



**Australian Government**  

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**Department of Industry**

# **Establishment of the Industry Skills Fund – Discussion Paper**

[Department of Industry](#)

# 1. Introduction

## 1.1 Purpose

This paper has been developed by the Department of Industry ('Department') to provide stakeholders with an opportunity to submit feedback to the Australian Government on the proposed design and implementation arrangements for the new \$476 million Industry Skills Fund ('Fund').

The Australian Government seeks feedback from stakeholders on any of the proposed features raised in the paper, to inform the design and implementation arrangements for the 200,000 targeted training places and training support services to be delivered through the Fund over the next four years.

## 1.2 Policy Environment

Australia needs a highly skilled workforce to adapt to structural change, rapid technological change and new business opportunities. The Australian government is committed to ensuring industry has the skilled workforce and operating environment it needs to boost the nation's productivity and increase its international competitiveness.

Structural adjustment in the economy is placing pressure on traditional sectors, such as manufacturing, to adapt to changing markets and new technology. To create new jobs for workers transitioning from these traditional sectors, industry must seize new economic opportunities. This will require industry to rapidly adapt to new conditions in order to secure a competitive position in the global market.

In addition, new market opportunities are opening up in industries such as:

- food and agribusiness;
- mining equipment, technology and services;
- medical technologies and pharmaceuticals;
- oil and gas; and
- advanced manufacturing.

Small and medium enterprises (SMEs), including micro businesses, which employ almost half of the Australian workforce, are particularly vulnerable to changes in their competitive environment. However, many of these businesses are also well placed to respond, both domestically and internationally, to niche market opportunities.

We need to build the capability of businesses, industries and individuals to adapt to change, to ensure they have the capacity to innovate and to respond flexibly in the highly competitive global marketplace. Increasing workforce capability will enable businesses to access new domestic and global markets and supply chains, to meet international quality standards, and to rapidly adjust to changing global economic conditions.

The Australian Government's National Industry Investment and Competitiveness Agenda, to be released later this year, will focus on initiatives to promote national competitiveness and productivity including:

- Economy-wide measures to boost the competitiveness of Australian manufacturing and lower the costs of doing business, such as options to reduce the costs of energy and regulation on Australian businesses;
- Options to encourage innovation, including employee share schemes, support for research and development and commercialising good ideas;
- Options to accelerate the development of productivity enhancing infrastructure;
- Options to encourage the growth of small to medium businesses; and
- Economy-wide incentive mechanisms to boost investment in Australia.

## 1.3 Overview of the Industry Skills Fund

In support of the government's National Industry Investment and Competitiveness Agenda, and as part of the broader reform to the Vocational Education and Training (VET) system, the Industry Skills Fund will address workforce capability issues impacting on the ability of Australian SMEs to respond quickly to new and changing opportunities and improve their productivity and competitiveness in a global market.

The \$476 million Fund will provide access to training that better positions Australian industry to succeed in a rapidly changing economy. The Fund will commence on 1 January 2015 and will deliver 200,000 targeted training places and training support services over four years. It will operate on a co-contribution basis with streamlined administration.

The Fund will prioritise assistance to SMEs to position themselves to take advantage of new technology, innovative work practices, new and emerging opportunities, opening export markets and emerging economies. Larger companies may apply to access the Fund, but will be expected to make greater contributions towards the cost of training.

The Fund will incentivise industry investment in vocational education and training to take advantage of new economic opportunities. The Fund's co-contribution feature will motivate employers to maximise outcomes and implement sustainable ongoing skills training.

The Industry Skills Fund will support the achievement of clear targeted outcomes and involve streamlined delivery of both training and support to micro, small and medium Australian businesses, and will be delivered with minimum red tape.

## 1.4 Single Business Service Initiative

The Industry Skills Fund will be delivered through a new Single Business Service initiative that will streamline the way businesses access government information and services, putting their needs first and reducing complexity.

The initiative will include a streamlined and consolidated 'one-stop shop' web presence, call centre and face-to-face business facilitation network to advise businesses on the most appropriate solutions for their needs. It is a universal offering available to any business in Australia. It will make business assistance information simple and easy to find and be available anytime and on any device.

