

Submission from Western Australian Agencies

in response to the Productivity Commission's discussion draft of December 2011

Impacts of COAG Reforms: Business Regulation and VET

March 2012

General

The Council of Australian Governments (COAG) reform agenda covers a spectrum of government activity including human services, economic and business regulation, planning and environmental management. Co-ordinating the development and implementation of such wide ranging reforms places considerable pressure on State governments, particularly when States' own reform agendas are being progressed. In order to achieve the desired outcomes it is imperative the management of the reform agenda facilitates rather than frustrates implementation. It is Western Australia's experience that there have been too many instances where reform efforts have been frustrated by poor design, procedure and process.

Through the Intergovernmental Agreement on Federal Financial Relations (the IGAFRR), COAG established a framework for managing Commonwealth-State financial transactions that would facilitate the reform agenda. However, the intent of the IGAFRR has often been undermined by non-compliance with its provisions. Recent guidelines on the development of national partnership agreements, implementation plans and project agreements will assist, but the inability of the Commonwealth to acknowledge the States' roles and responsibilities, to let go of input controls and to demand excessive reporting requirements in proposed agreements is a recurring problem for State agencies. States are often best placed to determine how reforms should be implemented within their jurisdictions and to exercise the flexibility needed to respond to changing circumstances. Additionally, disputes over input controls and excessive reporting burdens create delays and divert effort and resources away from actual implementation of reform. The cumulative effect is that reforms are put at risk.

Other significant areas of concern include:

- The States bear a disproportionate financial risk in their implementation through:
 - inadequate cost-benefit analysis to inform decision makers, which exposes States to financial risk above what is anticipated and consequently places the proposed reform at risk.
 - uncapped liability on States: for example, States are asked to make a service available to all eligible persons but are only funded by the Commonwealth to provide service to a proportion of the target group (usually based on an assumed level of take up). Similar issues arise when a national partnership involves the Commonwealth funding the capital component, but the State being liable for all recurrent costs and risks associated with service delivery, maintenance and repairs.
 - requirements for States to match Commonwealth funding: this is a form of input control undercutting States' accountability to the public,

diverted State funds and progressively eroding their ability to achieve their own priorities.

- competitive bidding and tendering: which concentrates the power in determining which projects proceed entirely in the Commonwealth's hands. This approach also typically seeks a financial contribution from States which is against the principles of the IGAFRR, and has the potential for State funds to be redirected to areas of lesser priority to the State.
 - expiring national partnership agreements: national partnerships are for a fixed term. The original intent of the reforms to federal financial relations was that once a reform had proven to be successful its ongoing funding would be rolled into the associated national agreement. Communities will expect successful programs and services to continue but without ongoing Commonwealth funding through the national agreement, the State is at risk of carrying the entire funding responsibility and public accountability once the agreement has expired. This is a form of cost shifting to the States. The Department of Training and Workforce Development has sought to include a clause in national partnerships specifying that upon expiry, funding would be rolled into the national agreement but this approach has been rejected by the Commonwealth. This level of uncertainty has the potential to act as a disincentive for States to enter into reform agreements.
 - "one size fits all" pricing for services (activity based or national pricing regimes): this approach consistently disadvantages Western Australia disadvantage due to the additional costs associated with servicing the State's geographically dispersed population, especially in remote areas, compared with the more concentrated populations of other States.
- There is a heavy bias towards implementing Commonwealth Government priorities, often derived from its election commitments, with insufficient regard for State priorities or existing State services and programs. This can result, for example, in a State being asked to enter into an agreement which directs funding to a particular priority group already well-served by the State or which duplicates what a State already provides.
 - There also needs to be greater recognition that national harmonisation may not be equally appropriate for all States and that "harmonisation" does not necessarily mean "identical". States must have the flexibility to introduce reforms aligned to national agendas that take into account jurisdictional differences and needs. As the Productivity Commission has noted, the goal of harmonisation is more likely to favour the needs of national firms and this can be at the expense of smaller, state based firms who could be forced into compliance with a new regulatory regime which disproportionately adds to their costs. Additionally, States have their own regulatory and legal frameworks and changing one element of this to accommodate national harmonisation may result in inconsistencies or conflict with other aspects of the State's framework.
 - Finally, any assessment of COAG reforms should acknowledge important areas that have been left undone or gone backwards. Of most concern for

