

Master Builders Australia

**Submission to the
Department of Industry
on the
Industry Engagement in Training Package Discussion Paper
Towards a Contestable Model**

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1 Introduction

- 1.1 This submission is made by Master Builders Australia Ltd (Master Builders) in response to the Department of Industry's Discussion Paper *Industry Engagement in Training Package Development: Towards a Contestable Model*.
- 1.2 Master Builders is Australia's peak building and construction industry association, federated on a national basis since 1890. The association represents over 30,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry body that represents all of the residential building, commercial building and civil construction sectors.
- 1.3 Master Builders welcomes the opportunity to provide comments to the Government's review for considering new approaches to the development and maintenance of training packages, which will be underpinned by the implementation of a contestable framework from July 2015.
- 1.4 The Discussion Paper *Industry Engagement in Training Package Development: Towards a Contestable Model* invites comments from stakeholders on:
- The important features of the current development and maintenance processes for industry-defined qualifications that need to be retained in any new model;
 - The key attributes or skills required in developing training packages;
 - How industries/sectors might contribute to the development and maintenance of training packages including financial and in-kind support;
 - how engagement with industry can be improved in qualification development;
 - three proposed models for the contestable model of training package development and maintenance and other options.
- 1.5 Master Builders has carefully considered the three proposed approaches to industry engagement in training package development. Master Builders does

not endorse any of the models as there are significant risks associated with each model. Our concerns are detailed further below.

2 The Building and Construction Industry's Skills Needs

- 2.1 The building and construction sector accounts for close to 8 per cent of gross domestic product and around 9 per cent of employment in Australia.
- 2.2 The building and construction industry is Australia's third largest employer with over one million employees. It is the largest employer of skilled tradespeople and one of the most significant users of the Vocational Education and Training (VET) system.
- 2.3 The cumulative building and construction task over the next decade will require work to the value of \$2.8 trillion and for the number of people employed in the industry to rise to 1.3 million, up by 300,000 people.
- 2.4 Construction is a rapidly evolving and increasingly technology-driven industry crucial to Australia's economy. Leading firms are now exporting construction services, particularly to Asia and the Middle East, creating a new source of export income for the nation. At the same time, construction is unfortunately an industry where around 40 per cent of workers do not have any post-school qualification and many have literacy and numeracy issues. This creates growing challenges, given the complexity of contemporary building materials and techniques, the international take-up of computerised construction management systems, and increasing use of pre-fabrication and off-site construction technology.

3 The Building and Construction Industry's Engagement with VET

- 3.1 Master Builders welcomes the Government's commitment to review industry engagement in the development of training packages.
- 3.2 Master Builders seeks a high quality national Vocational Education and Training (VET) system with an increased focus on high performing and job ready students completing courses.

- 3.3 The building and construction industry has traditionally been a significant user of the national Vocational Education and Training system.
- 3.4 Master Builders Australia recommends that the Commonwealth maintain its investment in post-secondary education, particularly in skills training and development. At a time when the proportion of skilled jobs is increasing, the number of core Commonwealth and State funded training places has been static for many years and real funding per contact hour has fallen in most jurisdictions.
- 3.5 Master Builders identifies in this submission a number of areas where changes to the development of training packages can potentially benefit business and add better value for Government.
- 3.6 Master Builders' state and territory associations operate six Registered Training Organisations (RTOs) offering a wide range of qualifications from Certificate I to Advanced Diploma level.

4 Detailed Comments

- 4.1 Master Builders recommends that significant reform in VET must occur to meet the needs of industry in the 21st century. The current system is cumbersome, difficult to navigate, has inconsistent outcomes, a range of different funding policies across the country and has been captured by other interests including schools, universities, TAFEs, private RTOs, industrial relations, licensing and regulation.
- 4.2 Master Builders recommends that the VET system requires significant reform to elevate the system to the centre of Australia's economy ensuring employees are highly skilled and job ready to provide productivity benefits to the Australian workforce.
- 4.3 To achieve this, the VET system must become:
- Nationally focussed with greater collaboration between the Commonwealth and states and territories to meet the needs of industry and the economy including improved implementation and outcomes across jurisdictions;

- Leading edge in the design and development of national training packages that are flexible to meet the needs of industry and provide clear guidance to RTOs on the training and skills outcomes sought by industry. They must also clearly codify the skills and knowledge that a worker needs to perform a task or job;
- Responsive to the ever changing needs of industry to compete within a globally competitive economy;
- Flexible to develop new qualifications, trades and apprenticeships that are required due to disruptive factors in the economy, for example new technologies, more efficient practices;
- Trustworthy so that industry has confidence that VET sector graduates hold the necessary skills, attributes and knowledge to work safely and productively in the workplace;
- Efficient in delivering services to industry within an increasingly fiscally constrained environment at Commonwealth and state/territory levels.