The service will also seamlessly link business with:

- easy access to information on business-relevant topics including: business start-up, banking, finance, accounting and marketing, advertising, small business counselling and information technology;
- specific support programmes, including: the Industry Skills Fund, the Entrepreneurs' Infrastructure Programme, the R&D Tax Incentive, Cooperative Research Centres, the Industry Growth Fund, and other Department of Industry programmes and services;
- other government services including business licensing information and referrals; and,
- services provided by third parties to small businesses and state and territory government small business programmes and services.

The Single Business Service will also provide a referral service for businesses who come through to the Fund but who are seeking assistance with regulatory issues such as tax information.

## 2. Proposed Fund Design

### 2.1 Business that are a priority for this fund

The Fund will remain flexible and responsive to the needs of industry.

It will focus on micro, small and medium enterprises (SMEs) in productive, competitive industries to offer training where training is not already publicly funded, e.g. via state government entitlement systems.

Access to training can be critical in helping SMEs:

- adjust to changes in a competitive economy;
- grow, by accessing new markets (niche and export);
- diversify.

The Fund will also assist employers who currently experience difficulty operating across multiple jurisdictions and businesses in Northern Australia seeking to grow, diversify and/or enter the export market.

### 2.2 Who is Eligible?

#### *Eligible*

Funding will be made available to solvent Australian enterprises that:

- are non-tax exempt and incorporated under the *Corporations Act 2001*;
- have an Australian Business Number;
- are registered for GST; and
- have a demonstrated trading history.

Consortia of applicants will be able to apply for funding where individual members satisfy these eligibility requirements. This will maximise the reach of funding and enable micro businesses to participate in training and workforce development opportunities where 'critical mass' of training participants can be achieved. This aggregation of demand will assist to minimise training costs. Where consortia applications are granted funding the lead member of the consortia will be the responsible party with regards to payments and project outcomes.

#### *Not Eligible*

Training deliverers will not be eligible to apply for funding to deliver training or support services either to their own workforce or another eligible entity.

State and Territory Government bodies will not be eligible to apply.

### 2.3 What activities are eligible?

#### *Training*

Australia's business landscape is diverse as are its skill needs. Targeting training to the needs of business will enable Australia to exploit its competitive advantage and boost productivity in domestic and global markets.

By developing the skills of the Australian workforce and enhancing workplace capacity, businesses will be better positioned to seize opportunities as they emerge, and/or reposition themselves because of market driven structural adjustment.

The Fund will provide support to businesses, seeking to skill, re-skill and/or up-skill their workforce to address critical skills gaps or shortages to increase the productivity and

sustainability of their operations. High quality, nationally recognized training based on training packages as well as accredited vocational education and training will be supported by the Fund. However high quality, innovative or tailored training that is not yet part of a training package or accredited course could be supported by the fund. Businesses currently use a range of training in addition to nationally recognized qualifications and skill sets to skill their workforces. This can include different combinations of training modules to form new skill sets and training tailored to meet specific business needs in a rapidly changing economy.

Training courses that have been tailored are generally shorter and address business needs, thus minimising the lag time to full productivity.

While broader reform is undertaken in the training system, the Fund will be designed to include the development of skills for leading edge businesses where current training offerings are not sufficiently targeted or responsive. This responsiveness is particularly important for emerging industries where the training system has not yet developed innovative solutions that address the skills required for advancement, including for technology adoption.

### *Support Services*

Taking into account documented (OECD) barriers to expansion and/or entry to export markets the Fund will assist businesses to access a broad suite of support services to maximise training outcomes such as literacy and numeracy assistance, mentoring, support to access foreign markets and workforce development advice.

The workforce development advice would include training needs analysis (including workforce skills audits) to identify skills gaps, skills risks and skills opportunities for competitive positioning, including mapping what is available within jurisdictions. This would complement the Entrepreneurs' Infrastructure Programme (EIP) which provide businesses with access to private sector advisers to support the development of specific plans for improvement. This programme is also delivered by the Single Business Service initiative.

### *Training Development*

In order to develop and/or enhance their competitive edge, Australian businesses, particularly in emerging sectors, are adopting new technologies and machinery, changing work as a result of research adaptation and navigating export barriers. This means their workforces will require new skills which in turn may necessitate new training products. Industry has expressed dissatisfaction with the current speed to market for new training products.

