months before the company and the employee can both be certain that the person is likely to be a successful real estate agent or property manager. Therefore, there is a serious mismatch between the probation period of the apprenticeship scheme and that used by Raine and Horne.

Also Raine and Horne's experience of training through the wider VET system has indicated that it is not tailored to meet the needs of the company and tends to be off-the-shelf generically delivered training, predominately aimed at the employee achieving a recognised qualification. As a result, the company has tended not to invest as much in training and workforce development as it might otherwise have done.

## **F.4 Direct and indirect costs of improving skills and workforce development**

The main training costs to Raine and Horne have been the opportunity costs of the employees attending training and not being active at work. Also they have incurred considerable expense identifying suitable qualifications and RTOs in the wider VET system.

For Raine and Horne's franchisees the costs of attending training increase if they have to travel to regional training centres. As attending training in metropolitan centres involves considerable additional travel and accommodation costs for regional businesses they tend to be structured into residential blocks, which require more time away for small business operators, such as real estate franchisees in the Raine and Horne model.

## **F.5 The role that the ISC played in assistance with EBPPP**

The ISC has played an important role in assisting Raine and Horne identify the company's training needs and negotiate with the RTO to develop a tailored training solution.

Construction and Property Services Industry Skills Council (CPSISC) has also developed a close, ongoing, working relationship with Raine and Horne.

CPSISC assists Raine and Horne to identify problems and negotiate solutions with the RTOs and with DEEWR. Kevin believes he is able to talk freely to James Latimore at CPSISC, test ideas and convey his training objectives. James, in return, suggests ways the training objectives can be met and assists Raine and Horne with applying and reporting to DEEWR.

## **F.6 Experience of EBPPP**

### **F.6.1 The number of staff that have participated in EBPPP placements and the types of courses acquired**

Under EBPPP, Raine and Horne has enrolled 32 employees in Certificate III, IV and Diploma qualifications. Of those that enrolled, only five have withdrawn due to leaving the employment of the company. This means that the company should achieve an 85 per cent completion rate in EBPPP.

Table 6 **Raine and Horne EBPPP training placements**

Qualification	No. enrolled	No. completed	Left the company or program
Certificate III	7	2	3
Certificate IV	13	6	2
Diploma	12	10	0
Total	32	18	5

*Data source: Personal communication with Kevin Magee of Raine and Horne*

### **F.6.2 The role of the RTO in EBPPP**

The RTO delivering the Raine and Horne EBPPP qualifications is the Greg Hasnon Real Estate Training College. With the assistance of CPSISC, Raine and Horne have been able to negotiate a training solution that meets the needs of the company regarding:

- Duration and frequency of training blocks
- Location of training (catering for regional offices, where travel time can be high and expensive for the company)
- Qualification content and the mix of Raine and Horne's training requirements, and the number of units required to achieve nationally recognised qualifications

### **F.7 What the enterprise would have done to meet training needs in the absence of EBPPP**

Real estate companies and their employees have to achieve a minimum level of qualification to become licensed. It is likely that property managers will also be required to have nationally recognised qualifications in future. This will underpin demand for training in the sector.

But Raine and Horne believes that it is unlikely that they would have engaged in training to the same extent that it has done under EBPPP. The company does have an incentive for training investment to reduce its staff turnover, so some level of additional training investment by the company is likely.

### **F.8 Your intended use of EBPPP in future**

Raine and Horne is keen to maintain its close working relationship with the CPSISC and EBPPP.

## **F.9 A description of the results of EBPPP for your enterprise and your employees**

It is too early for the company to assess the results of its training, but it believes that it has observed a lift in the general engagement of employees across the firm in their day to day work.

## **F.10 Key lessons from this case study**

The key lessons from this case study are:

- The ISC and Raine and Horne have developed a close working relationship, where training objectives are identified and methods of meeting those objectives developed, in conjunction with the RTO
- EBPPP has provided Raine and Horne with a high level of flexibility for the development of training solutions that meet the needs of small regional businesses and where the specific needs of the company are combined with the achievement of nationally recognised qualifications.

# **G Case study 6: Grampians Wimmera Mallee Water**

Name of enterprise	Grampians Wimmera Mallee Water
Contact	Jenny Reid
Industry	Water regulation and management
Type of enterprise	Regional water resource management
Responsible ISC	Government Skills Australia

## **G.1 Background**

This case study was prepared with the assistance of Jenny Reid, the Learning and Development Coordinator at Grampians Wimmera Mallee (GWM) Water.

GWM Water is a Victorian Government owned Statutory Authority, established on 1 July 2004. In 2007, the Authority became a corporation, to align its reporting requirements more closely to corporations law. The Authority is responsible for the provision, management and operations of the region's urban water and sewerage supply.

It is also responsible for the provision of rural domestic and stock water to 'supply agreement' customers, and provision of available bulk water to rural customers.

GWMWater employs 208 staff with its head office in Horsham Victoria. Given the wide range of responsibilities, it has a wide range of water-related skills sets to manage and maintain within the corporation. The skills sets include:

- Water resource management
- Water supply and waste water management
- Customer management
- Finance
- Engineering
- Human resource management.

The main skills development and training drivers are:

- Training needs analysis gaps
- Compliance relating to water resource management licensing and water policy
- Occupational health and safety

Meeting the skills and workforce development demands of the corporation is constrained by the regional location of the authority, including a number of regional offices it maintains in the Wimmera and Mallee.

Like most employers in Australia at present, the organisation is facing an aging workforce. Attracting qualified staff is difficult in a labour market where unemployment is approximately 5 per cent.

The demands for workforce development increased to the point where the Learning and Development role required a dedicated manager; Jenny was appointed to the new role in February 2008.

## **G.2 Identification of skills and workforce development requirements**

The first undertaking was to conduct a training needs analysis of the organisation, by introducing a capability framework. This identified the learning and development needs across the organisation.

Training requirements have historically been captured in individual performance plans, developed at annual performance reviews. This allows managers and staff to agree on the skill needs of the employee relevant to the day-to-day activities or aspirations of the staff.

Each individual's staff development needs are collated and matched to the organisation's skills and development needs by the Learning and Development Coordinator. The organisation's skills demand is determined by the GWMWater strategic plan and capability framework.

Once this comparison is made, the Learning and Development manager is able to develop an individual training and workforce development plan. Due to the amount of time required to design and implement a training plan and then have the training completed by staff, while still undertaking their normal duties, workforce development and planning must work well in advance of the GWMWater strategic plan and capability framework.

The lag in training can create risks for an organisation if the strategic plan and capability framework need to be altered in response to changes to the operating environment. These changes could make some of the planned training redundant, so access to flexible and timely training allows organisations to better manage these risks.

### **G.3 Experience with other skills and training programs and the wider VET system**

Prior to the EBPPP becoming available, the main training activity invested in by GWMWater was the Certificate III in Water Industry Operations. This qualification was developed in response to water authorities requiring a minimum qualification for their operational staff.

The course was initially run by a local University and attracted large government subsidies.

GWMWater's experience was that due to the very high recognition of prior learning (RPL) and the limited explanation of the RPL process, its employees were generally disappointed with the course and felt that the time they invested in it did not yield any new skills.

### **G.4 Direct and indirect costs of improving skills and workforce development**

GWMWater experiences similar direct and indirect costs to other enterprises providing training and skills development for staff. This includes staff down time, administrative costs and direct contributions. GWMWater contributed 50 per cent of the direct costs to the EBPPP training currently under way.

### **G.5 The role of the ISC in your industry**

Government Skills Australia (GSA) services the industry through the provision of training products and qualifications, workforce development and career advice.

GSA, in collaboration with key industry partners Australian Water Association (AWA), Water Services Association of Australia (WSAA) and Water Industry

Operators Association of Australia (WIOA), has undertaken a comprehensive functional analysis of the water industry. The aim was to identify skill needs and retention and recruitment challenges relating to operations personnel across the water industry. It offered a range of recommendations based on the key issues identified through the workforce analysis.

GWMWater participated in the survey and provided valuable information through the validation stage of the project, to complement the findings of the analysis.

## **G.6 The role that the ISC played in assistance with EBPPP**

GWMWater believes that apart from alerting the organisation to the introduction of the EBPPP and providing assistance with the initial application, GSA also provides service and advice with the compliance and monitoring of EBPPP at GWMWater.

## **G.7 Experience of EBPPP**

### **G.7.1 The number of staff that have participated in EBPPP placements**

GWMWater has enrolled 44 staff members (21 per cent of employees) in EBPPP. The qualification completions vary from October 2011 to June 2012.

### **G.7.2 The types of qualifications acquired**

The qualifications included in the GWMWater EBPPP are:

- Certificate III and IV in Water Industry Operations
- Certificate IV and Advanced Diploma in Management
- Certificate IV in Frontline Management
- Certificate IV in Business

### **G.7.3 The role of the RTO**

There are two RTOs involved in delivering EBPPP for GWMWater:

- Water Training Australia (30 places)
- Proteus Leadership (14 places)

A common feature of EBPPP is that the program often involves more than one RTO, as a single RTO is often unlikely to have the training capacity to cover the diversity of qualifications often assembled in EBPPP.

## **G.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

GWMWater would not have run, or may have significantly delayed, the Certificate IV and Advanced Diploma training, if EBPPP had not been available.

Also GWMWater was adamant that all the training was to be tailored to their needs and delivered on site at Horsham and at regional offices.

## **G.9 Your intended use of EBPPP in future**

GWMWater will be an enthusiastic future applicant for EBPPP. Jenny believes that the experience and results of the program will enable her to mount much stronger cases to the senior managers and GWMWater's Board, for investments in training and workforce development.

## **G.10 A description of the results of EBPPP for your enterprise and your employees**

Following the generally poor experience with delivery of the previous Certificate III qualification, GWMWater saw EBPPP as an opportunity to tailor the qualification and delivery to its diverse needs, working with a highly skilled and cooperative RTO.

In Jenny's own words, EBPPP has meant that GWMWater has been able to *'offer everyone in the organisation something of quality'*. For example, GWMWater was able to encourage a regional office female employee to undertake training through EBPPP. This employee had not undertaken any formal training since leaving school 30 years ago. She was sceptical about training to begin with, but now is an enthusiastic participant.

