



HOUSING INDUSTRY ASSOCIATION



Housing Australians



Prepared for
The Productivity Commission

**HIA Submission to the National Skills and Workforce Development
Committee Review**

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 150,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over \$100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



1. INTRODUCTION

1.1 Background

The Housing Industry Association (HIA) welcomes the opportunity to provide a submission to the review into Australia's National Agreement for Skills and Workforce Development (NASWD).

HIA supports the focus on reforming the national training system with the objective of improving the quality and responsiveness of the system, together with ensuring that training outcomes are both equitable and efficient.

HIA notes the relatively broad scope of the review and confine our comments to the funding of Australia's Vocational Education and Training (VET) sector.

HIA also notes that in undertaking this Review, the Productivity Commission should have regard to:

'...current and potential funding arrangements, existing skills programs and contemporary policy settings and labour market needs.'

HIA supports the basis for the Review and note the importance of point A. in the notes contained in the initial communication from the Commission regarding the Review.

'the VET and higher education sectors are closely linked with cross system impacts seen through funding arrangements, pathway policies and the skills continuum.'

This is the case in theory, but it doesn't occur in reality. For some decades the VET sector has been treated as the 'poor cousin' of the university sector. This treatment, view and attitude permeates Australia's secondary school education system, the curriculum of that system, the attitudes of schools, teachers, parents, the broader community, together with students inherently favouring a university career path as opposed to, for example, pursuing a skilled trade in the residential building industry.

A successful review of the NASWD will need to incorporate a recognition of the systemic, cultural bias against the VET sector which has developed in recent decades and we would hope provide a recommended strategy to redress that imbalance. That needs to be a core outcome of the Review.

2. THE SCOPE OF THE REVIEW

The terms of reference for the Review are relatively broad and provide a welcome starting point as there are many elements in what has become a highly complex training system which require attention.

Point four of the Terms of Reference is considered most significant:

'Options to promote consistency in funding and loan arrangements between the VET and higher education sectors, and on any cross sector impacts that there might be.'

Meeting this objective is the vital component to any successful review of the NASWD. In recent years the only sector of Australia's entire education system to experience a decline in real funding has been the VET sector. While any education funding needs to be effectively and efficiently allocated, if the fiscal imbalance between VET and every other component of Australia's education system is not redressed, then any recommendation from any review of the VET sector are effectively rendered redundant.



It is noted that points two, three and five of the Review's Terms of Reference were highlighted by the PC. As implied above, HIA considers point four to also be crucial.

3. ADDRESSING THE TERMS OF REFERENCE

HIA firstly considers points four and five:

4. *Options to promote consistency in funding and loan arrangements between the VET and higher education sectors, and on any cross sector impacts there might be.*

While a crucial objective to achieve, any improvement and reform of the VET sector will fail to succeed if the funding asymmetry between the VET and university sector is not addressed. As implied above, this is not to say that increased funding in and of itself is the answer to genuine reform. Clearly all funding should be efficiently and effectively allocated, spent and accurately monitored. It does remain the case that the continuation of a decline in real funding for the VET sector is inconsistent with any strategy developed for genuine reform of the sector being successful.

5. *Options to ensure government investment in VET encourages increased participation in training by all Australians and is commensurate with the benefits derived by individuals, business, industry, the local and national economy and society more generally.*

HIA recognises that the responsibility for funding and financing VET rests with not only the federal government, but also with state/territory governments, employers and individuals. This is also recognised in the background to the Review.

The role of governments in this equation is crucial and will always remain the case. At the core of achieving the objective of increased 'workforce participation' is increased government investment in the VET sector, as the current funding asymmetry is unsustainable and incompatible with any genuine reform of the VET sector.

Secondly, point five requires government support for the establishment of a level playing field in the VET sector. It is important that Registered Training Organisations (RTO's), Group Training Organisations (GTO's), TAFE's and other training providers have an equal ability to offer their services to train Australians from all backgrounds and ages. This has not been the case in recent years. For example, on account of a few unscrupulous operators being, quite rightly, identified and prosecuted, the entire GTO sector has been tarnished with the same, negative brush. There are a great many credible, profitable GTO's in Australia with decades of training experience who have not been able to operate on a level playing field in the VET sector. This has been to the detriment of the efficiency of the operation of the sector. There has also been an adverse effect on the overall achievement of point five above and on the efficacy of government investment in the VET sector.

Thirdly, the breadth of VET education is important. In this regard the establishment of both the National Skills Council and the National Careers Institute, recommendations of the Joyce Review, is a very positive development.

It is important to provide the necessary skills to secondary school students, new school leavers, young adults in the 18 to 24 year old bracket, mature age students looking to change occupations and older workers who need to reskill.



This requires a holistic approach to government investment in VET, which is likely to best be driven through the COAG Skills Council. Greater and more coordinated cooperation and communication across levels of government will be important. HIA notes and strongly supports point G in the initial Commission communication regarding the August 2019 COAG arrangement which states the Commission should have regard to:

“The August 2019 COAG agreement for a shared vision for VET that delivers high quality education and training and that helps all Australians, and meets the needs of students and employers and any further decisions taken by COAG and the Skills Council during the review.”

In keeping with point five of the Terms of Reference and the point above, the ultimate goal should be to accurately match the demand for traditional, emerging and new labour skill sets with the appropriate supply of labour. This will require close cooperation and greater policy/funding cooperation and uniformity between the federal government and states/territories than has been evident in recent decades.