Western Australia would be the streamlining of development assessment processes where Commonwealth environmental reforms are stalling or even going backwards (notwithstanding the Productivity Commission's assessment that this is a reform area with the largest prospective benefits) and, of course, the Goods and Services Tax (GST) arrangements. The current arrangements for distributing GST revenue is unsustainable and need to be changed as a priority. The Commonwealth Grants Commission's recent recommendations will result in Western Australia's share of GST revenue declining to 55 cents in the dollar in 2012/13 – and alarmingly in the latest year assessed by the Commission this has declined to a mere 29.6 cents. Western Australia's own estimates project a fall to 27% by 2015-16. Local, national and international businesses operating in this State understand this situation. For business, the situation means Western Australia has less to invest to provide the services and infrastructure needed to support their growth, which will act as a brake on business investment.

Vocational Education and Training

The achievements under the National Partnership on Productivity Places Program (NP PPP) have been a key instrument used by the Productivity Commission in assessing the impact of COAG reforms by States and Territories. Western Australia has continued to encourage training delivery in priority skills and Certificate III and above levels through the implementation of this National Partnership Agreement.

Western Australia developed a unique implementation plan under the NP PPP which greatly reduced the reporting complexities and any duplication of joint Commonwealth – State funded program effort. This has resulted in the strong uptake of training.

Consequent to this approach, there is no separate identification of NP PPP training places additional to baseline delivery levels from other publicly funded programs that address skill shortages. This strategy continues to provide Western Australians with an opportunity to:

- build on the strength and breadth of existing programs, maximising access to, and uptake of, priority training;
- eliminate administrative duplication associated with the management of a large number of discrete programs;
- maximise opportunities for students to access training in a streamlined and seamless manner;
- ensure full access to appropriate training options for youth and retrenched workers; and
- add value to State initiatives and therefore increase the effectiveness of the overall Western Australian training system.

Training levels for activity outside industry identified priority training qualifications were capped at baseline levels, resulting in all growth achieved being attributed to the identified priority qualifications under the NP PPP.

Western Australia's successful implementation of the NP PPP has been well noted and acknowledged. As reported by the *COAG Reform Council's National Agreement for Skills and Workforce Development: Performance report for 2009*, Western Australia was the only jurisdiction to achieve its total number of places in 2009 and indeed the target was exceeded by over 20%.

The NP PPP annual report for 2010 confirmed a further 27,000 enrolments in Western Australia in 2010 which exceeded the NP PPP 2010 target enrolments by approximately 6,000 places.

The NP PPP policy objectives have been in alignment with the objectives of the National Agreement for Skills and Workforce Development, which are reflective of the COAG reform direction. The National Agreement provides the framework within which Western Australia has developed its NP PPP purchasing strategy. The policy objectives of the NP PPP are clearly aligned to:

- the establishment of a training system that engages with and is responsive to the needs of industry and changing demands of the labour market;
- actively developing and implementing programs to support social inclusion and bridging the gap between Indigenous and non-Indigenous Australians; and
- providing the breadth of skills and capabilities required to increase the State's productivity.

