

REPORT TO  
DEPARTMENT OF EDUCATION AND TRAINING

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10 JANUARY 2017

# INDUSTRY SKILLS FUND AND THE YOUTH STREAM PILOT PROGRAMS

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INDEPENDENT EVALUATION  
FINAL REPORT





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## EXECUTIVE SUMMARY

The Industry Skills Fund (ISF), which commenced in January 2015, supports micro, small and medium-sized businesses (SMEs) to improve the skills of their workforces and help them better position themselves for future growth. The Youth Employment Pathways (YEP) and the Training for Employment Scholarships (TES) pilot programs commenced in March 2015 (YEP and TES are collectively known as Youth Pilots). Their aim was to trial new approaches for increasing the participation of at risk, or disengaged, young people in education, training and/or employment.

In June 2016, ACIL Allen Consulting (ACIL Allen) was engaged by the Department of Education and Training (Education) to undertake an independent evaluation of the ISF, including the Youth Pilots. The evaluation methodology included a literature review, business surveys and extensive consultations with key stakeholders.

The evaluation of the ISF Program examined its policy framework, strategic merit, design and performance in order to identify ways in which the design and delivery of the Program might be improved.

This Review found that the ISF is strategically well positioned relative to other training and employment programs, and is a well-designed and effective vehicle for supporting micro, small and medium-sized businesses that are pursuing a growth opportunity but need assistance to capture that opportunity. The expansion of the eligibility criteria to include unincorporated businesses and the introduction of the Northern Australia objective in September 2015 broadened the scope of the Program. The Review also found that the ISF Program's broad design principles are consistent with the best practice approaches identified in the literature review of similar programs overseas.

Businesses that have accessed the ISF Program are overwhelmingly positive about it. A clear majority of businesses surveyed by ACIL Allen were very satisfied with their experience with ISF processes, the Skills Advisers and the Program funding arrangements. They identified a range of positive outcomes from their involvement in the Program. Many stakeholders consulted for this Review consider that the ISF is unique and highly valuable in terms of its offerings and design. Hence, the recommendations provided in this report are directed to enhancing the future delivery and performance of a Program that is already highly valued by all stakeholders, rather than suggesting major changes in scope or approach.

The evaluation of the Youth Pilots sought to identify examples of best practice delivery to inform the future development of training policy to support Australian business development and international competitiveness. The Review found that the YEP and TES programs were worthwhile initiatives to trial new approaches to dealing with challenging issues. The pilots ended in May 2016 and the results achieved were mixed, with YEP being relatively successful while TES largely failed to deliver on its objectives. Nevertheless, the issues that these programs sought to address remain important and the pilots should provide valuable lessons for future program design and implementation.

ACIL Allen's review of the ISF and the Youth Pilot Programs found that:

1. There are a number of barriers to Indigenous businesses' participation in the ISF Program. These barriers either need to be addressed or another more appropriate program identified for pursuing the Indigenous-related objectives.
2. It is evident from our consultations that the role of Skills Advisers requires clarification and the Advisers need more support in order to optimise the potential benefits of engaging this highly skilled and expert cohort.
3. The TES Program however, did not use a broker organisation, such as a Community Service organisation (CSO) to connect businesses to employees. The incentives for small businesses to invest in training new or recently arrived employees were also insufficient.
4. The marketing campaign used for the Youth Pilots was not successful in raising awareness amongst potential applicants. The YEP Program overcame this challenge in part at least through its use of CSOs. However, the TES program was unable to attract more than a handful of applicants.
5. Issues associated with Program communication were a recurring theme. At the heart of stakeholders' concerns is the communication style and channels used by the Department for the ISF Program. Communication within the Department and between the Department, Skills Advisers and businesses needs to be improved over time.
6. The ISF's administrative processes could be enhanced by taking a more 'risk aware', rather than 'risk avoidance' approach. The questioning and testing of Skills Advisers advice and the relatively limited delegation of decision-making power to Education state offices are also areas of concern.
7. The success of the YEP Program lies in the use of CSOs to help the Department to deliver the Program. CSOs are ideally placed to identify young people at risk and to develop tailored solutions which meet the individual circumstances of a young person. The flexibility given to CSOs to use Program funding in a variety of ways to deliver case management, group based support or a combination of both also contributed to the success of the pilot Program.
8. The incompatibility between the Department of Industry, Innovation and Science's Strategic Grants Management System (SGMS) and the HP Records Manager document management system used by Education is leading to additional administrative effort by the Department's staff.
9. The reductions in ISF funding in late 2015 and in the 2016 Budget have reduced the number of businesses that can benefit from the ISF.

Based on the conclusions of the Review and the above findings ACIL Allen has made six recommendations. These are shown in **Box ES.1**.



**BOX ES 1** RECOMMENDATIONS

1. The design of the ISF should be reviewed and changes considered that would better allow the strategic intent of the Program's Indigenous component to be realised in the future.
2. The Department should consider changes to the ISF that would strengthen the role of the Skills Advisers and allow them to make a greater contribution.
3. Piloting programs to test their design and their ability to deliver the objectives set for them, before a more widespread roll out of the program occurs, is a sensible approach. The lessons learned from the Youth Pilots should be taken into account in the design of any similar programs in the future. Where appropriate that information should be shared with other departments with an interest in youth employment programs, such as the Department of Employment.
4. Ways to improve outwards communication about the ISF and with clients and stakeholders should be considered and improvements implemented on an ongoing basis.
5. Changes to delegations should be considered to give more authority to the Department's state offices. Any changes should be consistent with adopting a risk aware based approach to decisions.
6. Continue with efforts to improve aspects of the SGMS system pending the implementation of an enhanced grants management system through the whole-of-government Industry Hub.