It is important for government investment in the VET sector to be flexible and broad-ranging. In the residential building industry, to take one example, technological advancement is creating new job opportunities, together with some jobs the industry doesn't yet know exist. At the same time, there is a structural shortage of bricklayers and ceramic tilers, to take two examples and these foundational trades will still be in high demand in twenty years' time.

In HIA's view another crucial component of the Review is point three of the Terms of Reference:

3. *Options for nationally consistent government funding and pricing arrangements that maximise efficiency, transparency and the supply of trained workers for the economy and promote consistency of targeted incentives.*

Clearly this can't occur without the successful achievement of point two:

2. *Options for governments to coordinate and streamline their support for vocational education and training in the future.*

The recently formed COAG Skills Council has a crucial role to play in the achievement of this objective. In recent years the level of trust and cooperation between federal and state/territory governments has deteriorated, to the detriment of an efficient and transparent allocation of resources to the VET sector. The level of duplicity and consequently inefficiency between federal and state/territory boundaries, has increased. In addition, not only has there been a decline in funding, but there has been an increase in the volatility of resource allocations. Consequently, uncertainty around the level of funding from one year to the next has increased and this has had an adverse impact on strategic planning. Clearly this situation needs to change as there is an inefficient allocation of resources occurring in the current environment, due primarily to government intervention.



HIA notes that one of the Review's terms of reference is a national funding model. This is also the priority of the interim Commissioner of the National Skills Council and needs to be a core focus of the COAG Skills Council. A coordinated, transparent and stable commitment to supporting and funding the VET sector forms the core of any successful reform, but history proves it is a difficult outcome to achieve. Yet, successful reform of the VET sector won't occur without it. The Supporting Apprentices Fund (SAF), an initiative supported by the HIA, would have enjoyed greater success, had this basis for cooperation existed.

The NASWD should play a role in reforming the system. It is HIA's view that, as with many areas of division of responsibility in Australia's federalist system, the basic ground rules of the NASWD are not adhered to. For example, there was a commitment made under the agreement to double the number of diplomas which students 'graduated' with. Ultimately, state/territory governments ignored the targets initially agreed to and removed or reduced funding. The numbers were never met and indeed they fell substantially short.

A greater level of accountability and transparency needs to be forthcoming between federal and state/territory governments. As an example, an over-regulated environment around the VET student loans scheme didn't assist SAF being as successful as its initial design allowed for.

HIA concludes our submission by addressing points one, six and seven of the Terms of Reference, which we believe appropriately sum up the challenge ahead in successfully reforming the VET sector.

4. CONCLUSION

Point Seven of the Terms of Reference provides an appropriate conclusion to HIA's submission as it brings together the two fundamental requirements of any successful reform of the VET sector.

7. *Options for improved performance indicators, data and information sharing arrangements to enable all governments to assess the effectiveness of VET investment and delivery.*

HIA has for many years advocated for the establishment of a centralised set of information and data, not only for skills and training, but for broader purposes, including land supply. There have more recently been some positive outcomes and HIA recognises and welcomes the establishment of a National Skills Council and a National Careers Institute to assist in the reform of the VET sector.

Redressing the fiscal imbalance to ensure a growth in real funding of the VET sector is paramount.

Addressing the 'perception asymmetry' against pursuing a career pathway in VET, which has become entrenched in Australian society, is critical.

This leads us to point one in the Terms of Reference:

1. *Achievement of the objectives, outcomes, performance indicators, targets, reform directions and roles and responsibilities set out in the NASWD and their ongoing suitability.*



This first Term of Reference requires two important modifications in terms of a review of the NASWD. Firstly, without a commitment to turn around the adverse funding asymmetry against the VET sector, it is highly unlikely that any initiatives will be successful. As HIA has noted earlier in this submission, distributing additional funds to a sector is not an answer in and of itself, but the under-resourcing of the VET sector needs redressing.

This is the priority from which better policy than the VET sector has experienced in the recent times can hopefully flow.

Point one notes “*Achievement of the objectives, outcomes, performance indicators, targets, reform directions and roles and responsibilities set out in the NASWD and their ongoing suitability.*”

This is clearly not being met as there is a lack of accountability and transparency to the apparent relationship and ‘agreement’ between the federal government and state/territory governments. A greater level of respect for and accountability to the agreement is required.

Point six of the Terms of Reference states:

6. *Potential for future funding arrangements to achieve further targeted reforms including extending Language, Literacy, Numeracy and Digital Literacy (LLND).*

HIA has long been a supporter of government initiatives to improve and educate students’ core learning skills. As with many other aspects of the VET sector, such moves are very important, but won’t succeed without additional funding and considerably greater cooperation between state/territory and federal governments.

Be it a review of NASWD or any other component of the education system, the funding imbalance needs to be redressed and policy settings need to treat the VET sector equitably.

There are efficiency gains to be made in terms of funding the VET sector. This needs to occur within an overall strategy to increase the real funding of the VET sector and develop a pathway for educating individuals on the benefits of pursuing a career pathway through the VET system.

Residential building is a very efficient industry, but skills and training isn’t a component of that industry efficiency, for reasons beyond the industry’s control. That is largely due to poor funding allocation and a lack of cooperation between states and territories with the federal government.

If these two issues aren’t resolved – funding and cooperation - then Australia will fail to meet the skill demands for the residential building industry of the next decade and beyond.