## **G.11 Key lessons from this case study**

The key lessons from this case study are:

- EBPPP's flexibility and timeliness reduces the risks of investing in training by organisations, as training can be better matched to the demands of the organisation
- An intrinsic value of EBPPP was that it allowed GWMWater to optimise the flexibility inherent in nationally recognised qualifications according to the individual enterprise and employee needs
- GWMWater was able to offer relevant tailored training to all its staff, catering for their diverse needs

## H Case study 7: Hyne

Name of enterprise	Hyne
Contact	Peter Kelly
Industry	Forest products processing
Type of enterprise	Sawmilling timber processing
Responsible ISC	ForestWorks ISC

### H.1 Background

This case study was prepared with the assistance of Peter Kelly, Learning and Development Manager, at Hyne, Tumbarumba, NSW.

The case study is based on the Hyne Tumbarumba sawmill, which employs 254 people. Tumbarumba is a NSW regional town, 504km south west of Sydney. It has a population of 2500.

The Australian forest products industry is facing considerable competition from European imports, due to the strong Australian dollar. To compete, Australian mills need to increase scale and their rate of productivity growth. As labour is one of the biggest costs of a sawmill, achieving high rates of labour productivity growth is essential if the sawmills are to remain viable.

Hyne's sawmill in Tumbarumba is one of Australia's largest and most modern mills. It uses a high level of automation of saw mill equipment, so the skills needs are for well-trained process operators. That is, the majority of the mill's employees oversee a particular process within the mill that may be made up of several activities and automated pieces of processing equipment.

Hyne also invests in new technology, which requires constant upgrading of skills for existing employees.

Hyne's Tumbarumba plant also faces the challenge of being in a regional area where it is difficult to attract staff.

The key drivers of training for Hyne are therefore:

- Employee productivity in an automated process
- Training an existing workforce
- Managing OH&S risks
- New technology.

## **H.2 Identification of skills and workforce development requirements**

Hyne identifies the skill needs of employees by assessing existing skills levels and mapping them to new processes driven by innovations to reduce risk or improve productivity. Where gaps and emerging skill needs are identified, Hyne invests in the relevant skills development.

Therefore Hyne's skills and workforce development requirements are highly site specific and the company therefore needs assessments of capabilities to be conducted on site.

There are three broad steps to Hyne's training assessment system:

- Plan the process and skills required
- Determine the national qualification required for the job role and map the employee's skills against the qualification
- Further assess the employee on site, to test their level of competency in Hyne's own processes and systems.

## **H.3 Experience with other skills and training programs and the wider VET system**

Hyne's experience of Australia's National Training System is generally positive; it believes that the system provides workers with the required skills. In the past, Hyne has felt constrained by the amount of funding available for training existing employees and so, generally, new employees were targeted.

The introduction of EBPPP has allowed Hyne to direct more training toward existing employees, which is important for a regional enterprise in a low unemployment economy.

## **H.4 The role of the ISC in your industry**

EBPPP has provided opportunities for ForestWorks ISC, with the assistance of RTOs, to reach a wide range of enterprises, which have not engaged in formal structured training for their employees in the past. Expanding access to training opportunities has been possible through additional support provided by the EBPPP structure and funding model.

ForestWorks ISC and RTOs have been active in developing partnerships with enterprises to increase their awareness of, and access to, funding opportunities to upskill their existing employees. Identification of training needs and advice in mapping qualifications to meet the enterprise's skill needs has been provided. The focus of EBPPP has been on providing opportunities for

enterprises to identify training requirements for their existing workforce, which will be beneficial to both the organisation and the employees.

In the forestry industry, the highest uptake of training under EBPPP has come from enterprises in the Harvesting and Haulage sector. Traditionally, this sector has had a relatively low level of engagement in VET programs. The success in generating increased up-take of training and attainment of qualifications in Certificate III Harvesting and Haulage for employees in this field is a direct result of company participation in the EBPPP. For example, logging companies have been provided with information and advice from ForestWorks ISC and RTO's on customising training to improve the skill levels of their workforce and in mapping training/qualifications to meet enterprise skill needs.

## **H.5 The role that the ISC played in assistance with EBPPP**

In Hyne's case, the role that ForestWorks ISC has played a role in raising awareness of the EBPPP program with Hyne and assisting them to apply for the funding. ForestWorks ISC has also overseen the relationship between Hyne and DEEWR and is monitoring Hyne's satisfaction with training under the program.

## **H.6 Experience of EBPPP**

### **H.6.1 The number of staff that have participated in EBPPP placements**

Hyne applied for 58 places but only took up 43, due mainly to staff changes prior to commencement of the program. At this stage all employees are progressing well in the program.

### **H.6.2 The types of qualifications acquired**

The course being run by Hyne under EBPPP is for Certificate III in sawmilling and processing. This course is directed at employees responsible for grading and management of sawmill processing equipment. It is aimed at supervisors, production managers and others responsible for the quality of sawlog products.

Core units include:

- Contribute to team effectiveness
- Work effectively in the forest and forest products industry
- Communicate and interact effectively in the workplace

- Implement SHE policies and procedures
- Conduct quality and product care procedures
- Visually assess materials.

### **H.6.3 The role of the RTO in EBPPP**

The RTO providing the Certificate III training is Riverina TAFE.

## **H.7 What the enterprise would have done to meet training needs in the absence of EBPPP**

Hyne would have invested in training new employees and existing staff to meet its requirements. However, it is unlikely that the company would have invested sufficiently in training to the extent where the employees to also achieves a nationally recognised qualifications.

## **H.8 Your intended use of EBPPP in future**

Hyne intends to apply for more EBPPP training places in future.

## **H.9 A description of the results of EBPPP for your enterprise and your employees**

EBPPP has enabled Hyne to combine nationally recognised training with training for staff based on the company's own processes and systems. Without EBPPP, Hyne employees would not have received the same level of nationally recognised qualifications.

## **H.10 Key lessons from this case study**

Key lessons from this case study are:

- Hyne has been able to use EBPPP to direct training to existing workers
- Hyne has been able to design the training and assessments so that employees get nationally recognised qualifications and can demonstrate competency in Hyne's own systems and procedures, with assessments carried out on site at the company's Tumbarumba mill.

# **I Case study 8: Seafood Training Tasmania**

Name of enterprise	Seafood Training Tasmania
Contact	Rory Byrne
Industry	Training for sea food production and farming
Type of enterprise	Registered Training Organisation
Responsible ISC	AgriFood Skills Australia

## 1.1 Background

This case study was prepared with the assistance of Rory Byrne of Seafood Training Tasmania (STT). STT is a RTO specialising in the seafood industry training for Tasmanian seafood producers. It is a not-for-profit organisation, based in Hobart and managed by an industry-appointed board that represents the fishing, aquaculture, seafood processing, maritime and education sectors. The courses offered by STT include:

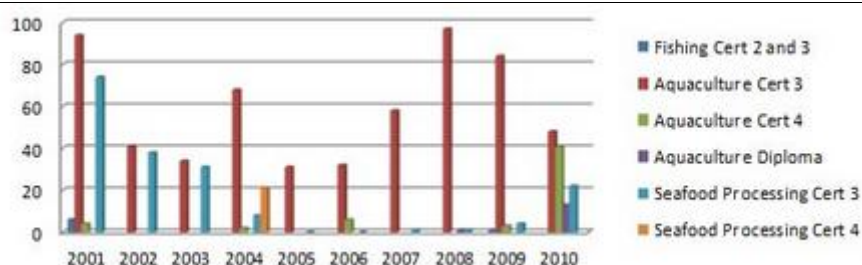
- Coxswain Deck, Engineering and Navigation
- Elements of shipboard safety
- Forklift operations
- Marine radio
- Maritime first aid
- Master 5

A sample of STT qualifications are:

- Certificates I - IV and Diploma in seafood industry (Aquaculture)
- Certificates I, II, III and IV in the Seafood Industry (Seafood Processing and Fishing Operations)
- Certificate III in the Seafood Industry (Fishing Operations - Marine Engine Driver II, Master 5/Skipper 3)
- Certificate III & IV in the Seafood Industry (Environmental Management)
- Certificates I, II & III in Transport & Distribution (Maritime Operations)

The course placements since 2006, by type and year, are shown in Figure 11 and Figure 12 shows that the most popular courses have been in Coxswain training and elements of Ship Board Safety (Figure 12). Where course numbers have been falling, STT has advised that this is part of a 5 to 7 year cycle in training demand. It may be linked to staff retention and turnover or to cycles within the seafood industry, as new staff members are likely to be more highly represented in Certificate II-IV training than existing employees.

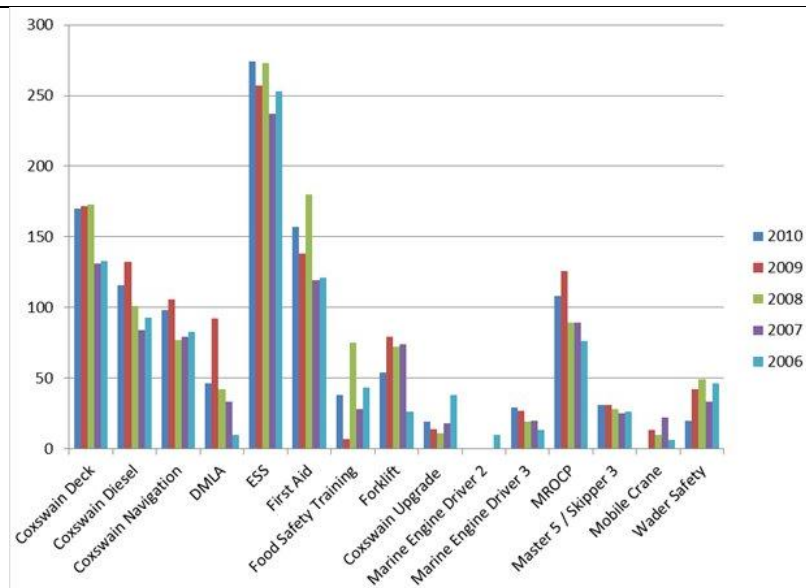
Figure 10 **Traineeship trends 2001-2010**



Data source: (Seafood Training Tasmania, 2011)

Figure 12 shows that the most popular courses have been in Coxswain training and elements of Ship Board Safety (Figure 12). Where course numbers have been falling, STT has advised that this is part of a 5 to 7 year cycle in training demand. It may be linked to staff retention and turnover or to cycles within the seafood industry, as new staff members are likely to be more highly represented in Certificate II-IV training than existing employees.