SOURCE: ACIL ALLEN



## GLOSSARY OF TERMS

ACIL Allen	ACIL Allen Consulting
ASL	Average Staffing Level
BAU	Business as Usual
CSM	Customer Service Manager
CSO	Community Service Organisation
Cert II, III or IV	Certificate Level Qualification 2, 3 or 4
DET	Department of Education and Training
(the) Department	(the) Department of Education and Training
DIIS	Department of Industry, Innovation and Science
DHS	Department of Human Services
DoE	Department of Employment
EIP	Entrepreneurs' Infrastructure Program
EL1	Executive Level 1
EP	Entrepreneurs' Program
FSK	Foundation Skills
FTE	Full time Equivalent Staff
ISF	(The) Industry Skills Fund
KGT	Kimberley Group Training
MYEFO	Mid-Year Economic and Fiscal Outlook
NEIS	New Enterprise Incentive Scheme
Network Providers	The organisations responsible for providing and managing the Skills Advisers

NFP (organisation)	Not For Profit (organisation)
NRT	Nationally Recognised Training
NWDF	National Workforce Development Fund
PAES	Portfolio Additional Estimates Statement
PaTH	Youth Jobs PaTH (Prepare - Trial - Hire)
PBS	Portfolio Budget Statement
PM&C	Department of Prime Minister and Cabinet
RTO	Registered Training Organisation
SAT	Skills Adviser Tool
SGMS	Strategic Grants Management System
SMEs	Small to Medium Enterprises ( <i>this report includes micro businesses in SMEs</i> )
TES	Training for Employment Scholarships Pilot Program
VET	Vocational Education and Training
YEP	Youth Employment Pathways Pilot Program



## 1.1 Background

On 19 January 2015, the then Assistant Minister for Education and Training issued a press release announcing the opening of applications for a national skills fund, the Industry Skills Fund (ISF). In the announcement, the Assistant Minister said:<sup>1</sup>

*...the Fund, which will provide up to 200,000 training places and skills advice for businesses over the next four years, was a key element of the Abbott Government's Industry Innovation and Competitiveness Agenda.*

*This is a new way of providing support to businesses that need to upskill or retrain their employees to enable their business to grow, diversify, adopt new technologies, or take advantage of new market opportunities. For the first time, employers will be supported to decide what training is needed in their business, and which training provider they want to work with, to boost their business productivity and competitiveness.*

The ISF gives priority to small and medium-sized businesses (SMEs); including micro businesses that are seeking to upskill and or reskill their workforces to better position themselves for growth opportunities. It also targets businesses seeking growth in priority sectors, such as advanced manufacturing, food and agribusiness, medical technology, mining equipment, and oil, gas and energy resources. It offers businesses seeking training support the opportunity to obtain a contribution from the government of between 25 and 75 per cent of the cost of training. The contribution rate depends on the number of employees in the business, with smaller businesses receiving higher levels of support.

The ISF builds on past investments in skills development by successive governments. The ISF succeeded the National Workforce Development Fund (NWDF) which was closed following an announcement in the 2014 Federal Budget. The NWDF allowed eligible organisations to apply for funding to support the training of existing workers and new workers in areas of identified business and workforce development need. The NWDF was targeted towards accredited training delivered through a mixture of business, professional associations and employment service providers.

The ISF represents a new approach to skills development by offering individual businesses or consortia the opportunity to obtain funding support for training places and support services. The Program initially offered funding of \$476 million over four years for up to 200,000 training and support places to commence from 1 January 2015. This was increased to \$664 million over five years for over 250,000 places in the 2015 Budget. However, the amount of funding available was reduced from the

<sup>1</sup> Press Release, 19 January 2015, 'Applications open for new \$476 million skills fund', <https://ministers.education.gov.au/Birmingham/applications-open-new-476-million-skills-fund>

end of 2015 in line with changes in the Government's fiscal priorities and decisions around the federal budget.

The 2014-15 Mid-Year Economic and Fiscal Outlook provided new funding of \$43.8 million over three years to establish two ISF Youth Pilot programs, to commence from 1 March 2015. These were the Youth Employment Program (YEP) and the Training for Scholarships Program (TES). The aim of the Youth Pilots was to trial new approaches that sought to increase the participation of at-risk or disengaged young people in education, training and/or employment.

From its introduction until 30 June 2016, the ISF Program growth stream has provided support to nearly 800 businesses and approximately 21,000 training places and support services to managers and employees. The Youth Pilots have assisted approximately 1,400 young people.

As the ISF has now been in place for over 18 months it is timely to consider how the Program is operating, what outcomes it has achieved and whether its design features are aligned with the needs of Australian businesses, the Australian Government's policy agenda and the ability of the training market to support the ISF's objectives.

This report provides the first formative and summative evaluation of ISF and its Youth Pilots. The outcomes of the evaluation will be used by the Australian Government to inform further policy development and the ongoing delivery of business focused training programs.

## 1.2 Purpose

ACIL Allen was engaged by the Education in June 2016 to undertake an independent review of the ISF, including the Youth Pilots. Grahame Cook Consulting was engaged by ACIL Allen to assist in the Review.

The purpose of the evaluation was to consider the design features and performance of the ISF Program and identify ways in which it could be enhanced for the future. This includes understanding how the various stakeholders involved in the ISF perceive its performance.

The evaluation was focused on both the strategic and operational factors influencing the design and delivery of the ISF and Youth Pilots. The Review's objectives are listed in B Box

### BOX 1.1 OBJECTIVES OF THE INDEPENDENT REVIEW

- Provide a strategic evaluation of the ISF by assessing whether the policy settings are fit for purpose or require redesign, and make recommendations for the most appropriate support mechanism to meet business and training needs.
- Assess the ISF's weaknesses and strengths.
- Assess to what extent the ISF has met its policy objectives.
- Provide evidence of the impacts/benefits for: micro, small, medium and large businesses; and priority industries in metro, rural and regional Australia, including a specific focus on Northern Australia.
- Provide formative and summative analysis of the suitability of Program intent, delivery and impact (which includes consideration of the ISF's appropriateness, cost effectiveness and efficiency of models of delivery).
- Highlight the challenges that may be embedded in the ISF's design and identify barriers to take up.
- Make recommendations for future national skills and training program refinements.

*SOURCE: REQUEST FOR TENDER*

A number of evaluation questions were considered as part of the review process. These evaluation questions covered a broad range of strategic and operational considerations.

Analysis of the strategic merit and future direction of the ISF and Youth Pilots cuts to the core rationale for establishing the Program and how it might evolve into the future. These evaluation

questions consider issues relating to the appropriateness, effectiveness, integration and strategic alignment of the ISF and Youth Pilots.

Analysis of the Program and policy effectiveness allows the Review to determine the impacts (both positive and negative). In order to address these evaluation questions it is important to analyse the indicators of effectiveness against each Program's core objective, as well as what would have happened in the absence of government intervention (the counter-factual scenario).

The evaluation questions set for the Review are outlined in **Table 1.1** below and addressed throughout the remaining sections and chapters of this report.

**TABLE 1.1 EVALUATION QUESTIONS SET FOR THE REVIEW**

### Evaluation questions

#### Strategic merit and future direction

Is the policy framing of the ISF and Youth Pilots appropriate to deliver best practice training to support Australian business development and international competitiveness? Are there opportunities to refine or redesign the program policy framework and eligibility to meet these broad strategic objectives?

Where should training and skills development be focussed to provide the greatest impact i.e. towards employees/learners or businesses/growth opportunities?

