



National
Retail
Association

SUBMISSION TO PRODUCTIVITY COMMISSION

*Interim Report: National Agreement for Skills and
Workforce Development.*

15 July 2020

1. About the National Retail Association

- 1.1. The National Retail Association Limited, Union of Employers (**NRA**) is an industrial association registered under the *Fair Work (Registered Organisations) Act 2009* (Cth) to represent the industrial interests of employers in the retail, fast food, quick service and affiliated industries.
- 1.2. Representing approximately 6,000 member businesses and 28,000 individual shop fronts nation-wide, the NRA's membership includes the full spectrum of Australian businesses, from small "mum-and-dad" businesses to major international corporate groups.
- 1.3. As an industrial association, the NRA has been a voice for its members since approximately 1921, and will continue to do so.

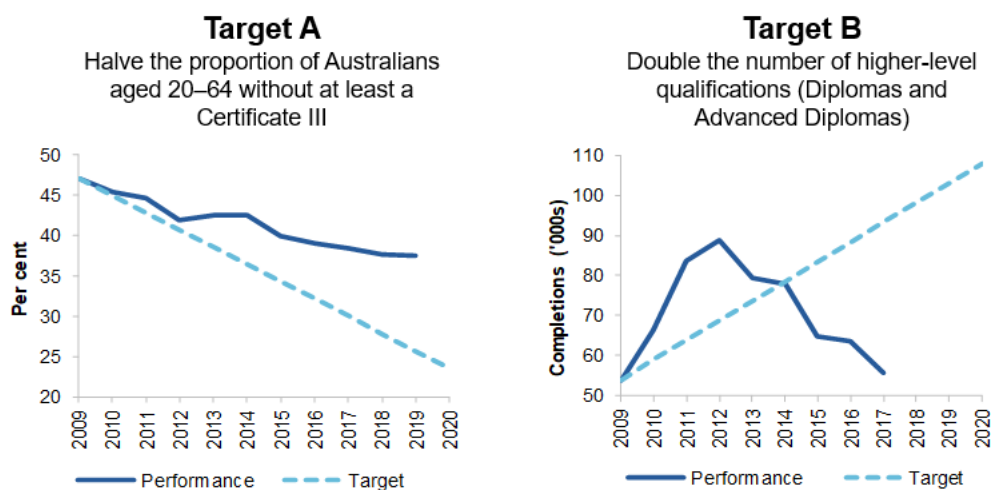
2. About this submission

- 2.1. This submission is made to the Productivity Commission (**the Commission**) with respect to the Interim Report (**the Report**) released by the Commission on 5 June 2020 in relation to the review of National Agreement for Skills and Workforce Development.

3. Summary of submissions

- 3.1. The goals set out in graphic form on slide 5 of the NASWD Industry Briefing PowerPoint Draft – 9 June 2020, illustrated targets which were clear in both nature and intent:
 - Target A: Halve the proportion of Australians aged 20-64 without at least a Certificate III; and
 - Target B: Double the number of higher level qualifications (Diploma and Advanced Diploma).

Assessing the NASWD – high expectations vs reality



- 3.2. The results are equally as graphic, falling well short of the desired outcomes. Referring to each in turn, as both the peak retail industry association and as an RTO, the NRA suggests why these goals were not met and what changes to the existing system could make these goals a reality.
- 3.3. In short, the view of the NRA is that the two goals set out for Certificate III Guarantee and Higher-Level Qualifications were aspirational, albeit lacking in insight beyond the Job Seeker market. By adjusting the system, removing NIRTOS and targeting existing workers, the program can deliver the results aimed for.

Why were the targets not met?

4. Target A: Halve the proportion of Australians aged 20-64 without at least a Certificate III

- 4.1. The 'Proportion of Australians aged 20-64 without at least a Certificate III' captures both job seekers and existing workers. Except where mandated as compulsory, job seekers are more motivated to take up Certificate III training when compared to existing workers. As employment strengthens, more existing workers are likely to decline Certificate III training as they are already working and earning income, and view Certificate studies as extra load that will cut into recreation time.
- 4.2. Where existing workers understand how funding supports them, they may well reason to leave off accessing that funding now and instead look to fund future study if they become unemployed or change industries.
- 4.3. In this way, strong employment can reduce demand for accredited training.
- 4.4. The funding arrangement has a further effect on RTOs of a non-invested nature when it comes to marketing and delivery. A non-invested RTO (NIRTO) may place qualifications on scope with an entirely commercial focus, rather than with a view to what is best for a particular industry.
- 4.5. NIRTOs may view the qualifications on the basis of a pure return on time invested, delivering courses in demand industries with high funding incentives. Rather than engaging with industry for the long term to understand its needs, they instead will remove and add to scope based on return only. It is not uncommon to find RTOs with disparate qualifications on scope (Ageing Support and Retail Services for example). This mercenary approach to training scope damages the industry.
- 4.6. Non-invested RTOs reduce the effectiveness of the Certificate III Guarantee in low-funded industries.