The Fund will provide assistance to business to support the development of innovative training solutions that are not currently funded by the national training system.

### *Activities Not Eligible*

Australia's vocational education and training system offers nationally accredited training through a range of registered training organisations, both public and private. State and territory governments are responsible for training within their jurisdictions, and both the Australian Government and states and territories provide significant funding to the system.

The Industry Skills Fund is intended to complement training and related services traditionally available through the vocational education and training system. Applicants will be required to demonstrate that training proposals requested through the Fund could not be delivered via existing subsidised services and arrangements.

Fees to training providers will not be deemed eligible activities if the training is provided by related parties, such as: companies/organisations with common shareholdings or directorship; and/or individuals, employees or immediate family related to the applicant.

## 2.4 Application Processes

The Industry Skills Fund will be implemented on 1 January 2015. Applications will be accepted on a continuous basis with cut-off dates for publicly announced decision rounds. It is anticipated that decision rounds will occur every two to three months, with applications

being considered through a competitive process. The frequency of decision dates will be aligned to the needs of industry.

Applications will be lodged electronically with the Department of Industry and all costs associated with preparing applications and providing information to the Department will be met by the Applicant.

Applicants will be able to receive assistance with regard to any queries they might have about the Fund application process or application outcome via a telephone hotline and online enquiries.

## 2.5 Merit Criteria

Merit criteria will be flexible to remain responsive to emerging opportunities. Eligible applications will be assessed on a competitive basis using a merit criteria framework and a tiered approval system based on the value proposition and risk assessment of the proposed project.

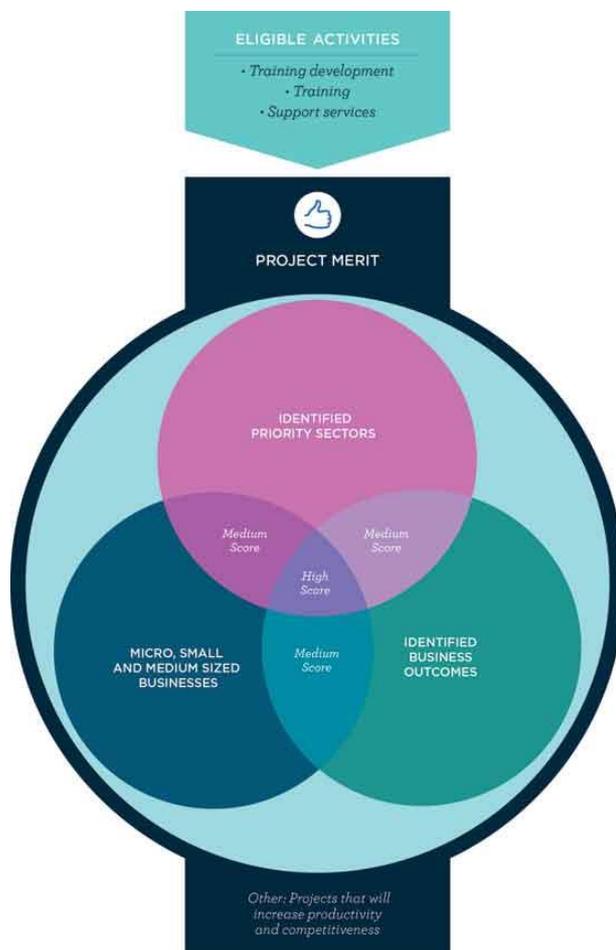


Figure 1: Industry Skills Fund Merit Criteria

*Projects that meet multiple criteria will rank higher in the competitive process*

Proposals will be rated against the ability to demonstrate the following:

#### *Small and Medium Enterprises*

The Fund will target SMEs, including micro businesses, who can demonstrate an ability to fund their share of the project and their need for government co-investment.

#### *Demonstrated Business Outcomes*

Training and skilling projects will be considered of greater merit where businesses can demonstrate the outcome would build capacity and/or capability to:

- Diversify into new or emerging markets
- Adopt new or emerging technologies
- Enter export markets
- Respond to domestic market opportunities
- Reposition themselves because of market driven structural adjustment

At a minimum, applicants of any size, from any industry, will need to clearly articulate and demonstrate:

- how the proposed project will address critical skills gaps or shortages to increase the productivity and sustainability of their operations; and
- they are positioning themselves to take up a growth opportunity in an industry where Australia has a competitive advantage; and
- the productivity gains resulting from proposed projects will deliver benefits to the Australian economy.