How well does the ISF interface with other investment by the Australian Government in its national vocational skill development, employment and innovation strategies, and with state and territory government support?

How could examples of best practice delivery from the ISF and Youth Pilots inform the future policy direction for training to support Australian business development and international competitiveness?

What, if any, elements of the ISF and Pilots have impeded positive outcomes, and how could these problems be rectified?

#### Policy and program effectiveness and impact

Have the ISF and Youth Pilots targeted appropriate businesses and youth cohorts to maximise the economic and social benefit from Australian Government investment, and what are the returns from this investment?

What types of businesses and youth participants; in what industries; and in which parts of Australia; have benefited most from the ISF and Youth Pilots?

Does the ISF effectively encourage and facilitate business agility to enhance the capability and skill levels of workers?

Has the ISF reached targeted businesses, i.e. small to medium businesses, including micro businesses?

What impact has the ISF had on client groups and businesses in priority industries, in: Northern Australia, and Youth Streams?

What are examples of best practice delivery and impacts from the ISF and Youth Pilots?

What are the key facilitators and barriers to take up of the ISF and Pilots, and is this in line with expectations? This aspect of the evaluation could include promotional, application and assessment processes, eligibility, definition of growth and access to education and training providers

How can any barriers to the take up of the ISF be best overcome?

Do businesses who engage with Skills Advisers find the information and advice provided useful? What opportunities are there to strengthen their role and impact?

Has broadening the eligibility criteria under the ISF to include unincorporated businesses had any impact on the number or type of applications?

How have changes to the ISF Guidelines impacted on delivery?

Are there competing tensions in the interface between the Department and the client, and how may these be remedied?

Does the Northern Australia Growth Opportunity assist in achieving the vision of the White Paper for Developing Northern Australia?

SOURCE: REQUEST FOR TENDER

## 1.3 Methodology

The methodology used for this Review was underpinned by the following phases, which included the Department of Education and Training's collection, documentary review, stakeholder consultation and analysis. Analysis was undertaken against the best practice program evaluation principles of appropriateness, effectiveness and efficiency, using the ethical standards as outlined by the Australian Evaluation Society's Code of Ethics and Professional Practice 2013.<sup>2</sup>

### 1.3.1 Desktop and literature review

This phase involved consideration of existing documents that were identified as relevant to the Review. The documents were reviewed at three levels.

First, ACIL Allen explored the academic and official government literature to understand the objectives and design of business focused skills, education and training programs in other jurisdictions. This included consideration of several government reviews (both in Australia and overseas), as well as a review of the recent academic literature that had examined these kinds of programs from an economic, policy or institutional perspective.

Second, ACIL Allen considered a range of business grants and assistance programs operating in Australia which either seek to achieve some objectives that are similar to ISF and the Youth Pilots, or display some similar design characteristics. The programs considered include:

- DIIS – Entrepreneurs Infrastructure Program, Entrepreneurs Program, Industry Hub.
- DET – Trade Support Loans, Skills for Education and Employment, Australian Apprenticeships.
- DoE – National Enterprise Incentive Scheme, Youth Jobs PaTH (Participate, Trail, Hire), Transition to Work, Job Active network.
- DHS – Youth allowances.
- PM&C – Indigenous Business Australia business development and assistance
- Treasury – Australian Small Business Advisory Service program (ASBAS).
- NSW – Smart and Skills reform program (includes Jobs for Tomorrow scholarships).
- Victoria – Skills First (includes Workforce Training Innovation).
- Queensland – Skilling Queenslanders for Work (includes First Start and Work Start).
- SA – Work Ready/ Skills for All.
- WA – Future Skills WA.
- Tasmania - Skills Fund, Work Readiness for Growth Industries.

Third, ACIL Allen reviewed a range of program data held by Education. These data have been used to support the analysis and findings and appear throughout the report.

### 1.3.2 Stakeholder consultations

As part of the project, a large number of stakeholders were asked to participate in the review process. The project inception meeting between the department and ACIL Allen discussed and agreed the stakeholders who should be consulted for the Review. Stakeholders consulted included Network Providers, Skills Advisers, Department of Education and Training officers in National and State offices, and a selection of CSOs from all states and territories who participated in the Youth Pilots. Businesses, who participated in TES, were also consulted for the Review. Stakeholders were consulted in order to capture data, gain insights and observations to inform ACIL Allen's analysis.

Separate consultation guides were developed for the ISF and the Youth Pilots to provide consistency in the consultation approach and to help stakeholders prepare for the consultations. The consultation guide also provided information (where relevant) from the Program Guidelines to help stakeholders understand the key design features of the programs and to identify possible ways for enhancing them.

<sup>2</sup> <http://www.aes.asn.au/join-the-aes/membership-ethical-guidelines/7-aes-codes-of-behaviour-ethics.html>

The consultations were conducted using a mixture of face-to-face meetings and teleconferences. Most consultation sessions were conducted in group settings, however some were also conducted on a one-on-one basis. In some cases stakeholders were not in a position to participate in a consultation session and provided written email submissions (against the consultation questions).<sup>3</sup>

A detailed de-brief of the key messages to emerge from the consultations was provided by the Review team to Education at the conclusion of the consultation sessions. Details of the consultations are provided in Appendix B of this report.

### Survey of businesses

To support the consultation process, ACIL Allen conducted on-line surveys of the businesses which had participated in the ISF. To ensure the online survey was as relevant as it could be to each business, the survey instrument was tailored to participants who had or had not received skills advice, and who had or had not executed a funding agreement with the Australian Government. The survey was cleared with the ABS Statistical Clearing House before it was issued.

Businesses were provided with at least 10 working days to complete the survey, and were sent a number of reminder emails to ensure that a good response rate was achieved for the survey. The survey consisted of approximately 20 substantive questions, which took on average 15 minutes to complete. The survey design mirrored the questions used to conduct the stakeholder consultation sessions.

The response rates for the survey were around 40 per cent. Based on ACIL Allen's experience, this as an excellent response rate for a survey of this kind. The survey responses were found to be broadly reflective of the distribution of businesses as recorded by the ABS. More details on the response rates achieved for the surveys are provided in Appendix C of this report.

#### 1.3.3 Development of findings and recommendations

Following the desktop review and consultation stages, ACIL Allen developed preliminary findings and recommendations. These preliminary findings and recommendations are incorporated in this draft report and will be discussed further with Education in the context of preparing the final report.

## 1.4 Report structure

This report has four main elements. The first element presents the context and background to the Review and the results of the literature review that was undertaken. The next two elements focus on the ISF and Youth Pilots respectively and the final element of the Review provides the key findings/conclusions of the analysis and the Review's recommendations.

