



Submission to:

**Australian Government
Productivity Commission**

Regarding:

Inquiry into

National Agreement for Skills and Workforce Development

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National Agreement for Skills and Workforce Development

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Executive Summary

This submission starts by outlining what the Shop, Distributive and Allied Employees' Association (SDA) is and the relevance of the National Agreement for Skills and Workforce Development (NASWD) to SDA members.

It then answers the information requests named in the issues paper in general terms and recommends:

That proposals for the NASWD be tested against each government's objectives, be they similar or different to the Australian Government's.	7
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That the NASWD facilitate consistent pricing across states and territories.	11
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In coming to this conclusion, the submission provides some examples from the retail industry and cites the CSIROs Australian National Outlook 2019 arguing that one of the three levers that support a revitalised, resilient economy is building human capital. Further, it argues that building human capital can be done by strengthening people's cognitive and collaborative skills through education systems, by developing and leveraging management skills, and with greater investment in lifelong learning.

SDA and Skills Policy

1. The Shop, Distributive and Allied Employees' Association (SDA) is one of Australia's largest trade unions with over 210,000 members¹. The SDA has membership in retail, fast food, warehousing, hairdressing, pharmacy, online retailing and modelling.
2. The majority of SDA members are low-income earners, women and young people. Retail and food services are two of the three lowest paid industries for median weekly earnings.² In 2018, the median weekly earnings of all Australians was \$1066³, some 34% higher than retail workers. Approximately 40% of SDA members are under the age of 25 (approximately 83,000 people) and 60% are women (approximately 131,000).⁴
3. The SDA has a long history of advocating on behalf of members. The SDA does this through enterprise bargaining; ensuring Awards and the National Employment Standards provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other reviews that relate to members experiences. The SDA has 10 policy principles that guide engagement in these reviews. For a list of these, see Appendix A.
4. A key advocacy role for the SDA is protecting and supporting a strong and vibrant retail industry and supply chain providing jobs with fair and just remuneration and contributing to the economy including through skilled workers. Registered enterprise agreements and awards outline the minimum terms and conditions of employment, including the appropriate classification of workers according to the skills, qualification and experience required for the role. The system of employment in Australia is therefore reliant on reliable and high-quality education and training prior to and during people's working lives, and this includes education in Vocational Education and Training (VET) settings.
5. In that context, the NASWD is of interest to SDA members for two key reasons:
 - 5.1. Without an effective and efficient skills and workforce development agreement, there will not be appropriately trained staff to meet the economic needs of Australia. If Australia does not succeed economically, the need for goods and services to be distributed is less

¹ Internal SDA data.

² ABS, "6333.0 - Characteristics of Employment, Australia, August 2018"
(<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0> accessed 9/7/2019)

³ ABS, "6333.0 - Characteristics of Employment, Australia, August 2018"
(<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0> accessed 9/7/2019)

⁴ Internal SDA data.

and retail trade will decline. Workers in the retail trade are at the front line of an important economic indicator, retail sales, and thus need economic success for Australia.

- 5.2. Secondly, retail trade and other industries in which the SDA has members are in a period of sustained change. There is an increased focus on customer experience, greater use of digital technologies shifting retail models, and increased automation in warehousing. For many years, this has meant increased casualisation, changing hours of work and disruption of workers. More recently, these industries have seen significant underemployment (workers seeking more hours), displacement (replacement of workers with technology), role transformation (technology augmenting a role) and dysfunctional workplaces (unreasonable workloads, bullying and harassment, and customer abuse and violence). Effective training and development of the workforce, including supervisory and management staff, is required to meet the rising challenges in workplaces.
6. SDA's submission is, therefore, focussed on topics related to the economy and the experience of workers. It also comments on requests for evidence in general terms if that is appropriate.

General Remarks regarding the NASWD

The National Agreement for Skills and Workforce Development provides \$1.5 billion annually to state and territory governments for the training system. The funds are spent on variety of purposes and should contribute to Australia's economic and social prosperity, and meet the needs of workers.

The agreement therefore should:

- retain three-part goals of a skilled workforce, through qualifications, leading to increased workforce participation, especially to underpin the National Training System with goals that support the economy and help alleviate underemployment and underutilisation,
- better enable coordination between students, employees, employers and government, especially to inform transferable skills within and across industries. The depth and breadth of industry knowledge can only be collected through the inclusion of industry and employee representatives in the governance of the system,
- achieve equitable funding and pricing that respond to industry and regional need, especially to deal with price differences for the same units of study in different jurisdictions and to respond to the variation in prices and attribution of costs to students of resources and tuition and
- hold the system to account for its objectives through effective skills forecasting especially to align regulatory action with lack of achievement of outcomes and focus students on activities that support workplace participation.