#### *Government Priorities*

Although the Fund will not exclusively target the following industries, the Government has identified immediate priority areas, including:

- food and agribusiness;
- mining equipment, technology and services;
- medical technologies and pharmaceuticals;
- oil and gas; and
- advanced manufacturing.

## 2.6 Funding Arrangements

The Fund will be delivered through a co-contribution model as the financial investment made by businesses is motivation to:

- Work to maximise outcomes, thereby improving the value derived from the training investment, including selecting the provider they think best suits their training needs;
- Change workplace culture to implement sustainable and ongoing skills training;
- Recognise that business has a responsibility to maintain and improve the skills capabilities of the workforce;
- Engage with the vocational education and training system to ensure that workforces possess nationally recognised skills and are therefore mobile and flexible.

To ensure that funding assistance both supports businesses to enhance the capability of their workforce and provides motivation to implement sustainable, ongoing solutions, co-contribution arrangements under the Fund must accurately reflect the realities of the business environment.

The following options for business co-contribution rates could be considered, including:

*Sliding scale based on workforce size<sup>1</sup>*

- Micro Business (0 - 4 employees) – 25%
- Small Business (5 - 19 employees) – 34%
- Medium Business (20 – 199 employees) – 50%
- Large Business (200+ employees) – 75%

*Sliding scale based on turnover*

- Business with turnover of less than \$2m – 25%
- Business with turnover of more than \$2m and less than \$25m – 34%
- Business with turnover of more than \$25m and less than \$50m – 50%
- Business with turnover of more than more than \$50m – 75%

*Sliding scale based on labour productivity (turnover less cost of goods sold divided by FTE)*

- Low labour productivity – 34%
- Moderate labour productivity – 50%
- High labour productivity – 75%

Other proposed options for co-contribution arrangements include:

- dollar for dollar co-contribution between business and government;

In-kind expenses will not be deemed part of employer co-contributions.

Payment/funding arrangements for individual projects will be determined according to proportionate risk and compliance considerations based on project size, duration and complexity. Payments for most services will be made on a milestone basis; however, the structure of payment schedules will be able to be negotiated according to individual project needs.

## 2.7 Reporting Requirements

### *Reports*

Applicants will be required to submit reports electronically. Reports will include progress against project expenditure targets as well as project milestone progress.

At the business level, participating employers will be required to provide a range of data relating to funded activities.

### *Project monitoring and evaluation*

All projects will be evaluated against agreed performance measures and their performance against the Funding Agreement. It is expected that projects will achieve outcomes that are sustained beyond the period of project funding.

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<sup>1</sup> Definition of micro, small, medium and large business – Australian Bureau Statistics 2014

### *Data*

Project reporting requirements will include collection of data to inform the performance of the Fund against its KPIs/targets, including to disseminate learnings and to make publicly available innovative training solutions funded through the training development strand of the Fund.

When developing data requirements the fund will align with the Government's deregulation agenda and adhere to a streamlined approach to service delivery.

## **3. Having your say**

### **3.1 Key questions for stakeholders**

The Department of Industry is seeking stakeholder input on the design and principles of the Industry Skills Fund, including:

- Funding priorities
- Eligibility
- Activities to be funded
- Merit criteria
- Funding arrangements
- Reporting requirements
- Complementarity of government industry programmes, including the Entrepreneurs' Infrastructure Programme

### **3.2 How to provide feedback**

To ensure that the Industry Skills Fund is able to open from 1 January 2015, stakeholder consultation will begin with the release of this Discussion Paper in July 2014 and continue through until September 2014.

To assist the Department of Industry in compiling and analysing the views of all stakeholders, respondents are encouraged to provide their feedback online by accessing the [Industry Skills Fund](#).

Respondents may provide feedback on some or all of the topics listed above.

In addition to this, consultation sessions will be held, beginning in July 2014. For information on these sessions, please see the [Industry Skills Fund](#).