Figure 11 **Training demand for Maritime Training from 2006 to 2010**



Data source: STT

The production, processing, wholesaling and retailing of seafood is subject to the usual food and occupational health and safety regulations and community expectations that all food producers and processors must comply with. However, in addition there are increasing natural resource and environmental management expectations being placed on the industry. According to STT, this underpins the demand for investment in training and workforce development and services in the industry.

At the same time, the industry is facing a significant cut in State Government contributions to training. According to STT:

Fees for 2011 for most Certificate of Competency courses have just increased dramatically. State funded places have been declining for the past few years and budgets are tightening both at a State and Commonwealth level. This year some funded places have been cut considerably, resulting in fees rising anywhere between 10% and 250%. STT is not applying the full costs of lost State subsidies in 2011 but we may not have the ability to offset fees against other program surpluses in the future. At STT we feel that worse may be to come and that in 2012 there may be even less money around for training forcing fees up again (Seafood Training Tasmania, 2011).

It is likely that the reduction in funding will also significantly affect the demand for skill set type training. While this will have a lesser effect on the number of trainees, it means that the employer will have to make up for the reduction in government funding.

To induce greater contributions from the enterprises, greater benefits will need to be captured by them to justify the additional investment.

## **I.2 Direct and indirect costs of improving skills and workforce development**

According to STT, there are substantial opportunity costs to the businesses participating in EBPPP, as there are with other programs. These include time away from the business getting to and attending training. However, the role of ISC in assisting with the EBPPP funding applications has reduced the transaction costs for businesses applying for EBPPP funding.

Each training place costs \$10,000, which attracted a \$9,000 dollar Government contribution under the EBPPP program due to the enterprises' small business scale and the sliding scale of investment on which EBPPP operates. As a result the direct cost to each enterprise was \$1,000 per training place.

## **I.3 The role of the ISC in your industry**

According to Rory, Agrifood Skills Australia (AgriFood) plays a strategic role in the industry by working closely with the Tasmanian Seafood Industry Council, which has a seat on the Agrifood Skills Seafood Standing Committee. This provides the industry in Tasmania with an additional opportunity to contribute to the review and the development of all seafood-industry VET qualifications.

Most of the time Agrifood's activities are not obvious to the wider industry, unless/until an enterprise decides to apply for a program overseen by Agrifood, such as EBPPP. STT is aware of other workforce development activities AgriFood has conducted recently in the seafood industry. These include a skills needs analysis of the hatchery sector of the aquaculture

industry, a study into the need for skill sets at the Geraldton Fishing Cooperative, and a review of workforce practices and training needs of Floor Operators at the Sydney Fish Market.

## **I.4 The role that the ISC played in assistance with EBPPP**

AgriFood ran a workshop in Tasmania on industry skills development, to which the seafood and horse (racing) industries were invited. At this workshop, AgriFood introduced EBPPP and explained who qualified and how it could be applied for. At this forum, AgriFood answered a wide variety of questions on all aspects of the Program, including: funding support, eligibility, and selection and reporting procedures. A clear understanding of the operation of EBPPP was essential to STT being in a position to develop a worthwhile proposal.

AgriFood also plays an ongoing monitoring and review role in the delivery of the program. AgriFood has contracted STT to undertake a review of the program; in the form of a case study after STT has finished delivering the course.

## **I.5 Experience of EBPPP**

### **I.5.1 The number of staff members that have participated in EBPPP placements**

Of the 14 people enrolled in EBPPP in 2010, all remain in training; they have completed four of the units. The whole qualification will take between 12 and 18 months to complete, and is run in a series of residential blocks. The residential blocks have to be timed to fit in with the seasonal demands of shell fish production and processing.

All of those participating either had themselves, or had employees with, Certificate III qualification obtained a number of years ago. All of those that participated in the course were Pacific oyster farmers in Tasmania.

### **I.5.2 The types of qualifications acquired**

The course offered by STT under EBPPP was a Diploma in Aquaculture. The course contained the following units:

- Strategic management and planning and sustainable aquaculture management
- Corporate governance
- Financial management
- Administration systems

- Production planning (weather, markets, human resources, etc.)
- Leadership
- Managing risk and compliance (OH&S, environment).

### **1.5.3 The role of the RTO in EBPPP**

STT was the RTO chosen to deliver the qualification on the basis that it specifically met the needs of employees and business owners in the Tasmanian oyster industry.

This was achieved through a progressive consultation process with industry. Initially STT approached a number of enterprises to see if they would be interested in investing in this type of training, and, if so, what their specific training and administrative needs were. As a result, the qualification was highly contextualised and honed to the needs of the employees and run in blocks, and at locations, that fitted in with the seafood enterprises' busy work programs.

STT also invited high profile presenters to deliver the qualification. These trainers either had a high profile in the seafood industry or were successful seafood business managers or owners.

Participants in the course also received visits by trainers and assessors on site at regular intervals. An AgriFood representative joined the participants at one of the sessions to gauge firsthand how the course was progressing. The informal discussions between course participants, trainers and the AgriFood representative were well regarded by course members, most of whom are mature, small business owner/operators.

### **1.6 What the enterprise would have done to meet training needs in the absence of EBPPP**

According to STT, without EBPPP the course could not have been run. The majority of the businesses in the seafood industry in Tasmania employ between 5 and 25 people, and many of those participating in EBPPP are business owners or senior managers, whose time away from the business has a high opportunity cost.

As this was a highly tailored program of delivery, the establishment costs were higher per participant than an 'off the shelf' delivery format. Now that the content and delivery approach is established, it could be run for other seafood businesses, although the size of the market in Tasmania is small.

## **I.7 Your intended use of EBPPP in future**

Given the strong response from the course participants in this program, STT will seek to use EBPPP in future. EBPPP has also allowed STT to target a part of the market that it has not been able to attract to training in the past. This is because EBPPP was flexible enough to allow STT to apply for funding on an intended program aligned to the national qualification, and further modify the delivery approach once funding and enrolments were confirmed. As mentioned, the qualification was contextualised and bedded-down following significant testing and consultation with the target participants.

## **I.8 A description of the results of EBPPP for your enterprise and your employees**

Because the program has been designed in consultation with the participants, STT reports that most of those attending are applying what they have learnt to their businesses as each unit is completed. That is, each participant returns to their business and applies the knowledge and skills from the previous unit(s) and returns to the following session with anecdotes and examples of how they have been applied.

Examples cited by STT include:

- New business succession plans being drawn up
- New business strategies being prepared and implemented that include sustainable environmental management actions, and workforce development plans
- Improvements in the financial reporting processes
- Vertical integration feasibility studies being prepared.

Another less tangible, but equally significant, impact observed by STT is a stronger network developing amongst like minded businesses in the program. This has led to at least one joint venture agreement being established between two participants, to combine their processing and marketing activities.

## **I.9 Key lessons from this case study**

EBPPP allowed STT to deliver a highly tailored training solution to a sector of the seafood industry in Tasmania that has not participated in formal training for many years and has not invested in obtaining qualifications beyond Certificate IV.

The reason STT was able to attract these participants for the first time was that EBPPP provided funding, where other subsidies were not available or were being pulled back. EBPPP was flexible enough to allow the context to be made

highly relevant in close consultation with participants, to meet their skill development needs.

## J Case study 9: Energy Resources Australia

Name of enterprise	Energy Resources Australia
Contact	Kelly Morrissey
Industry	Mining and minerals processing
Type of enterprise	Uranium mining
Responsible ISC	SkillsDMC

### J.1 Background

Energy Resources of Australia Ltd is one of the largest uranium producers in the world, providing around eight per cent of global primary uranium production. This is used to generate around one per cent of the world's electricity, with minimal carbon emissions.

Energy Resources of Australia Ltd (ERA) is a publicly listed company that has mined and produced uranium oxide from its Ranger mine in the Alligator Rivers area of the Northern Territory since 1980. ERA corporate offices are located in Darwin, Northern Territory and mining operations are located in Jabiru, 260 kilometres east of Darwin. ERA mines uranium ore and produces drummed uranium oxide at the Ranger mine in Jabiru, and holds title to the nearby Jabiluka deposit. They employ over 530 people and have over 100 indigenous employees. In addition to its employees, ERA has at times over 1800 contractors working for the company.

The skills needs of the company are:

- Machinery operation
- Mine and processing facility maintenance
- Processing capability (technicians and scientists)
- Support staff

According to the ERA contact Kelly Morrissey 'compliance drives 99 per cent of ERA's training needs'.

This is due to the high levels of scrutiny and regulation that a uranium miner, operating in highly sensitive and iconic environmental areas, is subject to by governments and the wider community.

A significant additional driver of skills and training over the next 2 - 3 years will be a transition of the open cut mine to underground extraction.

## **J.2 Identification of skills and workforce development requirements**

While ERA does not have a formal workforce development and training strategy, project teams work closely with the Learning and Development Manager to identify and plan training and workforce development on a case by case basis. The company then decides to allocate resources to training as part of a whole of project approval process.

As compliance is a major driver of training demand in the company, any changes to environmental, mining or uranium specific regulations will also direct the company's skills and workforce development program.

SkillsDMC's Regional Manager worked closely with ERA to conduct a training needs analysis and produce a workforce planning and development report. The information from this report provided the basis of the EBPPP application and has assisted in prioritising training since the program commenced.

ERA has also utilised the ISC's Workforce Planning and Development tool, SkillsMaximiser™ which has assisted in:

- Identifying skills priorities
- Establishing competency profiles specific to ERA's job role requirements
- Providing the tools to 'contextualise' training and assessment to site procedures.

## **J.3 Experience with other skills and training programs and the wider VET system**

Experience of the wider VET system prior to EBPPP was that most qualifications were delivered to meet national standards but were not validated on ERAs own processes and on their own mining and processing sites.

In ERAs view this meant that a lot of the training it was investing in was not benefiting the company to the extent it could if tailored to the company's own processes and conducted on site. Making these changes would not reduce the value to the employee of obtaining qualifications but add significant value for the company.