Responses to specific information requests

Section 1 (Reviews)

1 - Proposed approach to study & other reviews.

SDA notes that the review takes place in the context of the Council of Australian Governments and a shared model of power. The issues paper notes six reviews at an Australian Government level, and therefore this inquiry by the Productivity Commission is the seventh. In addition, states and territories have their own processes underway. Further, there is a need for Australia to have national capability to respond to economic, environmental and social changes; regional capability to respond to specific industries; and local responses to the needs of individuals. Together the reviews have the potential to create a complex mix of proposals for implementation that may or may not have shared objectives and results.

Recommendation:

That proposals for the NASWD be tested against each government's objectives, be they similar or different to the Australian Government's.

Section 2 (Goals)

2 - Evidence on how well the objectives have been met.

The objectives include that the national training system "meets industries' needs promptly as the economy changes". One example of the training system responding to need is the new Diploma of Retail Merchandise Management.

There was an undersupply of qualified buyers and merchandise allocators, planners and managers with the necessary skills in multichannel and digital retailing to focus on profitability. This followed 20 years of the TAFE system being undermined through government budgetary and market intervention and resulted in increased numbers of staff brought to Australia from overseas. Australia was reliant on qualified workers from overseas whose skill levels varied. In 2017, a change to the 457 arrangements saw a growing issue arise for retail and a survey of retailers by the Australian Retailers Association noted that 80% of respondents were extremely concerned about 3-4 key retail roles, including merchandise planning. Together, the retail industry responded by creating a suitable pathway for training current Australian retail staff to meet increasingly complex needs within roles in the industry.

There remains work to be done as there is increasing demand for data-driven inventory management, online and traditional retail. In July 2019, Hays Jobs report re-iterated the demand for skilled Merchandise Planners and Allocators⁵ and in September at NORA⁶ Network's Retail CEO Symposium, the top issue raised with the National Retailers Association was what the industry can do to resolve this critical shortage. With a better coordinated system of stewardship, solutions to the remaining issues can be found, agreed upon and implemented (See section 3).

The objectives also include that the national training system "support the achievement of increased rates of workforce participation." In the context of an economy with wage stagnation, retail lagging, and no real emphasis on non-mining investment, workers in retail trade industries are underemployed. In order to stimulate the economy, there is a need for focus on skills that support industries to develop. See page 11 for detail.

3 - Suitability of objectives & policy directions for the future.

The three-fold objectives of the national training system (skilled workforce, through qualifications, leading to increased workforce participation) are appropriate. At their intersection and implementation, the subsidiary objectives become misaligned in the following ways:

- The goal of quality outcomes is not met given the unequal perception of training and lack of quality information. For example, the same qualification from a TAFE is not seen as equal to a university, even though surveys show that students find the VET system to have greater vocational benefits; and there is highly variable quality of registered training organisations. In retail, SDA has observed in the hair and beauty industry that this causes lack of financial support for students seeking to do a second certificate III with a more reputable provider.
- The goal of stable funding is not met given the inconsistencies across jurisdictions. For example, the same qualification is priced differently because of the system in which it is offered rather than the quality of, or demand for, the course. The pricing of qualifications in retail management are a stark example of this inconsistency. Stable funding was undermined by the market reshaping of TAFE following the rise of university since the 1970s, the reduction in funding over the last 20 years, and the rise of ad hoc responses such as fee-free TAFE and traineeships in Victoria and NSW.
- While the goal that relates to pathways acknowledges the movement through and between education systems and to employment, there is a lack of focus on the need for education to

⁵ https://www.hays.com.au/press-releases/HAYS_2053964

⁶ National Online Retailers Association

meet the needs of multiple or varying employers overtime. This is manifest in the discussions of skill-sets, micro-credentials, and 'flexible' alternatives. However, there is an opportunity to consider how to more effectively synchronise systems of education to allow for transferability. For example, the commission could propose that units of study be de-linked from provider to allow VET and university units of study to be counted within the one qualification. For the goal of workforce participation to be achieved, the training system must acknowledge the need for basic or universally expected skills (core competencies) upon graduation.