The chapters of the report are listed below, along with a short description of their content.

- **Background and context**
  - *Chapter 1* introduces the Review's context, scope and approach.
  - *Chapter 2* provides the results of a high level literature review undertaken for the Review.
- **The ISF**
  - *Chapter 3* provides an overview of ISF, detailing its policy rationale (intent), Program objectives, design elements, key administrative arrangements and other defining features.
  - *Chapter 4* focuses specifically on analysing the efficiency, effectiveness and appropriateness of ISF's objectives, design elements and administrative arrangements.
  - *Chapter 5* considers evidence collected during the Review about the impact of ISF. This chapter considers ISF's impact from the perspective of key stakeholders to the Program.
- **The Youth Pilots**
  - *Chapter 6* provides an overview of each Youth Pilot, detailing their policy rationale (intent), Program objectives, design elements, key administrative arrangements and other defining features.
  - *Chapter 7* provides the results of the analysis undertaken for the Youth Pilots. This chapter considers the efficiency, effectiveness and appropriateness of objectives, design elements and

<sup>3</sup> No particular responses have been attributed to individuals in order to protect confidentiality.



administrative arrangements of the Youth Pilots, as well as any indicators of impact arising from Government's investment in these Programs.

— **Findings and recommendations**

- *Chapter 8* summarises the key findings arising from the Review and presents an overall conclusion about the design and operational performance of ISF and the Youth Pilots.
- *Chapter 9* presents the key recommendations of the Review.

— **Appendices**

- *Appendix A*. Discussion of the literature review
- *Appendix B*. This appendix identifies the stakeholders who were consulted for the Review.
- *Appendix C*. This appendix identifies the response rates and other information relating to the online survey of businesses.
- *Appendix D*. This appendix lists the questions used in the survey of businesses that participated in the ISF program.



## 2.1 Literature reviewed

A review of the literature was undertaken as part of this Review. The aim of the Review was to obtain:

- Background information on industry training arrangements in Australia.
- Information on employer-led industry training arrangements in other countries.
- Analysis of the policy drivers and issues associated with employer-led training.
- Assessment of subsidies provided to employers to support industry training.
- Information on measures that seek to address youth disengagement.
- Information about any relevant surveys of employers.

The literature search was conducted in stages. The first stage consisted of an Internet search that focussed on finding documents on employer subsidised or funded training and vocational education. The searches were generally limited to documents published over the past ten years (2006 to 2016), although some material reviewed was dated earlier than 2006.

The Internet search was followed by a search of the following databases: ABI/INFORM Professional Advanced; Australian Education Index; British Library Inside Conferences; Current Contents; ERIC Education and related topics; PAIS International; PASCAL; ProQuest Dissertations and Theses Professional information; Social SciSearch® database; Econlit; Informit collection, including the ACER Australasian Education Directory and Australian Education Index, THESES and WORKLIT; CEDEFOP database VET-BIB and NCVET database VOCED.

More than 100 potentially relevant documents were identified from this search. A careful review of these documents enabled ACIL Allen to identify that approximately half that initial list met the needs of this literature review. It is clear from the literature that the issue of employer engagement in the provision and funding of training has been a major concern for policy makers.

A detailed discussion of the literature review is provided in Appendix A.

## 2.2 Conclusions of the literature review

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Apart from providing useful background information and examples of business surveys for this Review, the literature review has generated the following conclusions:

- Employer-led training is becoming increasingly favoured in other countries.
- The percentage of costs met by employers varies depending on what level of subsidy is perceived as necessary to engage employers.
  - this percentage does not take into account the additional administrative and compliance costs incurred by employers.
- The use of Skills Advisers and facilitators is strongly supported by the literature.
- Data on employer expenditure on training is rare. This may be because employers do not account for training costs as a line item in their accounts.
- Training subsidies to employers are seen as more efficient in economic terms than tax measures, and can be more effectively targeted.
- SMEs tend to underspend on training and are less aware than other firms of available training courses or of government support.

More detail about the literature review is provided in Appendix A.



### 3.1 Industry Skills Fund—Background and history

The ISF was introduced as part of the 2014-15 Budget initiative aimed at streamlining Government's industry support programs. As part of the budget, the Minister for Industry announced that the Government:

- Will deliver a new \$476 million Industry Skills Fund that will streamline training and better position Australian industry to succeed in a rapidly changing global economy.
- The new Industry Skill Fund will commence on 1 January 2015 and will deliver close to 200,000 targeted training places and training support services over four years.
- The fund will assist small and medium sized businesses to successfully diversify and improve competitiveness in a global market.
- The investment in the Industry Skills program will be offset by savings from the cessation of 10 existing training programs.

At the same time a complimentary \$484 million (over five years), Entrepreneurs' Infrastructure Program (EIP (now known as the Entrepreneurs' Program (EP)) was established. The EIP focussed on supporting commercialisation of ideas, job creation and lifting the capability of small businesses, provision of market and industry information, and access to business management advice and skills.

Both the ISF and EIP were to be delivered through the Department of Industry's Single Business Service initiative.

The ISF Budget announcement was followed by a period of consultation based on a Discussion Paper, released by the Department of Industry in July 2014. The paper noted that:

*In support of the National Industry and Investment Agenda and as part of the broader reform of the Vocational Education and Training system, the ISF will address workforce capability issues impacting on the ability of Australian small and medium enterprises to respond quickly to new and changing opportunities and improve their productivity and competitiveness in a global market.*

Comments on the Discussion Paper helped inform the detailed design of the ISF.

As a result of ministry and machinery of government changes, the 23 December 2014 Administrative Arrangements Order, included the transfer of responsibility for skills and training from the Industry portfolio to the Education and Training portfolio. This included the responsibility and funding for the ISF.

The Assistant Minister for Education and Training announced on 19 January 2015 that Australian businesses could now apply for support to boost the skills of their workforce under the ISF and that applications would be accepted on an ongoing basis. ISF Program Guidelines and other information were made available on the *business.gov.au* website.

The Program Guidelines, issued under the authority of the Minister, outline the ISF’s policy objectives, program outcomes, eligibility criteria, activities eligible to be funded, assessment of applications against the merit criteria, the business co-contribution schedule and so on. Further details and guidance for applicants is provided through the accompanying the ISF Customer Information Guide. The Guide includes details of the industry categories to receive priority for funding, the nature of skills advice and how the merit criteria will be applied. Other information useful to applicants includes the Merit Assessment Guide, which provides additional detail on the type of information and evidence needed to support the assessment.