## **J.4 Direct and indirect costs of improving skills and workforce development**

SkillsDMC ERA initially secured a total government contribution of \$52,500 for 20 training places at Certificate III and IV level. This was equal to 50 per cent of the cost of training. ERA applied for additional funding when SkillsDMC invited applications for funds reallocated after other enterprises had withdrawn from the program. Under the EBPPP co-contribution model ERA will contribute \$92,500 to the cost of training which will be matched by government funding. The number of funded places was:

- 6 – Certificate III in Transport and Logistics (Warehousing and Storage)
- 16 – Certificate IV in Training and Assessment
- 15 – Certificate IV in Frontline Management

This cost of training is a direct cost of improving skills and workforce development. Additional indirect costs include:

- Application
  - Workforce planning and development and training needs analysis
  - Alignment training to site specific requirements
  - Preparation of application
- Administration
  - Monitoring and reporting (6 monthly and additional requirements for claims for payment)
  - RTO selection process
  - Establishing partnership arrangements with RTO
- Training and Assessment
  - Cost of ERA employed site trainers and assessors
  - Record keeping
  - RTO liaison

## **J.5 The role of the ISC in your industry**

ERA believes that SkillsDMC has been integral to the company developing its internal training capacity and training delivery. SkillsDMC has work closely with ERA to develop a training strategy that has allowed it to respond to training demands as they arise.

SkillsDMC has also brokered strong relationships between ERA and the range of local and interstate RTOs that provide some of the external training services it requires. This was done by assisting ERA assess and monitor each of the RTOs considered and engaged by ERA. SkillsDMC has worked with industry

to develop a Code of Conduct for RTOs working with enterprises in the resources sector. The Code provides a framework for the enterprise to manage the RTO selection and partnership process and a range of different working relationships including:

- Auspicing arrangements
- Assessment only
- Onsite training and assessment
- Offsite training and assessment

The tools provide a process and templates for the enterprise to ensure that the RTO will provide cost effective training solutions aligned to the company's priorities.

SkillsDMC has managed to broker these relationships by:

- Providing workforce planning and development support
- Assisting with the training needs analysis
- Assisting in the identification of RTOs with the capacity to work with the enterprise
- Negotiating training and assessment strategies that meet site requirements and schedules

This capacity has enabled the company to increase the proportion of staff with the Certificate III and IV qualifications from 2-3 per cent in 2008 to 30 per cent in 2011.

## **J.6 The role that the ISC played in assistance with EBPPP**

In addition to the broader role SkillsDMC plays in the industry and with ERA, SkillsDMC assisted ERA to ensure that the national qualification was relevant to the enterprise, identify the required skills and knowledge of existing workers, negotiate funding with DEEWR, appoint the RTOs and oversee implementation of the program.

## **J.7 Experience of EBPPP**

### **J.7.1 The number of staff that have participated in EBPPP placements**

ERA has commenced three tranches of EBPPP. Six staff have been enrolled in the first program, 15 in the second and 16 in the third allocation.

### **J.7.2 The types of qualifications acquired**

The qualifications being delivered in the two EBPPP programs currently being run at ERA are:

- Certificate III in Transport and Logistics (Warehousing and Storage)
- Certificate IV in Frontline Management
- Certificate IV in Training and Assessment

All of the qualifications are further validated on ERA's own mining and processing sites.

### **J.7.3 The role of the RTO in EBPPP**

The RTOs used by ERA are:

- Careers Australia Group
- International Standard for Automation (ISA)
- Alana K Training (for training and assessment training)

As ERA is part owned by Rio Tinto, Careers Australia Group provides the Frontline Management training and is Rio Tinto's in-house RTO.

ERA had been an enterprise RTO and as such, it had the internal technical expertise to provide course content. However, ERA decided several years ago to acquire its training services from third parties (including Rio Tinto) and drop its RTO status. This was in part due to the role that SkillsDMC played in working with ERA to assess and monitor external RTOs.

## **J.8 What the enterprise would have done to meet training needs in the absence of EBPPP**

ERA believes that it would have probably gone ahead at the same time with the Certificate III in Transport and Logistics (Warehousing and Storage) but would have deferred for some time the other qualifications being delivered under EBPPP.

### **J.9 Your intended use of EBPPP in future**

ERA intends to apply for EBPPP or similar funding in future if available.

## **J.10 A description of the results of EBPPP for your enterprise and your employees**

ERA believes that under EBPPP it has been able to increase the qualifications of its staff and validate these qualifications at the company's own sites and based on its own mine practices and procedures.

To date 16 people have attained qualifications at Certificate IV level under the program.

### **J.11 Key lessons from this case study**

The key lesson from this case study is that SkillsDMC has worked closely with ERA to identify, assess and monitor the RTOs delivering the companies training services. This has enabled ERA to move from being an enterprise RTO to sourcing more of its training needs from a wide range of third party RTOs.

## **K Case study 10: Community Services: an agency of NSW Department of Family and Community Services**

Name of enterprise	NSW Department of Family and Community Services
Contact	Amanda Mathews and Al Dawood
Industry	Community Services and Child Protection
Type of enterprise	Government Department Agency
Responsible ISC	Community Services & Health Industry Skills Council

### **K.1 Background**

This case study was prepared with the assistance of Amanda Mathews and Al Dawood of Community Services. Community Services is an Agency of NSW Department of Family and Community Services.

Community Services has a staff of 4500, of which 2500 are frontline community services staff (case workers). They have statutory responsibilities to protect the safety of children and the family in NSW.

Eight per cent of the Community Services staff members are Indigenous Australians, who play a critical role in dealing with Aboriginal and Torres Strait Islander families and children, who are over represented in the demand for the Agency's services, compared to their proportion of the total population.

The report of the Special Commission of Inquiry into Child Protection was presented to government in November 2008 by Justice James Wood. A specific recommendation contained in the report was Wood Reference 3.1, which states: From 1 July 2009 in the NSW Department of Community

Services, all appointed Managers of Casework should be required to possess a relevant tertiary qualification, in addition to experience in child protection work.

As tertiary qualified caseworkers now begin to actively pursue management roles or seek higher duties experience in the organisation, those caseworkers without a tertiary qualification had become disadvantaged. In order to correct this anomaly, the agency has decided to support all caseworkers without a tertiary qualification to have the opportunity to complete one.

In considering the options available for obtaining a tertiary level qualification, the Vocational Graduate Certificate was deemed most suitable as it provides an advanced practice qualification in Statutory Child Protection. Given the significant work experience and internal training that experienced casework staff (advanced practitioners) have undertaken during their careers a 'fast track' delivery format has been offered, which consists of recognition of prior learning, face-to-face workshops, assessment tasks and small projects.

The main skills and workforce development drivers, in addition to the Wood recommendation, are:

- Legislative changes to the statutory requirements of the Agency
- New research findings regarding the child protection practices.

The sociology and psychology research field is particularly active in the area of child protection and research is constantly discovering new approaches to this challenging field.

## **K.2 Identification of skills and workforce development requirements**

The Agency has a formal annual cycle of performance planning and review. This process allows management to identify the skills and workforce development requirements for the next 12 months.

## **K.3 Experience with other skills and training programs and the wider VET system**

The training undertaken as part of EBPPP for the Family Services Agency was 'new ground' and therefore was difficult for the Agency to compare to other training programs and services in which it had previously invested.

## **K.4 Direct and indirect costs of improving skills and workforce development**

In 2010, NSW Community Services received 20 training places for the Vocational Graduate Certificate in Community Services Practice (Statutory Child Protection). Due to the lowering of the cost of delivery (from \$10 000 to \$8000), this has been 'stretched' to 25 places.

In 2011, Community Services also received extra funding when unused training places were reallocated across existing projects. TAFE NSW lowered the cost of the qualification once again to \$7000 and enabled an extra 37 employees to be trained.

## **K.5 The role that the ISC played in assistance with EBPPP**

In this case the CS&H ISC made the Agency aware of EBPPP and assisted it to apply for funding under the program. CS&H also oversees the program and provides the necessary reports to DEEWR.

## **K.6 Experience of EBPPP**

NSW Community Services presented CS&HISC with a request for funding of a qualification which lay outside those of the program guidelines and did not appear on the Priority Occupations List (POPPL) – the Vocational Graduate Certificate in Community Services Practice (Statutory Child Protection). This funding provided a valuable opportunity to skill the Community Services workforce, and to help meet the requirement of the Wood Special Commission recommendation that all child protection workers obtain a tertiary qualification. Community Services communicated with DEEWR, explaining the application and seeking consideration of a qualification outside of the POPPL list.

### **K.6.1 The number of staff that have participated in EBPPP placements**

The total number of students being trained through Community Services is 61. The first tranche of 25 staff members commenced in October 2010. A further tranche of 22 commenced the program in February 2011 and a final tranche of 14 is currently completing the course.

Of the 61 staff members who have now enrolled in the course, 27 are Indigenous.

### **K.6.2 The types of qualifications acquired**

The qualification delivered under EBPPP was a Vocational Graduate Certificate in Community Services Practice (Statutory Child Protection).

### **K.6.3 The role of the RTO in EBPPP**

TAFE NSW is delivering the qualification. The Agency and TAFE NSW partnership has been extremely successful, with TAFE recognising much of the student's internal training and their workplace experience through RPL.

Two of the core units fully mapped into the qualification requirements, while several others were partially mapped. This mapping allowed training gaps to be identified and filled within the course program.

## **K.7 What the enterprise would have done to meet training needs in the absence of EBPPP**

According to the Agency, EBPPP enabled it to meet the staff training recommendations of the Wood Review in a timely fashion. EBPPP funding also allowed the Agency to map existing staff training against the qualification requirements, to recognise the prior learning of the individual workers.

## **K.8 Your intended use of EBPPP in future**

The Agency intends to work with the CS&H ISC to apply for further EBPPP funding in the future.

## **K.9 A description of the results of EBPPP for your enterprise and your employees**

Of the 29 employees who participated, seven have been promoted to management roles within one month of completing the course. The Agency believes this is a significant outcome, as their participation was designed to improve the management skills of those attending the course.

## **K.10 Key lessons from this case study**

EBPPP provided the Agency with a mechanism and the ability to fund training that was not available from other sources. It provided a training solution that was flexible and accepted the Agency's internal training courses as prior learning.