Recommendations:

That the objectives of the NASWD continue to include workforce participation and that relevant subsidiary objectives be included.

That the NASWD objectives include transferability of skills between employers and units of study between providers.

That the objectives of the NASWD highlight the need to meet students' needs especially as those needs are changing and training should not tie workers to specific employers across a career.

4 - Suitability of indicators and targets & future framework.

Any Indicators or targets measuring government funding need to be two-fold – firstly accountability for expenditure and secondly outcome orientated. The NASWD sets two long term national targets to be achieved by 2020: halve the proportion of Australians 20–64 years of age without qualifications at the Certificate III level and above; and double the number of higher level qualification completions (diploma and advanced diploma). These relate to accountability for expenditure.

The outcome of the National Training System is a skilled and productive Australia, and thus the declining outcome indicator of improved employment status is of significant concern. In addition to the limitations of some measures named in the issues paper, measures of employment status vary in accuracy and applicability. Some measure employment outcome through surveys at a point in time after graduation, while others use headline unemployment figures. Few of these methods effectively define people as employed and many do not show whether wages are low or if there is a need for more hours of work.

The measures of success of the NASWD should show whether engagement in the national training system results in aggregate social benefit of education and whether it helped meet the need for work, one such measure that could be used is underutilisation.

Recommendation:

That the measures of success of the NASWD include broad economic benefits and workforce participation.

5&6 - How to improve governments roles & responsibilities; Effectiveness of intergovernmental arrangements.

Noting the funding and pricing does not currently respond to industry and regional need, SDA restates the view that each recommendation of the Productivity Commission be tested against commonwealth, state and territory economic and social objectives.

Section 3 (How well is the VET system working?)

7-11 - Appropriateness of market structure & joint/jurisdiction-specific policies; effectiveness of service quality and consumer protection arrangements; effectiveness of demand management; impact of the creation of National Entitlement Scheme & VET FEE-HELP; and role of users to determine, influence and steward the offerings

To meet the objective of workforce participation, there is a need for students to be guided on what training or qualification will assist them to remain and/or progress in employment. This requires advice from across, and deep into, industries. It requires shared expertise from government, employees and employers. It requires clear and comprehensive skills forecasts.

In the example of the Retail Services Training Package, there was a clear unmet demand for workers with merchandise management skills. These are a complex combination of skills that traverse understanding of trends, marketing, digitisation and profitability. The new Diploma is a first response, but to understand emerging need and prepare an effective response, the industry needs to support government to forecast demand and guide further responses. This kind of response is needed for a range of roles that are growing in retail trade, but also across the economy. For students to get information from RTOs and TAFEs, those suppliers need advice from a strong and coordinated system of stewardship informed by students, employees, employers and government.

Recommendations:

That the NASWD facilitate government and regulatory focus on quality and meeting the needs of students to participate in the workforce, including with comprehensive skills forecasts.

That the NASWD facilitate stewardship of the training system by state and territory governments with representation of students and increased engagement with bodies that view the system across industries including employee and employer representatives (unions and employer associations).

Section 4 (Funding and Pricing Setting of VET)

12-15 - Objectives, methodologies for cost/price setting and actual cost/price setting, and the impact of those arrangements; rationales and merits of funding and pricing; national funding agreement for VET in schools; evidence and views about effect on learning and career of funding and loan arrangements.

The SDA has observed apprentices and trainees being mistreated and having different costs depending on where they live. The mistreatment varies from general dysfunctional workplace behaviour through to debt collection demonstrating the ineffectiveness of the interaction between the National Training System and the Fair Work system. The issues paper maps funding flows at figure 4, but the review needs to also consider what is reasonable costs for participation by a student. If the objective of the system is workforce participation, a major barrier is costs to the student. For example, an SDA member's training provider charged excessively for 'resources' as opposed to 'text books', 'tools of the trade' and 'tuition' which are treated differently. This kind of practice puts employee at risk of being paid less than the minimum wage. Further, SDA members in some states and territories are funded at a higher rate than others, resulting in inequitable pricing across the country.

Recommendations:

That proposals for the NASWD be tested against actual flows of state and private monies which include students, schools/RTOs/TAFEs and employers to prevent disincentives to engagement.

That the NASWD facilitate consistent pricing across states and territories.