The first ISF Program Guidelines, Customer Information Guide and supporting information were finalised by the Industry portfolio in December 2014 and came into effect in January 2015.

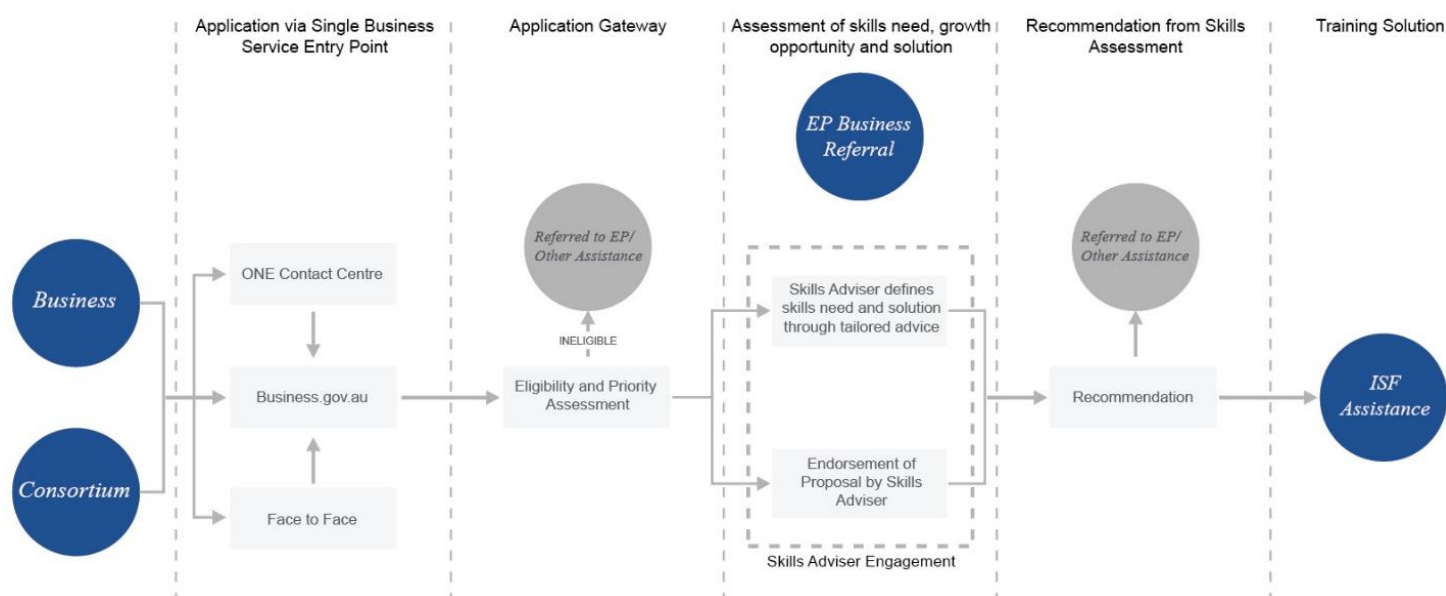
On 8 April 2015 the Assistant Minister for Education and Training announced the opening of the tender for organisations to provide ISF Skills Advisory Services. The Minister explained that:

*The Skills Adviser Network will work with small and medium businesses to pursue growth opportunities and help them identify skills to boost their workforce and overall productivity.*

The outcome of the tender was announced on 22 June 2015 with 6 organisations chosen to “provide advice to businesses in all industry sectors across all parts of every state and territory”. The successful organisations were the Australian Industry Group, MAX Solutions Pty Ltd, Navitas Professional Pty Ltd, Chisholm Institute, Communications and Information Technology Training Ltd, and QMI Solutions Ltd. Initially 83 Skills Advisers were appointed, with Education officers involved in the selection process to help ensure there was an appropriate mix of business expertise, understanding of the training system and Government’s training policies, and professional experience and backgrounds.

Reflecting a range of developments, including the further ISF funding allocated in the 2015-16 Budget, the establishment of the EP, the release of the White Paper on Developing Northern Australia on 18 June 2015, and early experience with the implementation of the ISF, the Program Guidelines and Customer Information Guide were revised and updated and a second version issued on 1 September 2015. The most recent version of the ISF program map is shown in **Figure 3.1**.

**FIGURE 3.1** THE ISF PROGRAM MAP



SOURCE: DEPARTMENT OF EDUCATION TRAINING PERSONAL COMMUNICATION

The more significant changes to the Program Guidelines were:

- ISF program funding of \$664 million for more than 250,000 training places and support services over 5 years.
- The eligibility criteria were expanded to allow participation by unincorporated businesses.
- The policy objectives were expanded to include support for long term growth in Northern Australia and to promote Indigenous participation.
- The schedule of business contributions was altered to allow for lower contributions by businesses that identify growth opportunities to and within Northern Australia.

Changes to the Customer Information Guide included:

- Revision of the program map to show clearly that businesses could apply direct for funding without having received skills advice.
- Skills Advisers having a role in reviews of high risk applications.<sup>4</sup>

With the introduction of the Program's Northern Australia element, a further five Skills Advisers were appointed to better service that region. No specific initiatives were taken in reaction to the Indigenous participation element, although Education established contacts with and through Supply Nation (a not-for-profit company that promotes supplier diversity and Indigenous businesses development).

Following substantial ISF Program funding reductions in the 2015-16 Mid-Year Economic and Fiscal Outlook and the 2016-17 Budget totalling \$520 million over 5 years, the Merit Assessment Guide was further revised and restructured in July 2016 to make clearer the competitive nature of the assessment process.

The 2016-17 Budget announced that the ISF was being:

*Repositioned as a more targeted fund delivering on its core policy intent of assisting micro and small businesses to take advantage of business growth opportunities and adapt to rapid technological change.*

While larger sized businesses remain eligible to apply for ISF support, they, like smaller businesses, will need to demonstrate capacity to deliver benefits that are proportional to the amount of funding sought and clearly demonstrate value for money as part of the competitive assessment process.

In summary, it is clear that the ISF Program and its administration has evolved somewhat since it was first implemented. See **Table 3.3** for an overview of the history of funding for the Program.

The following description of the policy rationale, objectives, design features, administrative arrangements and Program resources is based on the Program documentation that came into effect in September 2015 and relevant subsequent developments up until the 2016-17 Budget.

## 3.2 Policy rationale for the ISF

### Overarching policy objective

The overarching policy objective for the ISF is to boost business productivity and increase the competitiveness of Australian businesses across the economy.