## **L Case study 11: Service Skills Australia ISC**

The following appendix is an overview of the workforce development challenges facing the service industries in Australia, and the role that Service Skills Australia plays in assisting the services industries to meet these challenges. This is one of the 11 case studies prepared for this analysis and was chosen to highlight certain aspects of ISC activities and the EBPPP.

Service Skills Australia (SSA) is one of the 11 national Industry Skills Councils (ISCs) set up by the Australian Government to provide advice on the skills needs of Australian industries. Service Skills Australia is responsible for the assessment of current and future skills needs in the service industries, which includes: wholesale, retail and personal services; tourism, hospitality and events; and sport, fitness and recreation. It facilitates partnerships between employers, employees, unions and RTOs, to ensure the vocational education and training system supports and meets the needs of the industries it represents.

SSA is responsible for the training and workforce development needs at the sub-professional level in the following sectors:

- Wholesale, retail and personal services (WRAPS) (includes retail, wholesale, beauty, floristry, funeral services and community pharmacy)
- Tourism and hospitality (includes travel, tours, meetings and events, accommodation, caravans, restaurants and catering)
- Sport and recreation (includes sport, fitness, community recreation and outdoor recreation).

As of 30 June 2011, SSA had assisted 1,214 candidates to enrol in the EBPPP program. Of these:

- 23 per cent (263) were business owners
- 17 per cent were from Sport and Recreation, 40 per cent from Tourism and Hospitality, and 43 per cent from Wholesale, Retail and Personal Services (WRAPS)
- 31 per cent were enrolled in Certificate III, 48 per cent in Certificate IV and 21 per cent in Diploma qualifications.

### **L.1 Service industries overview**

The service industries employ almost 1.88 million people and represent nearly a quarter of Australia's workforce. The contribution of the service industries to Australia's Gross Domestic Product (GDP) for 2009-10 was: \$57.9 billion (4.8 per cent) for the wholesale trade; over \$53 billion (4.4 per cent) for the

retail trade sector; over \$27 billion (2.3 per cent) for accommodation and food services; and \$9.8 billion (0.8 per cent) for the arts and recreational services. In 2009-10, direct tourism contributed \$33.9 billion to Australia's GDP.

Characteristics of the service industries can be summarised as follows:

- There were 320,513 service businesses in mid-2009. The industry is dominated by small businesses, with 83.2 per cent of companies employing fewer than 20 persons (and 97.6 per cent employing less than 100 persons).
- The retail industry is dominated by a small number of major companies. The concentration of businesses varies between retail sub-sectors. The department store segment shows a high level of concentration, with key retailers holding 95 per cent of market share. Medium levels of concentration exist in takeaway food, footwear and domestic appliance retailing. Low levels of concentration are found in the liquor, sport, camping equipment and photographic equipment retailing sectors. Micro-businesses through to multi-national companies are represented, as well as franchises. Of the 1.175 million employees in the retail sector, around 425,450 (or 36 per cent) are employed by businesses that collectively account for 23.2 per cent of the retail market share.
- Many young people commence work in one of the sectors and 54 per cent of all working women are employed in the service industries; 48 per cent of employees work part-time and traditionally the industry has a high casual workforce.
- In the years to 2014-15, employment in accommodation and food services is expected to grow at an average rate of 2 per cent per annum, which equates to around 79,000 new jobs. During the same period, employment in the retail industry is expected to grow at an average rate of 1.8 per cent per annum, which equates to around 106,600 new jobs. Within this industry, supermarket and grocery stores and clothing, footwear and accessory retailers are expected to have the strongest annual employment growth of 3.3 per cent per annum each.

## **L.2 Forecasts of employment in service industries**

Research commissioned by SSA forecasts that employment in the service industries is likely to grow relatively more slowly than in other sectors of the economy. In 2015, the sector is forecast to employ 1.94 million people, an increase of 57,000 or 3.1 per cent from the level in 2009. The factors that may be impacting on growth in these industries are: the effect of the stimulus wearing off; government spending tightening as a result of the policy to bring the budget into surplus; the continuing high value of the Australian dollar; the weakness in areas of the global economy that are the source of traditional

inbound tourism; and the tightening of credit and investment capital because of the fierce competition from the booming mining sector<sup>5</sup>(CEET, 2010).

Table 7 **Forecasts of employment in the service industries by sector, persons, Australia, 2009 (actual, 2010 -2015 (forecasts) ('000)**

Year	Sector					
	WRAPS	Tourism & hospitality	Sport & recreation	Service industries	Other sectors	All occupations
2009 (Actual)	1,148	670	59	1,878	8,887	10,765
2010	1,148	680	60	1,889	8,910	10,799
2011	1,144	682	60	1,886	9,131	11,018
2012	1,153	691	62	1,906	9,336	11,242
2013	1,163	698	63	1,924	9,518	11,443
2014	1,163	700	64	1,928	9,731	11,659
2015	1,163	707	65	1,935	9,925	11,860
Total growth 2003–09 (%)	3.1	16.1	49.9	8.5	16.2	14.8
Total growth 2009–15 (%)	1.3	5.5	9.7	3.1	11.7	10.2
Average annual growth 2003–09 (%)	0.5	2.6	7.3	1.4	2.5	2.3
Average annual growth 2009–15 (%)	0.2	0.9	1.6	0.5	1.9	1.6

Note: Derived from MONASH economic forecasts (CoPS September 2009, revised 15 March 2010). Small numbers have large associated standard errors and should be interpreted with caution.

Data source: (CEET, 2010)

### L.3 Labour force requirements in the Service Industries

Education and skill requirements within the service industries are changing, driven by consumer demand and government policies. The Australian Government has an ongoing interest in developing policies on skills and workforce development, with the objective of sustaining economic growth and ensuring Australia remains globally competitive. Productivity growth in the service industries is historically low, compared to other sectors, such as manufacturing, see Figure 12.<sup>6</sup> This is mainly due to the high labour dependency. That is, the sector has less opportunity to substitute capital (automation and other processes, equipment or machinery) for labour than other sectors.

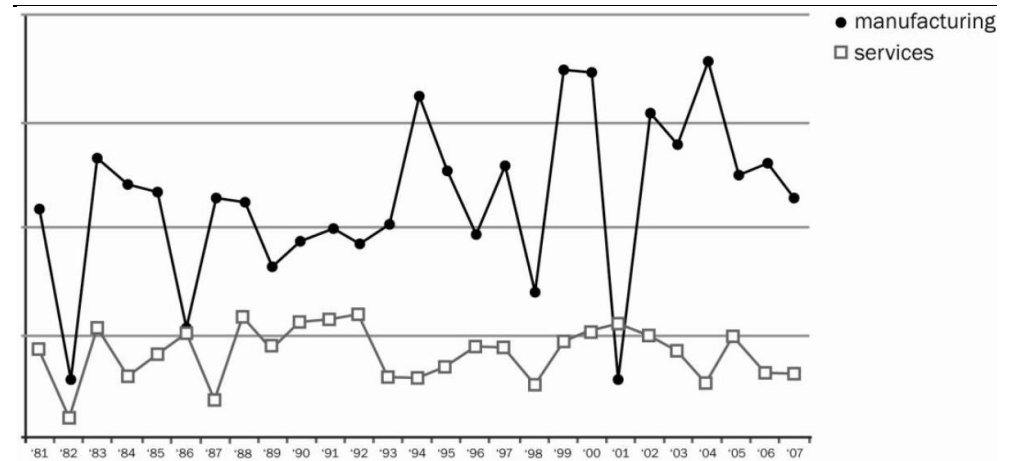
Higher levels of education and training in Australia, leading to a larger pool of workers with higher qualification levels may not necessarily provide a greater

<sup>5</sup> See Appendix 1 for employment forecast by Service Industries sector

<sup>6</sup> Average growth in the services sector was only 1.6 per cent per year, while growth in the manufacturing sector has been 4.5 per cent.

labour supply for the services sector. This is because lower-level qualifications play a significant role in the workforce for the service industries, see Figure 13.

Figure 12 **Labour productivity growth in OECD by industry, 1981 - 2007**



Data source: (Centre for the ECONomic of Education and Training, 2010, p. 13)

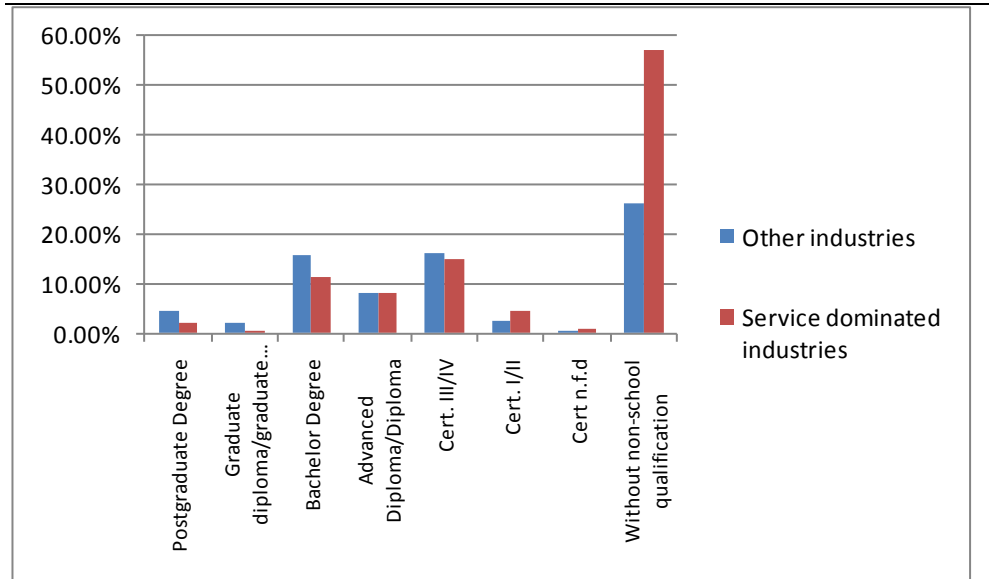
Figure 13 shows the composition of the labour force in the Service Industries and its need for vocational education and training. SSA acknowledges there has been an overall rise in the level of skill and qualification requirements within occupations in the service industries, due to technological and organisational changes<sup>7</sup>. However, more than one in five Australian workers still start work as a sales assistant (often AQF level 2 or lower).