4.4 Training packages are an essential component of the national VET system. In fact, they are one of the few truly national components of the system. Master Builders recommends that training packages:

- Be informed by real time intelligence that identifies the changing nature of industry, work practices and disruptive events including technological change and its resulting impact on required skills and knowledge;
- Specify the knowledge and skills required to perform effectively in the workplace as determined by industry. For the building and construction industry, this should include large, medium and small businesses operating in commercial building, residential building and civil construction and representative peak associations;
- Provide clear guidance to RTOs on the skills and knowledge students are expected to acquire; and inform course design and assessment practices to ensure consistent outcomes across VET;

- Be responsive to changing industry requirements including ensuring licensing requirements for specific occupations are considered in training package development and continually updated as needed;
 - Reflect that many occupations operate across industries with common competencies. Training packages must support the mobility of labour to meet ever changing workforce needs of industry;
 - Remain national in their focus ensuring that RTOs deliver consistent training outcomes across the nation.
- 4.5 Given the public benefits from a well regulated training system, there is a strong case that funding to develop training packages be maintained at current levels with a focus on greater synergies and the reduction of red tape in their development and approval processes.
- 4.6 Master Builders is deeply concerned that industry be at the centre of training package development because of the wide diversity of needs in the building and construction industry. In the main, it is the small to medium enterprises that are the significant users of the VET system and their needs should be recognised.
- 4.7 In any approach that may be finally adopted to support enhanced industry engagement in training package development, the following attributes must be considered to ensure a successful model.
- Organisations or individuals seeking to develop training packages must demonstrate their connection with industry and deep understanding of changing technology, work practices and resulting impact on skills development. They must demonstrate this on a local, state and national level.
 - Training package developers must possess the technical competence, both in understanding the industry and how skills are applied, and in writing qualifications and training packages to national standards. They must demonstrate their competence in collecting real time evidence and analysis of trends to underpin training package development.

- Developers would need to demonstrate their ability to be independent, negotiating with a range of bodies possessing different views, and arrive at a negotiated settlement.
- Developers must work across industries to minimise duplication and demonstrate cross-industry understanding of trades.

4.8 The issue of leveraging industry financial co-contribution is problematic. The concept of co-contribution is sound and has been successful at an enterprise level when it delivers immediate productivity benefits into a business. Co-contribution into training package development, which sits in the pre-competitive space, is very different with few businesses able to internalise the benefits of their expenditure. Additionally, industry associations seldom speak for 100% of enterprises within an industry, and there would be questions from member companies as to why their membership fees were supporting businesses that did not contribute fees to a peak association.

4.9 Master Builders has carefully considered the three proposed approaches to industry engagement in training package development. Master Builders does not endorse any of the models as there are significant risks associated with each model. These are outlined below.

4.10 Across all three models a significant risk includes the make-up of the Australian Industry Skills Committee which sits at the heart of each model. This Committee has the responsibility to determine priorities for funding and training package development. While an announcement on the Committee's make-up is yet to be released, without a building and construction industry representative on this Committee Master Builders would not have confidence that the industry's priorities would be considered appropriately in determining funding and training package development priorities. In addition, Master Builders is concerned that the Committee will be heavily dominated by state and territory representatives, which has the potential to prioritise state issues at the expense of national consistency. Master Builders recommends that a building and construction industry representative be appointed to the Australian Industry Skills Committee.

4.11 *Approach one: Purchase training package development as the need arises* is the most problematic of the three models. It is government centred whereby government acts as the central co-ordinator of contract management and

market research at the expense of industry. The Australian Industry Skills Committee would be responsible for determining priorities for reviewing training packages. The issues of financial co-contribution and cost recovery in determining priorities will be problematic in the pre-competitive space of training package development.

4.12 *Approach two: Industry assigns responsibilities to preferred organisations* is a model whereby the Australian Industry Skills Committee invites proposals from industry groups to identify the qualifications or industry sectors to be covered by a series of Industry Sector Committees. Potential risks arise with the significant role the Australian Industry Skills Committee to determine priorities; how the 'level of industry support, public good and the potential for private financial contribution' is to be measured; and the likely proliferation and poor co-operation between the Industry Sector Committees may give rise to inefficient training package design and development.

4.13 *Approach three: Government contracts for Designated VET Sector Bodies* is the approach most closely aligned to the current model with the VET Sector Bodies responsible for industry engagement, gathering industry intelligence and developing qualifications. There are benefits to this model over Approaches one and two as it enables industry to lead the VET Sector Bodies and there is potential for cost savings and cross-industry synergies. Potential risks arise with the significant role of the Australian Industry Skills Committee to determine work priorities rather than the industry led VET Sector Bodies; the unknown quantity of financial investment sought from industry and lack of definition as to what is industry, and the range of different needs of industries to be covered by the VET Sector Bodies within funding constraints.

4.14 Master Builders recommends that the final structure adopted to enhance industry engagement in training package development must be:

- Flexible to cater to the diverse needs of industry and place industry at the centre of decision making;
- Responsive to the changing skill and workforce needs of industry;
- Sustainable with appropriate public funding to support industry engagement, intelligence gathering and the development of industry-centred qualifications;

- Robust to enable the model to provide qualifications across the Commonwealth and jurisdictions and survive changes of governments;
- Reviewed to ensure the model is able to continually respond to the needs of industry and the skills and knowledge it requires to be competitive in a global marketplace.

5 Conclusion – concerns and recommendations

- 5.1 Master Builders does not endorse any of the three proposed models as each carries associated risks to implementing a contestable model for training package development and maintenance. Across all three models, Mater Builders believes the central role of the Australian Industry Skills Committee to determine priorities for funding and training package development is a significant risk with its majority of members drawn from the states and territories. Master Builders recommends that a building and construction industry representative be appointed to the Australian Industry Skills Committee to give industry confidence that its needs will be met in a contestable model.
- 5.2 Master Builders recommends that the system adopted for training package development be industry centred, flexible to cater to diverse industry needs, responsive to the changing nature of knowledge and skills required to perform in the workplace, sustainable with appropriate public funding support and reviewed and renewed to ensure the system is able to respond to the changing needs of industry.
- 5.3 Master Builders would welcome the opportunity to discuss the issues raised in this submission further. Please contact the National Director Workforce Development and Training, Mr Robert Wilson, on 02 6202 8888 or email Robert.wilson@masterbuilders.com.au.