### Specific policy objectives

The specific policy objectives of the ISF are to:

- Have a highly skilled workforce that is able to adapt to rapid technological change, structural change and new business opportunities.
- Address workplace capability issues impacting on the ability of Australian businesses to respond to new and changing opportunities and improve their productivity and competitiveness in a global market.
- Support the long term growth of Northern Australia.<sup>5</sup>

<sup>4</sup> While this provision was included in the Customer Information Guide, ACIL Allen understands that it was not used and it does not appear in the program map.

- Focus on promoting Indigenous participation and encourage business to think of the opportunities for expanding operations to and within Northern Australia.<sup>6</sup>

### 3.3 Design features

#### Description of Program

The ISF is a merit-based grants Program for industry to support the training needs of enterprises which cannot be readily met by the national training system. The sectors identified as priority industries are listed in section 3.4.2.

The ISF was expected to deliver over 250,000 training places and support services over five years from 1 January 2015 across Australia, with additional support for businesses in Northern Australia commencing 1 September 2015. Businesses are required to make a contribution toward the cost of training. The amount contributed by a business is on a sliding scale depending on the size and location of the firm.

#### Businesses targeted

The focus of the Program is to provide assistance to businesses that are “preparing to take up growth opportunities outside of their normal day to day business operations”. As mentioned in Section 3.1, in September 2015 the policy changed to allow unincorporated businesses to be eligible for support under the ISF.

There is greater ISF funding support for eligible businesses that are located in or entering into Northern Australia. The Customer Information Guide defines this as being when the primary place of business of the firm is in Northern Australia. Or if the business can demonstrate that it has a growth opportunity that would expand its operations into Northern Australia.

#### Assistance available through ISF

The ISF provides two types of assistance to businesses, namely providing:

- *Skills Advice*—this service helps the business identify skills needs and opportunities and to maximise the benefits of training outcomes.
- *Training Grants*—this service reimburses part of the training costs to business looking to improve the skills of their workforce to help the firms to achieve identified *growth opportunities* (a growth opportunity is defined in **Box 3.1**).

<sup>5</sup> Northern Australia is defined to comprise all of the Northern Territory and those part of Queensland and Western Australia north of the Tropic of Capricorn.

<sup>6</sup> The last two objectives were added later and they were therefore not taken into account in the original design of the program.

**BOX 3.1** DEFINITION OF A GROWTH OPPORTUNITY

The ISF Customer Information Guide (Version 2) defines a growth opportunity for a business under ISF to be something that is:

*...new, innovative, outside of the businesses' day to day operations and expected to increase the productivity and competitiveness of the business.*

The Customer Information Guide (Version 2) provides examples of actions businesses may take that could be considered as potential growth opportunities:

- Diversifying into new or emerging markets.
- Adopting new or emerging technologies.
- Entering export markets.
- Responding to significant domestic market opportunities.
- Repositioning themselves because of market driven structural adjustment.

SOURCE: DEPARTMENT OF EDUCATION AND TRAINING. 2015. INDUSTRY SKILLS FUND CUSTOMER INFORMATION GUIDE (VERSION 2). SEPTEMBER 2015.

Individual businesses can access Skills Advice and or Training Grants—they are not restricted to accessing only one service. Businesses are permitted to apply for training grant assistance from ISF more than once.

**Expected Program outcomes**

The ISF Program Guidelines outline the outcomes that are expected from the ISF. These are to:

- Enhance the capability and skill levels of the workforce in the businesses successful in gaining funding.
- Contribute to increased productivity and competitiveness of the businesses that participate in the ISF.
- Support the skills development of small to medium businesses, including micro businesses.
- Support businesses to respond to growth opportunities, especially in industries the Commonwealth Government has identified as being of immediate priority in regard to the productivity and competitiveness of the Australian economy.

These outcomes are also indirectly linked to the policy objectives of the Northern Australia White Paper which seek to address the workforce needs of Australia's northern regions.<sup>7</sup> However, these Northern Australia outcomes are not formally documented the ISF Program Guidelines and could therefore be regarded as secondary objectives of the ISF.

**3.3.2 Skills Advice**

The free skills advice service aims to help businesses identify their skills needs. The service does this by providing for independent Skills Advisers to assist micro, small and medium sized businesses understand their growth opportunities and to identify what skills they need to help them achieve those growth opportunities and increase their competitiveness.

The Skills Advisers provide tailored advice for each business. That advice may include analysis of the business' training needs, skills audits, and workforce development planning. Skills Advisers also provide recommendations to businesses about what skills activities would help the business enhance their growth potential. These recommendations cover two types of activities:

- Business growth training—training activities the business needs to improve its competitiveness for the identified growth opportunities.
- Business growth training support services—other activities the business can complete to increase the impact of business growth training outcomes.

<sup>7</sup> The Northern Australia White Paper entitled: *Our North, Our Future: White Paper on Developing Northern Australia*, identified that Northern Australia's workforce needs will be addressed by: 1) getting more Australians working, by helping them gain the right skills and reducing barriers to relocating within, or to, the north; and 2) allowing businesses to address unmet labour demand, by reducing barriers to accessing foreign workers.



Businesses can apply for grants to help cover the costs of the recommendations for business growth training and business growth training support services. Advisers can also recommend training activities to improve business day-to-day (or 'business as usual') operations. However, these activities are not eligible for Training Grants.

### 3.3.3 Training Grant—a co-contribution model

The training grant is a co-contribution scheme which provides funding to cover part of the costs to businesses of providing eligible training on a re-imbursement basis. Successful applicants are required to pay for the total cost of the training. They then receive a reimbursement of part of that cost depending on the size of their business (as measured in FTEs). Table 3.1 lists the contribution rates for businesses not located in Northern Australia and **Table 3.2** lists the contribution rates for businesses located in Northern Australia.

The Training Grant covers the following categories of training:

- Nationally recognised training, including full qualifications and skill sets.
- Training accredited through state and territory systems, including Language, Literacy and Numeracy training.
- Training that is identifiable, transferrable by a learner and builds the capability of a learner.
- High quality, innovative or tailored training that may not yet be part of a training package or accredited course. This can include different combinations of training modules to form new skill sets and training tailored to meet specific business needs.
- Training required to navigate export barriers and/or access foreign markets.