However, while SSA research shows there has been an increase in the number of qualifications in the sectors, it appears that the service industries still lag other sectors of the economy. The data in Figure 13 shows the proportion of each level of qualification in the service dominated industries, compared to all other industries. The data in Figure 14 shows the number of employees in each of the qualification levels across the service dominated industries and the rest of the economy.

It is clear that the service industries are dominated by employees that have only high school or lower qualifications and this proportion is higher than the average for the rest of the economy.

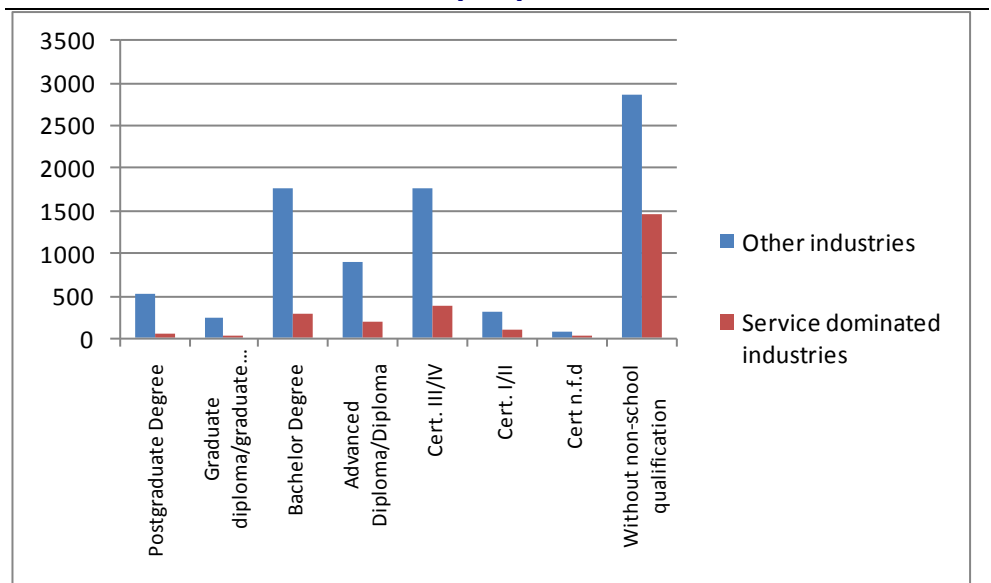
<sup>7</sup> These technological changes may require training at diploma, management or trade level (Certificate III).

Figure 13 **Proportional break down of qualification levels for the service dominated and all other industries**



Data source: (ABS, 2010)

Figure 14 **Break down of qualification levels for the service dominated and all other industries ('000)**

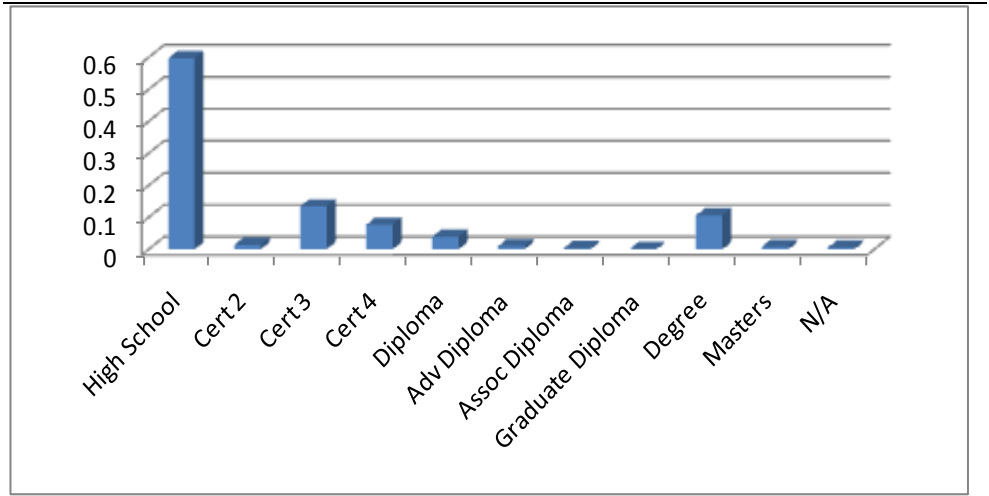


Data source: (ABS, 2010)

The data from the ABS is in line with the level of qualifications in the SSA approved learners for EBPPP.

The following charts show that among learners participating in the SSA EBPPP program, the vast majority hold qualifications at the high school level only (see Figure 15).

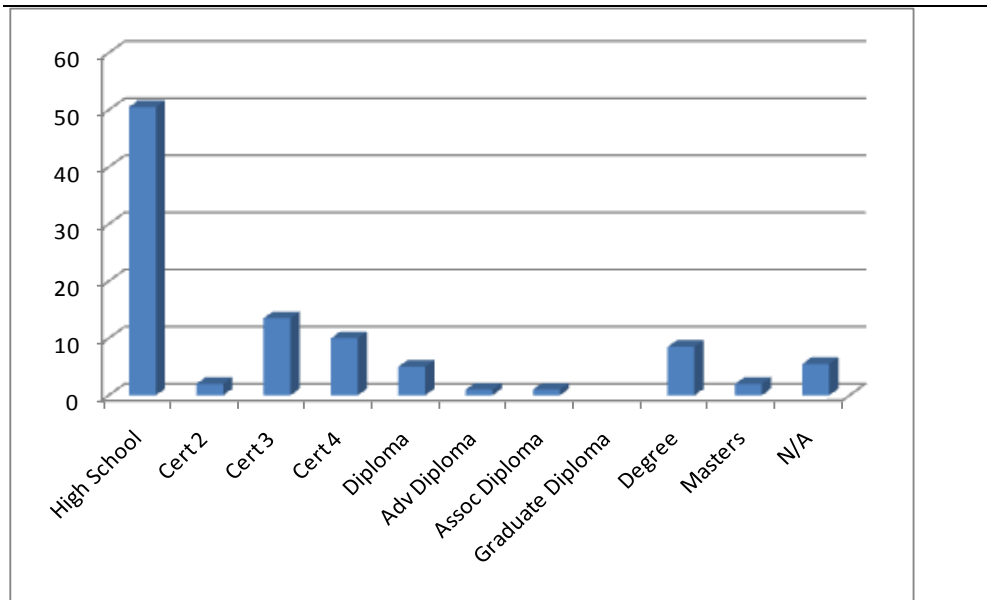
Figure 15 **Highest qualification held by approved learners**



Data source: SSA

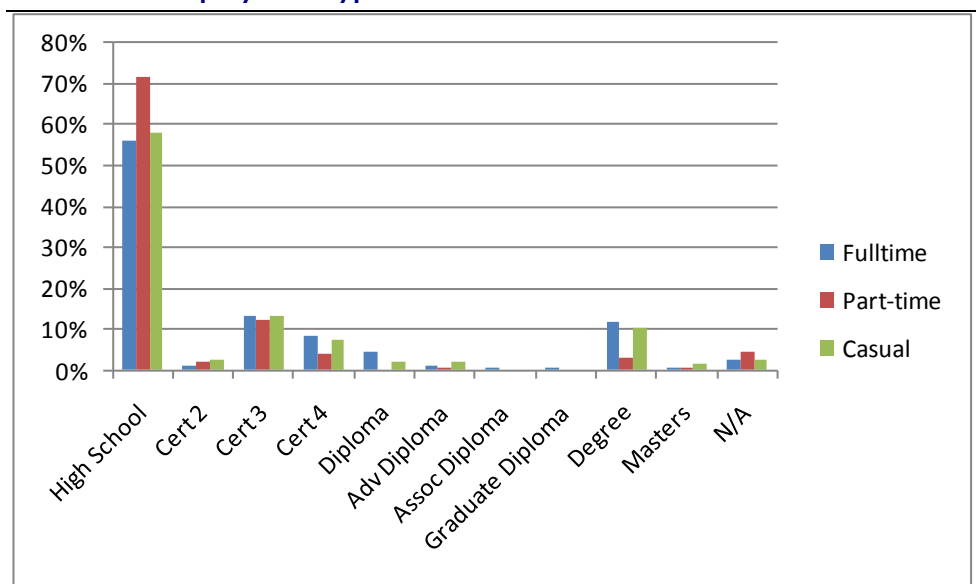
A similar distribution of qualifications is also evident in the enterprise owners in this sector, which can be seen in Figure 16. This distribution is also the same by employment status (full, casual or part time) as can be seen Figure 17

Figure 16 **Highest qualification held by the owner of the enterprise from which the approved learners came**



Data source: SSA

Figure 17 **Highest qualifications held by approved learner, by employment type**



Data source: SSA

Table 8 shows qualification requirements in the service industries from 2010 to 2015. It shows 387,000 people with qualifications will be required. The share of total requirements for this sector is 15 per cent. CEE'T (2010) estimates show that in 2015, 22 percent of labour demand will be at the degree or higher level and 78 per cent at the VET level (27 per cent Advanced Diploma/Diploma, 41 per cent Certificate III/IV and 10 per cent Certificate I/II).

A large number of jobs, but not all, in these industries are short-term, with limited career paths that do not require high levels of skill. These jobs are typically held by young people, for whom they often provide the first labour market experience. In this respect, the jobs are critical for the development of employability skills in young people, who are likely to move onto other sectors as they develop their careers. Thus it is important to pay particular attention to the type of training that is provided in these jobs, because it will help equip young people with skills to operate effectively in the labour market later on. In economic terms this means that the benefits of the training and experiences received in the service industries by new labour market entrants spill over to other sectors of the economy over time. It also means that if the enterprises in this industry reduce investments in training, there will be potential flow on impacts to other sectors of the economy.

The training does not necessarily have to be for qualifications, it could be to learn skill sets, which may be subsets of formal qualifications.