As per the last publicly available NP PPP annual report (2010 annual report), the following key achievements relating to COAG reform priorities are noted:

- The strong demand for training in Certificate IV qualifications in 2009 continued in 2010, accounting for 50% of the training delivery, followed by Certificate III qualifications with 30% of the delivery.
- Under the User Choice arrangements of Western Australia, the training market was open to all registered training organisations with scope to deliver the industry identified priority qualifications included under the NP PPP. This resulted in a total of 323 training organisations contracted to deliver training under the NP PPP, 12 of which were State Training Providers, with the remainder being private training providers.
- Western Australia's purchasing strategies have always supported the priority of training places in industry identified skill shortage areas. In 2010, as in 2009, all employment based training qualifications, plus a revised set of qualifications to specifically address the State's unique skill shortage priorities, as communicated through Western Australia's Industry Training Councils, were competitively allocated with funding rates aligned across State and private training providers.
- In 2009 as part of a \$47.4 million economic stimulus package by the Western Australian Government, the Department of Training and Workforce Development introduced State funded course fee exemptions for the unemployed across all joint Australian/State funded programs. In 2010, this initiative continued to complement the NP PPP course fee exemption for job seekers and maintained equity between unemployed students participating in industry priority qualifications, regardless of whether their activity contributed to baseline levels or was funded as growth through the NP PPP. The course fee exemptions for eligible students continue until the end of the NP PPP.

This profound success of Western Australia's NP PPP implementation underscores the fact that significant advancement towards the overarching policy objectives of the program has already been made.

A summary of reform stock-take from Western Australia submitted to the Productivity Commission for consideration in the development of the discussion draft is provided at Appendix A. This is an update on material previously provided.

Reform Stocktake - Western Australia

Reform	Summary	COAG reform?	Date implemented	Realised/prospective/potential gains	Planned policy directions
Course fee exemptions (Training WA)	<ul style="list-style-type: none"> To introduce course fee exemptions for unemployed. 	Yes NASWD (Outcome 16)	June 2009	<p>Increased participation in training. From July 2009 to December 2010, a total of 11,870 job seekers were assisted through this initiative.</p> <p>Overall there has been a 12% increase in the number of working aged Western Australians undertaking publicly funded training, from 127,974 in 2008 to 143,553 in 2010.</p>	Initiative ends 30 June 2012.
Rebate on workers' compensation premiums (Training WA)	<ul style="list-style-type: none"> To introduce a rebate on workers' compensation premiums for employers of first year Certificate III and above apprentices and trainees. 	Yes NASWD (Objective 15)	June 2009	Has helped encourage employers to take on apprentices and trainees. As at 28 July 2011, 8,932 claims had been approved for 3,620 employers since June 2009. Despite the impact of the GFC, there has been an increase in the number of apprentices and trainees in training from 37,281 in December 2008 to 40,419 as at 31 July 2011.	Initiative completed
RPL (Training WA)	<ul style="list-style-type: none"> To introduce 50 per cent fee concessions for students to have skills recognised through RPL. Free recognition services for unemployed people. 	Yes NASWD (Outcome 19)	June 2009	3,947 students were provided with a Recognition of Prior Learning fee concession in the period from January to the end of March 2011. This compares to 3,473 in the same period in 2010. This initiative has been highly successful with a 140% increase in recognition of prior learning outcomes between 2008 and 2010, from 30,087 to 72,322 module enrolments.	Initiative ends 31 December 2011.

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	<ul style="list-style-type: none"> Funding to establish a team to facilitate RPL. 				
Increase training at Certificate IV and above (Training WA)		Yes NASWD (Outcome 16)		The Western Australian economy increasingly requires highly skilled workers to increase productivity. The previous trend has been reversed and enrolments in high level training have increased by 38% between 2008 and 2010, from 31,376 to 43,432.	The Department is continuing the pursuit of Training WA target of 48,000 Cert IV enrolments and above by 2012.
Increase competition for publicly-allocated training funds (Training WA)		Yes NASWD (Outcome 18)		<p>The proportion of training delivery allocated through competitive processes has increased from 27% in 2008 to 72% in 2010. This is providing greater choice for students and employers and a more flexible training system.</p> <p>Employer satisfaction with training has increased from 72% in 2007 to 87% in 2009.</p> <p>Students are satisfied with the training system in Western Australia and student satisfaction levels have increased from 85% in 2008 to 87% in 2010.</p>	Consistent with the national training reform agenda, Western Australia is currently exploring models based around the concept of an entitlement that will be best suited to this State's future economic and social needs.
Ensure greater TAFE college independence (Training WA)	<ul style="list-style-type: none"> Training WA launched in 2009 accessed here: www.trainingwa.wa.gov.au/trainingwa/detcms/portal/ A key initiative focuses on 	Yes NASWD (Outcome 18)		<p>The Governance Framework for State Training Providers enhances efficiency and accountability in the public sector by providing the parameters within which STPs manage their governance obligations.</p> <p>Importantly it has resulted in an initiative that provides increased opportunity to further develop and deliver innovative and flexible training services that assist this State to realise its economic potential and maximise long term benefits to the public of Western</p>	The Department will evaluate the implementation of the Framework over the next twelve months. This evaluation will provide the basis for consultation with STPs aimed at further increasing