5. Target B: Double the number of higher-level qualifications (Diploma and Advanced Diploma)

- 5.1. The 'Double the number of higher-level qualifications (Diploma and Advanced Diploma)' goal captures both job seekers and existing workers. Funding for this level of qualification in all state except the ACT is similar, or the same as, funding for Certificate III. Higher-level qualifications require more substantive and sophisticated training and assessment methodology.
- 5.2. These qualifications can often involve significant projects or case-study work, requiring a greater level of commitment by the learner in time and effort when compared to Certificate III. This can lead to low uptake among existing workers for similar reasons to those referred to in Certificate III (above).
- 5.3. Existing workers have commitments that do not support the uptake of higher-level learning.
- 5.4. A non-invested RTO (NIRTO) may view the higher-level qualifications as more expensive to develop and to deliver. They view the compliance costs as significant given the 'leading edge' nature of both knowledge and performance in these qualifications. To market the qualification with a substantial investment by the learner (in order to maintain a profit margin on delivery) is not appealing to NIRTOs given their short-term view of the process.
- 5.5. Further, diploma-level Training Packages like Business are seen as high risk by ASQA and targeted at audit. This further disincentivizes NIRTOs to deliver qualifications at this level. It is common to see NIRTOs with Certificate I, II and III on scope without the higher-level qualification or only those higher qualifications when funding is seen as lucrative. (NIRTOs have 'simple' Certificate III Business Administration with 'lucrative' Certificate III Individual Support for example).
- 5.6. In this way, allowing NIRTOs access to VET funding significantly impacts on the industry's ability to market and deliver higher-level qualifications. NIRTOs draw down on Certificate III level funds and do not invest in higher levels.

6. Core Issues

- 6.1. Targets were not met due to the following core issues:
 - Existing workers are not motivated to take up accredited training, especially in the previous healthy economy; and

- Non-invested RTOs take an entirely commercial view when marketing and delivering training packages, to the detriment of the industry as a whole

7. What changes are needed?

7.1. Innovations to address the core issues and achieve Target A and Target B

(a) Innovation 1

Existing workers need to be motivated to undertake training and at a Certificate III level, this may mean education of the employer as well as the employee. The benefits of training to the workforce are many and well-documented. If training is to be seen as valuable by those who are already employed, these benefits must be communicated.

At a higher level, those who benefit by undertaking Certificate IV and Diploma-level training should receive some set-off in recognition of the time required. This may be in the form of a day off with pay once a month for the eight months of the course, for example.

In any case, existing workers must see the benefit to the qualification or, in the higher levels, receive the time to devote to the qualification in order to truly benefit. Incentivizing employers to support workers upskilling would also support this innovation.

(b) Innovation 2

Each state determines the skills needs within and approves 'invested RTOs' to deliver and assess within the state. An arrangement similar to this takes place in some states as a Skills Assured Supplier arrangement (QLD). It is not uniform in process across the states however, nor does it approve RTOs based on their investment in the industry being trained.

(c) Example

RTO A is an Employment Services Provider (ESP) with both childcare and retail on scope. The training packages are not similar and whilst the EDP engages with both industries, it has no 'investment' in either. Its core purpose is to remain profitable while achieving employment outcomes that can be clumsy and ephemeral in nature.

Ineffective training does not impact on the core purpose of the ESP as it can simply train for employment outcomes in other industries.

RTO B is also an Industry Body (IB) with both business and tourism on scope. The training packages relate and support one another and the IB engages with both industries and represents at least one of the industries. Its core purpose is to strengthen and grow the industry it represents. One method for achieving this is through training.

Ineffective training impacts on the core purpose of the IB as it will decrease in membership and relevance if it does not deliver high-quality industry training.

- 7.2. In order to access funding on a state-by-state basis, an RTO must establish that it is competent to deliver training and that it is also invested in the industry it seeks to deliver funded training in. It must provide training for both lower and higher-level qualifications for that industry and demonstrate its commitment to the industry by participating in engagement activities of substance as determined by the fund provider.
- 7.3. 'Invested RTOs' are motivated to deliver high-quality training in order to strengthen and grow the industry.
- 7.4. Rather, the process by which penalties are set needs to allow the judiciary to have sufficient discretion to both address the special needs and circumstances of small and medium businesses whilst at the same time enabling the judiciary to impose sufficiently severe penalties on major institutions to allow for effective general and specific deterrence.

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