Table 8 **Qualification requirements in service industries by sector, persons, Australia, 2010 to 2015**  
('000)

	Sector					
	WRAPS	Tourism & hospitality	Sport & recreation	Total service industries	Other sectors	All occupations
	<b>New entrants</b>					
2010	20	13	1	35	155	190
2011	19	12	1	33	202	234
2012	22	14	2	37	226	263
2013	23	13	2	37	221	258
2014	22	13	2	37	233	270
2015	22	14	1	37	229	266
Total	128	80	9	216	1,266	1,483
Annual average	21	13	1	36	211	247
	<b>Existing workers</b>					
2010	16	10	2	28	125	153
2011	16	9	1	27	166	192
2012	19	11	2	31	142	173
2013	19	10	1	31	139	169
2014	17	9	1	27	143	169
2015	16	10	1	28	139	167
Total	102	60	8	170	854	1,024
Annual average	17	10	1	28	142	171
	<b>Total requirements</b>					
2010	36	24	3	63	280	343
2011	36	21	2	59	368	427
2012	40	24	3	68	368	436
2013	42	23	3	68	360	428
2014	38	22	3	63	376	439
2015	38	24	3	65	368	433
Total	231	139	17	387	2,120	2,507
Annual average	38	23	3	64	353	418

Note: Derived from MONASH economic forecasts (CoPS September 2009, revised 15 March 2010) and CEET model. Small numbers have large associated standard errors and should be interpreted with caution.

Data source: (CEET, 2010)

## L.4 Factors that affect labour supply in the service industries

The service industries face three labour productivity issues. The first is that there is a decreasing pool of low-level qualified work force members, due to:

- Reductions in the proportion of new entrants entering the labour market as the population ages
- An increasing proportion of new labour market entrants appear to be achieving higher qualifications earlier and are being attracted to higher paying jobs in other sectors of the economy, bypassing typical entry level jobs in the services sector.

The bypassing of service industries by new labour market entrants is caused, in part, by the push to increase the proportion of the labour force with higher qualifications and the introduction of policies designed to achieve this.

This is occurring at a time when demand for labour by the service industries is forecast to increase, particularly in several areas of tourism and hospitality. These areas historically employ a high large proportion of low level qualified workers, highlighting the emerging gaps in the labour supply within the service industries. SSA reports that the industry anticipates a long-term shortage of staff at junior or frontline level.

The second issue facing the service industries is the need to deepen the skills of existing employees. This is due to a number of factors, including: customers demanding more information about products; the need for improved customer services, due to greater competition on the market; and a 'green' factor, whereby companies and their staff demonstrate active commitment to pollution control and sustainable environmental policies.

Higher qualified labour, typically, is easily attracted to higher paying industries, such as manufacturing or building, decreasing the total pool of skilled labour available for the service industries. This is not necessarily a problem unique to the service industries, as many parts of the economy are facing strong competition from those sectors able to offer higher wages. However, unlike many other sectors, the service industries are dominated by small and micro businesses, where career path opportunities exist within and across the sectors but not necessarily within a single enterprise.

This lack of career paths, the low level of skills and the part time/casual nature of much of the work, also contributes to high levels of staff turnover. High staff turnover further reduces incentives for the enterprises to invest in training. This point was made in regard to the retail sector by the Productivity Commission, in a recent inquiry report:

Historically employers in the retail industry have relied on a younger workforce who are relatively unskilled and are mostly working on a part time and casual basis. Women also account for a relatively large share of the retail workforce. Labour turnover of the retail workforce is high when compared with the industry average, which acts as a disincentive for employers to invest in training staff (Productivity Commission, 2011, p. 346).

However, while pointing to this disincentive to investment in training, the Productivity Commission concluded that:

Depending upon the extent that retailers choose to compete on the services they offer rather than the price they charge, there will be greater need to develop a workforce with higher customer service skills and higher productivity. To achieve this, employers will need to invest more in training their employees. To get an adequate return on this investment, they will need to retain their employees for longer than they generally do (Productivity Commission, 2011, p. 327).

Therefore the service industries are facing a reduction in new entrants, strong competition for existing employees once they gain higher levels of qualification, and significant disincentives to invest in training.

The third area of concern for the service industries is that while there are constraints on the supply of labour, the sector's average ability to substitute labour with capital is constrained. The service industries are typically labour intensive and cannot readily swap equipment and automation for labour. This means that the industry generally experiences lower levels of labour productivity compared to other sectors of the economy, as the output per unit of labour is lower, partly because of the intensity of labour use. This can be seen in the following table (Rao, Sharpe, & Tang, 2004):

Table 9 **Labour productivity and capital intensity levels in Canadian and U.S. Business Sector Industries**

	Canada			United States		
	1981	1995	2000	1981	1995	2000
<b>Labour productivity level (Average for the Business Sector = 100)</b>						
<b>Service industries</b>						
Wholesale trade	54.0	64.0	61.1	61.9	80.9	79.7
Retail trade	34.7	31.3	34.2	44.0	40.3	39.4
Business services	52.7	48.6	48.8	75.0	60.7	56.5
<b>Construction</b>	107.7	78.7	70.5	116.2	86	73.4
<b>Manufacturing</b>	146.9	166.9	162.1	122.2	153.3	170.8
<b>Primary industries</b>	80.6	93.7	107.4	79.2	85.2	84.4
<b>Capital input intensity level (Average for the Business Sector = 100)</b>						
<b>Service industries</b>						
Wholesale trade	63.2	60.5	51.4	44.6	86.6	117.66
Retail trade	16.9	18.5	18.9	29.3	34.3	34.6
Business services	10.6	25.2	33.9	68.5	76.2	98.7
<b>Construction</b>	30.6	28.2	23.0	54.1	31.3	31.3
<b>Manufacturing</b>	125.3	123.0	105.6	116.6	133.8	139.5
<b>Primary industries</b>	175.0	176.3	208.5	122.8	123.7	115.5
<b>Correlation between labour productivity and capital intensity levels</b>						
Correlation coefficient	0.91	0.91	0.88	0.63	.88	.93

Data source: (Rao, Sharpe, & Tang, 2004)

The data in Table 9 shows that there is a strong positive relationship between capital intensity and labour productivity. It also shows that service industry sectors in the US and Canada comparable to those that SSA works with, exhibit low labour productivity and low capital intensity, compared to other sectors of the economy. Therefore improvements to the level of labour productivity in the services sector will have significantly larger impacts on the profitability of that sector compared to other sectors of the economy, particularly if labour supply is constrained.

The labour intensity of the retail industries was identified by the Productivity Commission in its recent review of the retail sector:

The retail sector is a highly labour intensive industry with over 70 per cent of the value added created by the industry accruing to workers in the industry (ABS 2010b). Accordingly, the way in which workers are employed, their productivity and the flexibility of workplace practices are of great importance for the future of the industry,

its competitiveness and its contribution to the economy and broader community (Productivity Commission, 2011, p. 286).

## **L.5 The role of SSA**

The previous sections have shown the labour and workforce development challenges facing the service industries:

- The sector is dominated by small to micro businesses, with most business owners working as employees in the business
- Traditional labour supply into this market is constrained by an aging workforce (reducing new entrants) and strong competition for existing employees from other sectors
- The majority of the training required by the service industries is for Certificate II to Certificate IV (51 per cent of expected qualification demand (CEET, 2010)) but there are pockets of the industry where higher skills and qualifications are required
- The majority of employers and employees in the industry have high school qualifications or less
- As many new entrants to this industry go on to other sectors, the benefits of training provided here spillover to the rest of the economy; but the mobility of the service industries' workforce is high, reducing its capacity to accrue sufficient benefits to justify training investments
- Enterprises in this industry are constrained in their ability to substitute capital for labour, making improvements to labour productivity critical to the profitability of the sector.

The most significant constraints on the enterprises in this sector dealing with these workforce development issues are the scale of the business and scope of the training needs of the sector. That is, most of the businesses in this sector lack the scale to invest to a sufficient level to alleviate work force development challenges that they face.

Even where groups of enterprises with common interest seek to collectively act to meet some these challenges, they do not have sufficient scale.

Because the service industries comprise a large number of industries, the sector has a wide variety of training needs. Therefore there are few opportunities to develop scope economies across enterprises as diverse as embalming, maintenance of holiday parks, beauty, floristry, outdoor recreation, etc.

SSA works in a number of ways to assist the service industries overcome some of the work force development challenges they face, particularly in regard to the limited capacity of small businesses to identify training needs and acquire training services. In broad terms, SSA works with the sector in two ways:

- At the industry level, where industry representative bodies are consulted about the types and delivery of training required
- Dealing directly with small enterprises.

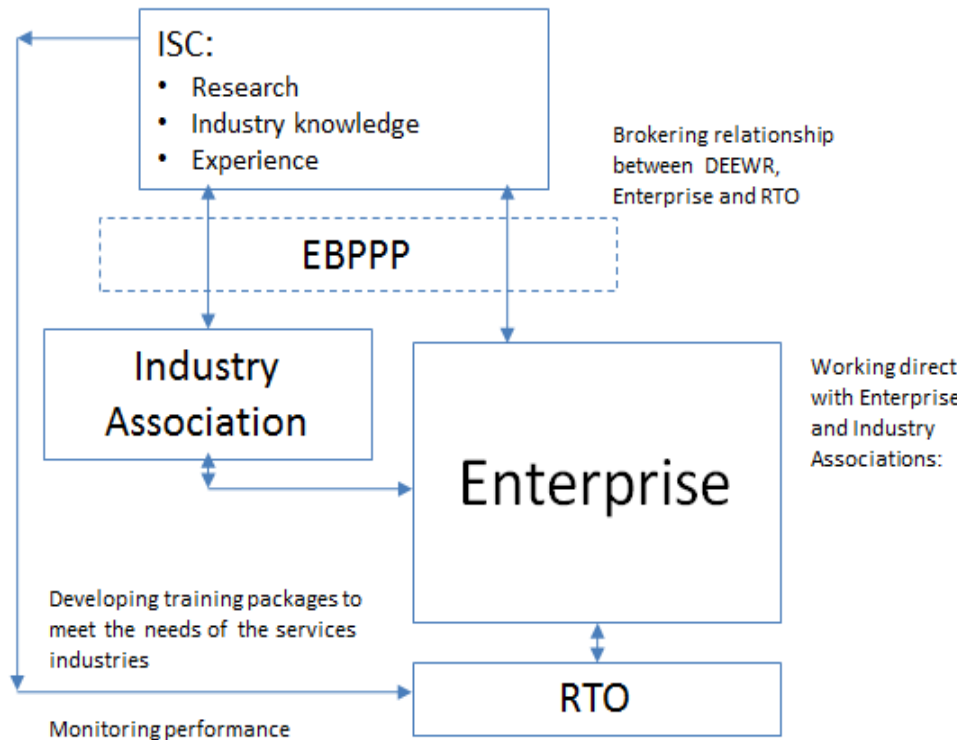
As with all ISCs, the SSA board is made up of industry representatives of the sector it has been established to serve. The SSA board is made of two members from each of the three industry advisory committees set up to provide advice to SSA. The three advisory boards represent the WRAPS, Tourism and Hospitality, and Sport and Recreation associations and enterprises within the service industries. These advisory boards provide advice to SSA on:

- skills needs
- training requirements
- evaluation of the results of SSA activities and Training Packages
- general feedback from the sector.