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	providing State Training Providers (STPs), formerly TAFEWA colleges, with the independence to compete more effectively in an open training market.			Australia. A new Governance Framework will facilitate more effective competition in an open training market.	their autonomy.
Career development services (Training WA)	<ul style="list-style-type: none"> To provide greater access to career development services. A new state-wide network of 14 Workforce Development Centres has been funded. 	Yes NASWD (Outcome 18) NP YAT	In final stages of development and implementation 1 April 2010	<p>An interactive career development website and supporting resources have been developed to support transitions. Specific links and resources to meet the needs of Aboriginal youth.</p> <p>The centres have supported approximately 28,000 Western Australians with career advice over the past year.</p>	<p>Launched November 2011</p> <p>Initiative completed</p>
Marketing and awareness campaigns (Training WA)	<ul style="list-style-type: none"> Marketing and awareness campaigns about training options during the economic downturn. 	Yes NASWD (Outcome 18)	June 2009	The Government has also run marketing and awareness campaigns to inform individuals and employers about training options. Overall there has been a 12% increase in the number of working aged Western Australians undertaking publicly funded training, from 127,974 in 2008 to 143,553 in 2010.	The Department is currently planning a suite of skills shortage campaigns for the remainder of 2011/12.

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					The campaigns aim to support the strategic goal of Skilling WA - A workforce development plan for Western Australia Available at: www.dtwd.wa.gov.au
Modernise apprenticeship system (Training WA)	<ul style="list-style-type: none"> Modernise the apprenticeship system by implementing the amended Vocational Education and Training Act 1996. 	Yes NASWD (Outcome 18) Progress Measure (b) p5.	June 2009	<p>Skills Formation Taskforce provided advice to the Government on reforms required to the Apprenticeship & Traineeships system with particular reference to: relevance of A&T's, increased employer commitment, removing barriers to participation, addressing non-completions, and greater flexibility and quality in training.</p> <p>Aligning the previous work of the WA Apprentice reform with new National direction.</p>	<p>Stakeholders surveyed for feedback on amended legislation in July 2011 to inform policy amendments.</p> <p>Apprenticeship Policy reviewed and roles and responsibilities elaborated.</p> <p>Updated policy will be released on 1 Jan 2012.</p>
Targeted school training	<ul style="list-style-type: none"> Target training in school to local employment opportunities. 	NP YAT		The share of VET in schools training in priority industry areas has increased from 24% of VET in schools delivery in 2008 to 28% in 2010.	Review of VET in Schools policies
Pre-App Training	<ul style="list-style-type: none"> Program to increase 	Yes NP Pre	August 2010	SAL program redeveloped from certificate I to a certificate II pre-apprenticeship pathway for	Internal evaluation of the program is