**TABLE 3.1** CONTRIBUTION RATES FOR BUSINESSES LOCATED OUTSIDE NORTHERN AUSTRALIA

Business type	Business size (employees)	Business co-contribution rate (per cent of total project cost)
Micro business	0-4 FTE	25
Small business	5-19 FTE	34
Medium business	20-199 FTE	50
Large business	200+ FTE	75

*SOURCE: ISF CUSTOMER INFORMATION GUIDE (VERSION 2)*

**TABLE 3.2** CONTRIBUTION RATES FOR BUSINESSES LOCATED IN NORTHERN AUSTRALIA

Business type	Business size (employees)	Business co-contribution rate (per cent of total project cost)
Micro business	0-4 FTE	25
Small business	5-19 FTE	25
Medium business	20-199 FTE	25
Large business	200+ FTE	50

*SOURCE: ISF CUSTOMER INFORMATION GUIDE (VERSION 2)*

## 3.4 Administrative arrangements and delivery model

### 3.4.1 Program Delegate

Under the Program Guidelines the Assistant Minister for Education and Training is required to appoint a Program Delegate. That Delegate is authorised to make decisions relating to the administration of the Program and give directions to the Department of Education and Training about the interpretation of the Program Guidelines and other program documents. The Delegate can in turn authorise employees of the department to from time to time take various decisions in relation to the ISF.

The Delegate is responsible for the overall efficient and effective administration of the Program.<sup>8</sup>

### 3.4.2 Priority industries

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Applicants whose businesses lie in one or more priority industries are given priority in the assessment of their applications. The Customer Information Guide identifies the following as priority industries:

- Food and agribusiness.
- Mining equipment, technology and services.
- Medical technologies and pharmaceuticals.
- Oil, gas and energy resources.
- Advanced manufacturing.
- Enabling technology and service industries that support one or more of the priority areas listed above.

The Program Delegate may make alterations to the list of priority industries on the advice of the Government.

### 3.4.3 Eligibility for Skills Advice and Training Grants

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Skills advice is targeted towards SMEs that could benefit from assistance in determining what training support would help their businesses grow. That skills advice also enables a more streamlined mechanism for assessing the merit of an application submitted by an SME for a Training Grant (see also discussion in Section 3.4.6).

The Training Grant is targeted towards businesses that have identified a growth opportunity, any related skills needs, and a training solution to meet those needs and enable the growth opportunity to be achieved. SMEs that do not meet this criterion can still apply for skills advice.

### 3.4.4 Application assessment

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Applications are assessed in a process that is consistent with the assessment process of other business-facing Government support programs (such as the Entrepreneurs Program). The applicant's eligibility for support is assessed at the enquiry stage. If they are eligible they are able to seek skills advice and apply for a training grant. The merits of the firm's application are then assessed. The various assessments are discussed below.

### 3.4.5 Eligibility assessment stage

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The eligibility assessment stage during the enquiry stage involves an assessment of whether the applicant is eligible to benefit from ISF.

Solvent Australian businesses with an ABN are eligible to apply for ISF support if they are non-tax exempt, registered for GST, have a demonstrated trading history in at least three consecutive years, and are not on the current list of non-compliant organisations under the *Workplace Gender Equality Act 2012* (Cth).

Consortia may make applications if there are at least three beneficiaries of the fund. A consortium is eligible if each member of the consortium is eligible. A consortium must have a lead member that is responsible for payments, reporting and project outcomes.

Other constraints on the eligibility of applicants include the following:

- A trustee may apply on behalf of a trust, provided the Government is satisfied that the trustee corporation will remain sufficiently liable for the performance of any agreement it signs.
- Registered Training Organisations and other training providers are not eligible to apply for funding to deliver training or support services either to their own workforce or another related entity.

Employees of applicants are eligible for training support from ISF if they are Australian citizens, Australian permanent residents, or New Zealand passport holders who have worked in Australia for at least six months.

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<sup>8</sup> The Program Delegate is the Branch Manager of the Branch responsible for managing the program.

ISF can fund training activities that have the potential to lead to increased productivity, competitiveness and/or sustainability of a business through training, support services and/or training development.

The application assessment stage also requires a risk assessment of the proposed project using the program's risk rating tool. Projects can be rated as low, medium or high risk. The risk rating will determine the appropriate level of assessment and quality assurance, with higher risk projects requiring more senior officers to review and approve them. High risk projects require the approval of the Program Delegate.<sup>9</sup>

Finally, an assessment of whether the proposed activities and expenditure in the application are eligible for support from the fund. Higher level VET qualifications such as Graduate Certificates and Graduate Diplomas may be funded, where they sit within a VET field of education. Non-VET higher education qualifications are not eligible for funding. The ISF Customer Information Guide states that the following activities are also ineligible for funding: activities that are eligible for funding under other government programs (from all three levels of government, including international programs); training available to an eligible learner through the state and territory vocational education and training systems that attract a subsidy; training and support services delivered by organisations to their own workforce; training and support services provided by parties that are related to the applicant; and consultancy and related activities that do not build the capability of a learner.

Non-accredited tailored training may be approved if the following conditions are met:

- There is a strong growth opportunity.
- The training provides a significant return on investment.
- The training is fit-for-purpose to meet a specific need related to the growth opportunity.

The assessor must also be satisfied that the training is transferrable by the learner.

In some circumstances, where proposed activities and/or expenditure are deemed ineligible as per the ISF Program Guidelines and/or customer documentation, but the assessor believes there is a genuine case for approval, the relevant Program Delegate is afforded some discretion in his/her final decision. ACIL Allen believes this provides a useful degree of flexibility to help manage the Program in situations where the circumstances of individual businesses can vary considerably.

### 3.4.6 Merit assessment stage

The merit assessment framework is based on the following principles:

- A risk based, streamlined assessment process for applications which have been informed by skills advice and/or engagement with the Entrepreneurs' Program.
- A focus on local (state-based) decision making to ensure a timely response.
- Moderation of assessments, recommendations and decisions to ensure national consistency and integrity of the assessment process.
- A weighting towards applicants in the priority industries.

The Department assesses eligible applications against five ISF merit criteria, namely:

- a) How the applicant is seeking to take up a "growth opportunity". A growth opportunity could occur when the business is:
  - i) diversifying into new or emerging markets
  - ii) adopting new or emerging technologies
  - iii) entering export markets
  - iv) responding to significant domestic market opportunities
  - v) repositioning themselves because of market driven structural adjustment.
- b) How the productivity gains created from the proposed project will deliver benefits to the Australian economy.

<sup>9</sup> Industry Skills Fund Procedures Manual Part C – Applications and Assessment, Version 2 (as updated on 19 May 2016)

- c) How the proposed project will address the links between the growth opportunity, the skills gaps identified in staff capability, and proposed staff training.
- i) in the case of non-accredited training there should be a clear and reasonable justification as to why nationally recognised and/or accredited VET training is not suitable for the individual situation and a clear demonstration that the individual participant will receive a tangible and transferrable benefit through undertaking the training.
  - d) The value for money offered by the proposed project.
  - e) The capability and capacity of the applicant and the training provider to carry out the proposed project.

