

HOUSE OF REPRESENTATIVES

SECOND READING SPEECH

SKILLS AUSTRALIA BILL 2008

The Skills Australia Bill 2008 is an important piece of legislation. It will establish Skills Australia, a statutory body that will provide the Australian Government with independent, high quality advice to assist us to target government investment in training. It will give the Australian Government advice that we can use to assist businesses and workers across the country.

Skills Australia is an important part of our fight to reduce the skills shortages that have plagued business. It is part of the way forward in fighting inflation. It is an integral piece of the Australian Government's five point plan to fight against inflation. This is a plan that addresses both the demand side and supply side pressures on inflation.

Under this plan the Australian Government will firstly ensure that we take the pressure off demand by running a strong budget surplus, through a hard-line attitude to fiscal restraint.

Secondly, in the period ahead the Australian Government will examine all options to provide real incentives to encourage private savings.

Thirdly, we will be unfolding our plan for tackling chronic skills shortages in the economy. I will talk more about this shortly.

Fourthly, we will provide national leadership to tackle infrastructure bottlenecks.

And fifthly, we will provide practical ways of helping people re-enter the workforce including removing disincentives to work and helping increase workforce participation.

By exercising fiscal restraint our plan aims to do everything we can to ease the pressure on inflation. Our plan deals with the chronic investment deficits in the capacity side of the economy, particularly investment in skills and infrastructure. The skills agenda is clearly a vital part of this broad whole of government plan.

In the past, too much reliance has been placed on disconnected pieces of the skills puzzle. My Government recognises that we need a holistic policy focussed on workforce development to make sure individuals have the skills to be productive workers in a fast-changing economy.

Workforce development is a comprehensive approach to addressing skills and labour shortages. It addresses the supply side issues and includes the essential elements of training, in concert with workforce planning, to ensure the right intervention and investments happen at the right time. This is everyone's business, not just the business of government.



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The Australian Government will continue to align skills development policies and training delivery with industry priorities, and to position the training system to better meet the needs of individuals and industry. We will work with the state and territory governments to ensure that they are also travelling in the same direction.

Training organisations must be encouraged to play their part and respond flexibly to increasingly diverse industry and individual needs. Training providers must deliver customised, relevant training that is integrated with, and supported by, workplace learning opportunities, at a time and place that suit business needs.

I also encourage businesses, as a core part of their strategic business planning, to gain a better understanding of the essential links between the skills and career development needs of their workforce, and improved profitability and sustainability. Businesses must have human resource management strategies linked with their recruitment, training and career strategies.

Individuals also have a responsibility to recognise the benefits of gaining qualifications and commit to invest in and add to their own skills sets throughout their working lives.

My Government has also committed to the skills agenda through the Council of Australian Governments (COAG). At my Government's first COAG meeting, in December 2007, all governments in Australia agreed to work together on increasing the productive capacity of the economy, addressing the inflationary pressures that are emerging and delivering higher quality services to the Australian community.

It is only with a long term productivity agenda that we can hope to achieve simultaneously high economic growth, low unemployment and low inflation.

There are many shared and real benefits to be achieved by working together. We can expect a better return on publicly funded training investment. We can also increase the capacity of enterprises to adopt high-performance work practices that increase productivity through supporting their employees to realise their potential.

Equally beneficial will be the enhanced capacity of individuals to participate effectively in the workforce. Training providers will have an increased capacity to assist enterprises, particularly small to medium size enterprises, to adopt workforce planning strategies, assess and act on skills development and training needs and change work practices.

The Skilling Australia for the Future policy released by the Australian Government prior to the election is the start of the journey. No one approach or any one government or agency on its own can solve the skills and labour shortage problems we are experiencing today and will continue to face in the future. We have to accept a shared responsibility for building a flexible, well-skilled workforce that will ensure that Australia remains productive, competitive and prosperous.

This Bill establishes a vital element of our skills strategy - Skills Australia. It will provide the Australian Government with independent, high quality advice to assist

with better targeting of support for the workforce development needs of businesses and workers across the country.

Skills Australia will be comprised of seven experts drawn from a range of backgrounds including economics, industry, academia and training providers. It represents an intellectual as well as a financial investment in the skills agenda.