Sections 5, 6 and 7 (Government Investment in VET; Options to better coordinate and streamline initiatives; Other Targeted Reforms)

16-19 - Contributions commensurate with benefits, judgement of funding priorities, contributions of employers, level of funding variations, appropriate and assessed effectiveness and participation; Data collection and use; apprenticeship data systems, complexity and inefficiency, extent of improvement; LLND, foundational skills, and disadvantage

As outlined, government investment in VET must be done in the context of both the economy and the experience of a changing workplace.

Regarding the economic context, CSIRO's Australian National Outlook 2019 states "While the majority of Australians have benefitted from economic growth, the benefits have been unequally distributed. Stagnant wage growth over the past decade, coupled with strong house price growth, has left many Australians, particularly in younger generations, feeling left behind. A growing and ageing population is placing greater stress on Australia's cities, infrastructure and government services. There is evidence

that some aspects of Australia's educational performance are falling, both in absolute terms and relative to peers." To support a revitalised and resilient economy, the paper describes three levers - adopt technology, build human capital and pursue growth industries. It argues that building of human capital can be done by strengthening people's cognitive and collaborative skills through education systems, by developing and leveraging management skills, and with greater investment in lifelong learning. SDA believes that the national training system must reflect this need for cognitive and collaborative skills as well as management skills and without additional resources the economy will suffer.

For SDA members, cognitive and collaborative skills assist in responding to advancements in automation and increased competition from new entrants and online retail. Management skills support a productive workforce. A partnership in NSW between iCare, Griffith University and SDA on respect and resilience in retail and fastfood provides clear evidence of the value of supervisory skills in dealing with dysfunctional workplaces (See iCare, Oct 2019, Respect & Resilience). The training described in the report is intensive and necessary, and therefore requires investment from employers and government.

As the major employer in regional Australia, the retail industry requires the NASWD to effectively respond to a changing workplace. For example, in some large regional towns, supply chain skills are increasingly needed. In other more coastal regions, the focus is on sales. It varies extensively. Employment in retail increased in capital city areas to May 2019, but it decreased in regional areas by 4.2%. These trends need to be better understood to ensure that regional economies are revitalised and resilient. As a first step, increased funding is required for TAFEs as they are often the sole provider of education in regional areas. For the NASWD to support participation in the workforce, State and Territory Governments need to improve educational opportunities in regional areas.

Recommendation:

That the NASWD improve institutional and regional capacity through increased funds for TAFE.

Appendix A: Rationale for SDA policy positions

SDA policy is driven by providing value to our members whose work is regulated by a broken industrial framework. We seek an economic system that supports, protects and advances the interests of working people in this country.

Our predecessors built the conciliation and arbitration system which provided the foundations to our nations prosperity over a century ago, it is now our responsibility to build a system for the next generation.

Since the introduction of the Fair Work Act 2009 and subsequent radical changes to the financial and digital context inequality has grown and economic and political power has concentrated in the hands of a few.

We believe that fundamental not incremental change is needed. In contributing to policy, we seek to drive a new system that acknowledges the change that has occurred and will withstand the emerging world of work.

We engage in topics that help us drive this agenda and are guided by ten principles that we believe will create value for our members. Those principles are:

1. Address Inequality & Enshrine Fairness.
Minimum expectations must be set and adhered to.
2. Equity & Empowerment.
All workers must be supported to progress so that no-one is left behind.
3. Mobility & Security.
A socially successful economy must provide opportunity for all, regardless of their background. Systems must be built in a way that support success and adaptation in a rapidly changing world of work.
4. Delivering Prosperity and Growth For All.
A foundation for prosperity and economic growth must be achieved.
5. Protection in Work & Beyond.
Workplaces and the community must be healthy and safe for all workers and their families during and beyond their working lives.
6. Workers Capital & Superannuation.
Workers capital and superannuation must be an industrial right for all workers and treated as deferred earnings designed for dignity and justice in retirement.
7. A Strong Independent Umpire.
A strong, independent, cost effective and accessible industrial umpire and regulator must be central to the future system of work in Australia.
8. Protection & Support for Our Future.
Protecting and supporting our future requires a strong and vibrant retail industry and supply chain providing jobs with fair and just remuneration and contributing to the economy including through skilled workers.
9. Work & Community.
Work is a fundamental human activity that provides for personal, social and economic development. Work as it operates in community must build and protect a balance between life at work and life so that workers can contribute to society through the wider community.
10. Institutional Support for Collective Agents
Institutional support must provide for collective agents (registered organisations) so that they are recognised, enshrined and explicitly supported as central to the effective functioning of the system.

Details of specific policy positions can be discussed by contacting:

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