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(Kickstart)	commencement s and completions of apprenticeships in identified skill shortage occupations by providing more pre-apprenticeship opportunities.	App Training	February 2011	<p>the SAL Kickstart program.</p> <p>An additional 370 places in the SAL program at Certificate II level have been provided, with students commencing in Semester 1, 2011.</p> <p>Certificate II SAL Kickstart pre-apprenticeships are available in the Automotive, Building and Construction, Electrical, Metals and Engineering, Light Manufacturing and Food industry areas. Take up in all industry areas has been positive.</p> <p>The outcomes of the program will become clear once students have completed their pre-apprenticeship training in mid 2012.</p>	<p>underway:</p> <ul style="list-style-type: none"> - preliminary review completed by end 2011; - final review completed by mid 2012 (to coincide with students' completion of the program).
Entitlement to training for 15–19 year olds	<ul style="list-style-type: none"> • Young people aged 15–19 years have an entitlement to an education or training place for any government-subsidised qualification, subject to admission requirements and course availability. 	Yes NP YAT	July 2009	Realised- Implemented as a component of National Partnership – Youth Attainment and Transitions	Consistent with the national training reform agenda, Western Australia is currently exploring models based around the concept of an entitlement that will be best suited to this State's future economic and social needs.
Entitlement to training for 20–24	<ul style="list-style-type: none"> • Young people aged 20–24 years have an 	Yes NP YAT	Jan 2010	Realised- Implemented as a component of National Partnership – Youth Attainment	Consistent with the national training reform agenda,

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year olds	entitlement to an education or training place for any government-subsidised qualification which would result in the individual attaining a higher qualification, subject to admission requirements and course availability.			Transitions	Western Australia is currently exploring models based around the concept of an entitlement that will be best suited to this State's future economic and social needs.
National Youth Participation Requirement	<ul style="list-style-type: none"> This requirement states that all young people must participate in schooling to year 10 and then participate in full-time education, training or employment until age 17. 	Yes NP YAT	Jan 2010 (Participation requirement became part of the School Education Act 1999 in 2006)	<p>Realised. (WA had already implemented amendment to participation length prior to this requirement).</p> <ul style="list-style-type: none"> Review and implementation of revised Pre-Apprenticeship programs in school. Where young people are not involved in full time education, use of Notices of Arrangement to document engagement of under 18 year olds in education, training and employment. Alternative school based programs also developed and approved. 	Participation and engagement of young people in Yr 12 or Certificate II equivalent (as the basis).
National Partnership Agreement: Productivity	<ul style="list-style-type: none"> This program aims to address skills shortages and increase 	Yes NP PPP	Jan 2009– June 2012	A better skilled Western Australian workforce with 75,500 additional training places in priority skills areas being undertaken over four	The program concludes in June 2012 and negotiations are not

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Places Program (PPP)	the productivity of industry and enterprises by increasing training places available in priority skills areas. The Australian Government provided funding under the PPP.			years.	finalised regarding replacement programs
Initiatives for retaining staff	<ul style="list-style-type: none"> Develop initiatives to help employers retain apprentices and trainees. 	Yes NASWD (Outcome 18)	Ongoing	<p>In the 12 months to the end of June 2011 there were 29,080 apprenticeship and traineeship commencements, an increase of 9.8% compared to the 12 months to the end of June 2010 (26,492).</p> <p>There were 40,675 apprentices and trainees in training in WA as at 30 June 2011, up 4.2% from 39,029 in June 2010.</p> <p>The Department's ApprentiCentre supports employers and apprentices, particularly during periods of economic downturn. ApprentiCentre manages the Out of Contract Register which connects experienced apprentices with potential employers.</p>	The Department is reviewing the percentage of Joint Group Training Program funds allocated to target groups to increase participation and influence the take up of target groups through Group Training Organisations.
Initiatives undertaken as part of Training Together-Working Together	<ul style="list-style-type: none"> Develop initiatives to support training of Aboriginal people, including support 	Yes NASWD (Objective 14 & Output 20)	2011	Aboriginal School Based Training program has been strengthened to include additional pathways for training. This includes both off the job and employment based training.	To be implemented in 2012