Skills Australia will:

- analyse current and emerging skills needs and forecast demands across industry sectors;
- assess evidence from commissioned research and industry stakeholders to inform Australia's workforce development needs;
- widely distribute information from research and consultations with stakeholders to enable entrepreneurs, businesses and workers to have the necessary information to inform their training and employment decisions;
- provide the Government with recommendations on current and future skills needs to help inform decisions to encourage skills formation and drive ongoing reforms to the education and training sector, including on priorities for the investment of public funds; and
- establish and maintain relationships with relevant state bodies and authorities to inform its advice on current and future demand for skills and facilitate alignment of priorities for responses to skills needs.

The Skills Australia legislation establishes the operational arrangements to support the independent body, including provisions relating to conflict of interest issues, arrangements for the appointment and service of members, remuneration of its members, procedures about its conduct and arrangements for working groups to provide it with the capacity to investigate issues deeply, drawing on a wider range of stakeholders.

As an interim measure, while the legislation is being taken through Parliament, I am establishing the Skills Australia Implementation Group. It is intended that this group will meet for the first time in February. This group of eminent Australians will oversee consultations with key business, employer and employee association stakeholders as well as state and territory governments regarding the establishment of Skills Australia.

Skills Australia will play a pivotal role in boosting productivity and participation in the Australian economy by providing high quality advice to the Government. This will ensure that policies can be directed towards closing the skills gap – the gap between the demand for and supply of skilled workers.

Our Skilling Australia for the Future policy will increase and deepen the skills capacity of the Australian workforce and ensure demand for skills and skills training is matched. My Government's plan for our future skilled workforce will close the skills gap in the Australian economy in three key ways:

Firstly, by funding an additional 450,000 training places over the next four years. Over the last three years the Reserve Bank of Australia has warned on more than 20 separate occasions that capacity constraints – including skills shortages – were

contributing to inflation. The Australian Government is acting promptly by making 20,000 new training places for those outside the workforce available from April 2008. This will help many Australians gain employment and stimulate workforce participation rates.

Secondly, by ensuring that most of these places lead to a higher level qualification, such as at the Certificate III level or above. The new places will offer high-quality training opportunities which better suit the needs of our economy in the future. Evidence shows that Australia's economy needs higher level skills and key employer groups – including the Business Council of Australia and the Australian Industry Group - agree.

Thirdly, and of great importance, we are placing industry demand at the heart of the skills training system – so that training providers equip Australians with the skills that industry needs.

Part of the problem in increasing our national skills levels has been that training has not sufficiently matched industry's needs. Businesses have not been provided with enough assistance to enable them to diagnose, predict and tailor training to their future workforce needs.

The Australian Government's major reforms will also help with better diagnosis of Australia's skills needs and make new training places more responsive to industry needs.

New training places will be allocated according to industry demand. Drawing on the advice of Skills Australia, strengthened Industry Skills Councils will connect employers to the new training places. Industry Skills Councils will work with employers to identify their skills needs and match those needs with nationally accredited training.

Industry Skills Councils will also work with Employment Service Providers to give people outside the workforce access to training which matches industry and employers' needs. Australia's training system must shift to a system that is driven by, and which responds to, the needs of business, industry and the economy.

More than one-third of the additional places will be allocated to people currently outside or marginally attached to the workforce, to equip them with the skills they need to gain employment. The remaining places will be targeted at training people who are currently employed but who need to upgrade their skills. Skilling Australia for the Future will also support up to 65,000 apprenticeships over the next four years.

Skills Australia will provide the Government with advice about areas of skills shortages. Without wishing to preempt their advice, there are some clearly identified areas of skills shortages we can anticipate. For example, the mining and construction sectors are likely to be prime candidates.

The mining industry is currently experiencing the highest vacancy to employment ratio, with around 3.7 vacancies for every 100 people employed in the industry.

Wages growth is strongest in the mining industry, at 5.4 per cent through the year to the September quarter 2007, compared to 4.2 per cent across all industries.

The construction industry is also experiencing labor constraints. Wages growth in construction is at 4.8 per cent through the year to September 2007. The industry also has the highest proportion of employees with a certificate as their highest qualification, at 45.7 percent. This means that it will benefit greatly from additional training places at diploma and above levels.

The Skills Australia Bill is the first element of the Australian Government's policy framework to fight inflation by addressing skill shortages. We are "Skilling Australia for the Future". It is a challenging plan that requires all parties to make an active contribution. It is only with all stakeholders actively engaged in the skills agenda that we can focus on our outcomes – to increase the productive capacity of the economy through a more highly-skilled workforce. The result will be an Australia where the career aspirations of individuals are recognised, nurtured and rewarded.

I commend the Bill to the House.