Using this advice, SSA then works with a broad collective of industry bodies and RTOs to develop the nationally endorsed qualifications, units of competency and assessment guidelines (Training Packages) designed to cater for the needs of the industries. This is broadly illustrative of how each of the ISCs works. However, SSA has increasingly been dealing directly with the enterprises in the industry to drive uptake of initiatives for which it has responsibility, such as EBPPP and also to gauge directly the enterprise training and workforce development needs. The key activities and relationships developed by SSA are presented graphically Figure 18

As can be seen in Figure 18 SSA works in a number of ways to assist the service industries. Critical to the work that it does is the research SSA has commissioned on productivity and workforce planning. This research and other work has led to the publishing of the industry developed workforce development plans, such as the Tourism and Hospitality Workforce Development Strategy (2009), the Sport and Recreation 'Getting on Track for Change' report (Service Skills Australia, 2010) and the Travel and Tourism Workforce Development Priorities. The Tourism and Hospitality Workforce Development Strategy addresses the need for the creation of a highly skilled workforce, access to quality employment, improved workforce planning and expansion of the workforce pool. The Sport and Recreation report also incorporates the key issues of leadership and improved support for volunteers. The objective is for the sector to increase productivity and be competitive in attracting skilled labour from both paid employees and unpaid volunteers.

Figure 18 Overview of SSA activities and relationships



Data source: ACIL Tasman

As valuable as this research is, most enterprises themselves have a keen understanding of the skills they need to improve productivity.

However, tapping into this knowledge by dealing directly with enterprises in the service industries is difficult, as there are so many of them. Also, many of the enterprises facing the greatest workforce development challenges are in regional and rural areas.

To overcome some of the challenges, SSA is developing communication methods to deal more directly with enterprises, to learn what their skills needs are, tailor solutions to meet those needs, and get feedback on SSA activities and programs.

One approach is to assist clusters of enterprises with similar needs. Called 'communities of interest', these clusters are pulled together and made aware of some of the training subsidies and programs that are available. SSA then works with these clusters to identify training to deliver the skills these enterprises need and locate an RTO to provide the training services.

To form these clusters, SSA has been contacting regional Chambers of Commerce, Tourism authorities, Regional Development boards and a range of other networks in the public and private sectors. At present, SSA has

contacted, and is working with, over sixty clusters, most of which are in regional areas. Examples of these clusters include:

- Chamber of Commerce (northern NSW): this cluster is interested in developing skill set training in event management, volunteers putting together bids for sport and recreation events, tourism, and generic skills, such as governance and financial management
- Mackay Regional Economic Development Corporation (MREDC): SSA is working with the MREDC to see how it can assist the region to find and train over 3,000 retail employees. These employees will be required to fill an anticipated 150,000m<sup>2</sup> of additional retail space by 2015. This employment demand is in an area where unemployment is running at 3.3 per cent
- Skills Tasmania: SSA is working with Skills Tasmania to support a range of regional development and tourism groups in the State, to develop skills development plans and invest in specific training.
- The Eyre Peninsula Visitor Centres: SSA is assisting this group of visitor centres to train a number staff members in frontline sales and customer service skills; those members can then train volunteers

Once the training needs are identified, SSA works with the cluster or enterprise to identify RTOs and engage them. SSA then monitors the performance of the RTO. SSA makes the payment directly to the RTO but payment of the invoice is conditional on the enterprise signing off on the milestone to ensure it has received a satisfactory level of service and the required outcomes.

Engagement of enterprise clusters provides valuable feed back to SSA on the skills needs of the enterprises, which is then used to refine the development of the nationally endorsed units of competency and qualifications within the Training Packages.

Some of the formal outputs of the research and industry engagement are information packages produced by SSA to assist industry to find appropriate training solutions and engage RTOs. This helps industry reduce the transaction costs associated with workforce development investment and overcomes some of the information asymmetry that exists between the enterprise and the RTOs.

Examples of the outcomes from the role SSA plays in assisting these enterprises deal with constraints and assist the sector overcome the problems of scale and scope, are:

- Provision and dissemination of information on workforce development opportunities and experiences, such as:
  - [Ready for Retail](#): an online skills matching tool for employers matching their job requirements to qualifications and for job seekers matching their skills to qualifications

- [Roadmap to Country](#): an online resource to assist RTOs, Indigenous communities and other stakeholders interested in delivering training to remote Indigenous communities
  - [Taking the Lead](#): a one-stop shop for information and advice on developing core LLN skills in the service industries.
  - [Training Package User Guides](#): a free resource that provides guidance on implementing Training Packages to meet industry expectations.
  - [The Job I love](#): a free careers resource for students and jobseekers, including information on qualifications and training required for careers in the services industries.
  - [Qualification and Job Outcome Charts](#): a useful summary of qualifications available through the SSA Training Packages and some of the job outcomes associated with those qualifications.
- Assistance with the transaction costs associated with drawing up and negotiating training service agreements, seeking out suitable qualifications and RTOs, overseeing training service provision, and reporting to funding providers. An example of the assistance SSA gives in dealing with the transaction costs of training, include:
    - The Right Way Program, which provides industry recognition of:
      - ... Quality training and assessment facilities
      - ... Quality trainers and assessors
      - ... Quality learning resources

Participants in this industry recognition system must adhere to standards and provide evidence of quality, through an application and assessment process operated by SSA and its network of state and territory agencies.

- SSA has also produced a range of [Training Package User Guides](#) to help RTOs effectively implement Training Packages, and deliver training that meets industry's needs.

SSA also captures information (anecdotally) from enterprises on the impact of the training they have invested in. This is done when conducting audits or monitoring programs such as EBPPP.

to prepare reports for DEEWR. As discussed earlier, the training audits are conducted prior to final payment being made to the RTO and require that the enterprise confirms that the training has met its requirements (and those of the funding agreement).

Some examples of the results of the training SSA has assisted enterprises invest in under EBPPP are presented in the following boxes.

## Box 2 **Wendy's - Nambour, Queensland**

Wendy's retail outlet engaged Arrow training services to provide four training places for its staff under EBPPP.

The proposed training sought to achieve the following:

- For TAA 40101 Certificate IV - to enable a more effective and efficient standard of delivery of training to staff, which will improve customer service, effective work ethics and practices in the workplace, which will, in turn, drive sales
- Certificate III in Retail- this will enable staff to be more effective in the workplace, learn sound work practices and improve customer service to enable the growth of the business.

The results reported by the Owner, Robyn Walsh were:

EBPPP empowered us - it's given us the leverage a micro business in the regions wouldn't usually get. Rather than being told what training we could have and when, trainers have had to tune in to our local business environment, my values as an employer, and the precise skills I need my people to have. Results speak for themselves; my staff members get compliments every week on their customer service; they genuinely feel central to the business and our turnover is up 17 per cent.

Source: SSA

## Box 3 **The Coffee Club, QLD**

The Coffee Club received funding under EBPPP for 14 places .

The expectations of The Coffee Club centred on the training improving their franchisees' ability to manage multiple- sites to improve return on investment. The Coffee Club anticipates that the increase in return on investment will come from owners / managers improving their delegation and personal direction capabilities. It is expected that this will improve the confidence of managers to dedicate their time to activities giving a higher return and 'work on' the business more and spend less time working 'in the business'.

The EBPPP training included monthly workshops, a minimum of three face-to- face discussions (1 hour each), with an accredited Leadership Management Australia Course Coach and fortnightly email or phone contact. This is supported by fortnightly follow-up from a dedicated Coffee Club member, to reinforce the use of the analytical tools provided and analysis of business operations - which are all available to participants and mentors on line.

Mid course, The Coffee Club reported the following impacts from the training. Two owners / managers on the program reported they had reduced their Cost of Goods Sold and wages from over 30 per cent of sales, to less than 25 per cent at each store. On a turnover of about \$3.5million, that equates to a direct saving of \$350,000 between the three stores.

The ongoing impact of this clearly measurable return on investment, has led to the Franchisee involved in the original training enrolling another employee in the course at their own expense.

## M Market failure check list

The check list developed by ACIL Tasman contains the following steps:

- Which group, or groups, are likely to benefit from the proposed investment?
- Do some, or all, of these groups have an incentive to make the investment?
- What might happen in the absence of the organisation's involvement?
- Why are industry participants, or those servicing the industry, not making all, or part, of the investment:
  - Are there identifiable market imperfections (market failure or policy distortions) leading to underinvestment or inappropriate levels of activity?
  - Why are the transaction costs of bringing together potential beneficiaries so high? Can they be reduced?
  - Are there impediments that mean that the investor lacks the incentive to invest?
  - If the organisation makes the investment, and the outcome is successful, will the results be adopted, or will the program otherwise impact upon industry profitability?
  - Is the situation innate or a legacy of past attitudes and culture within the industry and its service suppliers?
- How should the organisation become involved? Should it:
  - Focus on removing impediments that are reducing the incentives for others to invest?
  - Seek to change the culture through some form of short-term involvement, with a view to medium-term withdrawal?
  - Focus on “solving the problem” as identified?
- What are the implications of the organisation's involvement for investment by others:
  - Will the investment be made anyway, in the same timeframe, and with the same expected outcome?
  - Are private interests acting strategically to induce the organisation to pay?
- What should the organisation do?
  - Act as a facilitator between investors and industry participants?

- Act as coordinator for private interests willing to fund investments collectively?
- Invest directly?

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