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<p>accessed here: www.stb.wa.gov.au</p>	<p>services and the enhanced Aboriginal School Based Training program accessed here: www.trainingwa.wa.gov.au/aprenticentre</p> <ul style="list-style-type: none"> Five Aboriginal Workforce Development Centres have been established in Perth, Broome, Bunbury, Geraldton and Kalgoorlie accessed here: www.trainingwa.wa.gov.au/awdc/detcms/portal/ 	<p>(d)&(e)</p> <p>NIRA</p> <p>(Closing the Gap Indigenous life outcomes pC64-C65)</p>	2011	<p>The Aboriginal Training and Employment program has been established in 4 regions to facilitate aboriginal people linking to training and employment opportunities. The program aims to provide Aboriginal Training and Employment services in the Great Southern, Peel, Pilbara, and Wheatbelt Regions.</p> <p>The Aboriginal Workforce Development Centres have been established to achieve sustainable employment outcomes for Aboriginal people by linking and supporting Aboriginal jobseekers and employers in partnership with relevant service providers.</p>	
<p>More Indigenous people in training</p>	<ul style="list-style-type: none"> 30 000 Indigenous Australians enrolled in employment related training from 2009 to 2012. Training Together Working Together can 	<p>Yes</p> <p>NASWD</p> <p>NIRA</p>		<p>There has been a 14% increase in enrolments in employment related training by Aboriginal people, from 7,156 in 2008 to 8,149 in 2010.</p>	<p>Ongoing</p>

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	<p>be accessed here:</p> <p>www.stb.wa.gov.au/TTWT/Pages/Trainingtogether-workingtogether</p>				
Skilling WA – A workforce development plan for Western Australia	<ul style="list-style-type: none"> • Skilling WA's integrated approach to workforce planning and development key strategic goals including: <ul style="list-style-type: none"> - increasing participation - attraction and retention strategies - skills development and utilisation - cross sector planning and coordination 	<p>Yes</p> <p>NASWD Preliminaries 2-6 p3</p> <p>Targets (a)&(b)p 6</p>	Released December 2010	<p>A State response to the increasing demand for skills and labour by the State's industries, which recognises the impact of the major resources and infrastructure projects have on the State's labour market and is aimed at building, attracting and retaining a skilled workforce to meet the economic needs of the State.</p> <p>Prospective/potential gains: To maximise the availability of skilled labour to meet the needs of employers, the community and the individual.</p> <p>Skilling WA is a dynamic document monitored and updated with ongoing consultations with government, industry and community to review progress towards outcomes. As lead agency on workforce development issues, the Department has developed an implementation plan for those priority actions for which it is responsible.</p> <p>Whole of government workforce planning including:</p> <ul style="list-style-type: none"> • Regional workforce development plans • Industry workforce development plans • Project focused workforce 	Ongoing

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				<p>development plans</p> <ul style="list-style-type: none"> • Training together-working together (Aboriginal workforce development strategy) 	
Skilling WA Priority Action 4.1.3: Funding for high priority training	<ul style="list-style-type: none"> • The Department of Training and Workforce Development will focus funding towards high priority occupations (based on the State Priority Occupation List) and particularly those impacted by major resource and infrastructure projects. • Western Australian State Priority Occupation List (SPOL) accessed here www.dtwd.wa.gov.au/dtwd/detcms/portal 	<p>Yes NASWD</p>	<p>Released June 2010, updated annually.</p>	<p>The funding of training is now targeting critical skills required for the economy and driven by the State priority occupations list – an annual list of the jobs that are in high demand or considered critical to Western Australian industry.</p> <p>This list is based on economic and labour market analysis, and is produced in consultation with the State's network of industry Training Councils. Industry Workforce development plans have been completed for each of the 10 Training Council industry areas and help to guide training delivery.</p> <p>As a result, the share of training delivery hours in skill shortage areas has increased from 44% in 2008 to 68% in 2010.</p> <p>Towards achieving NASWD outcome: the supply of skills provided by the national training system responds to meet changing labour market demand.</p>	<p>Ongoing</p>