Applicants who have received a Skills Advice Report with training recommendations are deemed to have sufficiently satisfied the first three criteria and are only assessed against criteria d) and e).

### 3.4.7 Priority given to applicants in priority industries

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Applicants in all industry areas are eligible to apply for assistance under ISF. However, applicants falling into the priority industries are given priority in the assessment process. If an application has received a total score that is below the 'pass mark' but is from a priority industry, then a weighting can be applied to the scores against merit criteria a) and b). Under the formula used to apply the weighting the score of a project in a priority industry can increase by a maximum of 8 points.

### 3.4.8 Finality of decisions of the Program Delegate

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The Program Delegate's decisions about key aspects of the Program are final. These include approving the eligibility of a business, the merit assessment of an application, the funding to be provided to approved applications, and funding agreements.

### 3.4.9 Funding agreements

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Successful applicants must execute a funding agreement with the Program Delegate before they can access payments. All eligible reimbursements are made in arrears.<sup>10</sup>

The ISF Customer Information Guide states that the Department can select a type of funding agreement from three categories of agreement, depending on the project duration, cost, complexity, and the applicant's preferred reporting arrangements:

- *Single payment agreement*—these are agreements in which a single reimbursement payment is made after the training has been completed and all fees paid. This type of agreement is suitable for projects with a short duration (e.g. three months or less).
- *Split payment agreement*—these are agreements in which payment is split between a first payment to reimburse fees paid in the first month of the project and the second (and last) payment made on the completion of training and after the recipient has paid all fees. This type of agreement is suitable for projects of short to medium term (e.g. six months or less).
- *Multiple payment agreement*—these are agreements in which payments are made to recipients in stages by negotiation. These agreements are suitable for projects longer than six months in duration and projects of high value and/or risk.

A funding agreement can be varied by mutual consent between the grant recipient and the Program Delegate.

### 3.4.10 Reporting and payment

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Grant recipients must provide reports to the Department under their funding agreement.

- *Single payment* funding agreements require the grant recipient to submit one report after completing the project training activities. The grant recipient then receives the full amount of Government funding approved for their grant.

<sup>10</sup> Industry Skills Fund Customer Information Guide (Version 2), p. 12.

- *Split payment* funding agreements require grant recipients to submit two project reports—a commencement report and a final report. Recipients receive a payment in relation to each project report. The payment relating to the commencement report can be for an amount of up to 70 per cent of the total amount of Government funding. A minimum of 30 per cent of the grant amount is only payable on submission of the Final Report.
- *Multiple payment* funding agreements require grant recipients to submit multiple project and audit reports:
  - a commencement report, covering the first 30 days of the project. Payment of up to 50 per cent of the total Government funding can be made to the recipient in relation to this report
  - progress reports must be submitted in relation to each six month reporting period after the 30 days relating to the commencement report. Payment of up to 50 per cent of the total Government funding can be made to the grant recipient upon submission of a progress report
  - a final report, covering the period in the last reporting period in which the project was underway
  - The final payment (a minimum of 10 per cent of the grant amount) is made to the recipient after the recipient submits its final report to the Department.

### 3.4.11 Administration

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The Department of Education and Training is responsible for administering the ISF. The Department uses the automated emails generated by the Department of Industry, Innovation and Science's Strategic Grants Management System (SGMS) as one of its methods of communication with applicants and potential applicants about the Program.

### 3.4.12 IT System

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#### Strategic Grants Management System

The SGMS platform is used and maintained by the Department of Industry, Innovation and Science (DIIS). The platform includes modules dealing with program applications, assessment, monitoring, reporting and payments and the tracking of progress. It is designed to minimise the administrative burden on businesses, while ensuring appropriate risk management and accountability for the expenditure of public funds.

ACIL Allen understands that SGMS will be replaced by an enhanced grants management IT platform for the whole-of-government Business Grants Hub for all industry facing programs.<sup>11</sup> This was announced as part of the Digital Transformation Agenda in the 2015-16 Budget and the industry hub is being developed.<sup>12</sup>

The SGMS platform is used by Education for administration of ISF grants. However SGMS is not compatible with the records management system used by Education. SGMS is also not compatible with the SAP system used for payments. Therefore, administration of ISF grants requires officers to work out of both systems to complete certain functions.

Any modifications to SGMS modules in relation to administration of the ISF need to be negotiated and agreed between Education and DIIS. The process of agreeing on and costing any changes that Education is seeking to SGMS has proved to be a lengthy one. The fact that no funding has been allocated within Education to pay DIIS to make any agreed changes contributes to the challenge of making any changes to SGMS in a timely manner.

## 3.5 Program resources

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The distribution of ISF funding allocations and efficiency savings across fiscal years can be seen in **Table 3.3**, derived from budget and budget related documents. It is not possible to derive the departmental administration expenses allocated to the ISF Program from the budget documents.

<sup>11</sup> New 'Grants Hub' to do the Business, PS News 21 July 2016.

<sup>12</sup> The Digital Transformation Agenda in the 2015-16 Federal Budget, David Hazlehurst, May 2015. [www.dto.gov.au/blog/the-digital-transformation-agenda-in-the-2015-16-federal-budget](http://www.dto.gov.au/blog/the-digital-transformation-agenda-in-the-2015-16-federal-budget) accessed 27 Sept 2016.

**TABLE 3.3** INDUSTRY SKILLS FUND – PROGRAM EXPENSES AND SAVINGS

Source	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Totals
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Program Expenses</b>							
2014-15 PBS <sup>a</sup>	24,209	131,405	151,389	157,715	-	-	464,718
2015-16 PBS <sup>b</sup>	27,701 (actual)	164,220	153,970	157,715	159,452	-	663,987
2015-16 PBS <sup>c</sup>	929 (est actual)						
2015-16 PAES <sup>d</sup>	1,031 (actual)	79,120	91,070	94,815	96,395	98,944	461,375
2016-17 PBS <sup>e</sup>	28,630 (actual)	49,053 (est actual)	31,713	40,138	41,718	44,267	235,519?
<b>Savings efficiencies</b>							
2015-16 MYEFO <sup>f</sup>	-	-85,100	-62,900	-62,900	-62,900	-	-273,800
2016-17 Budget (7) <sup>g</sup>	-	-24,567	-54,857	-54,677	-54,677	-54,677	-243,455

<sup>a</sup> Portfolio Budget Statements 2014-15, Budget Related Paper No. 1.12 - Industry Portfolio, May 2014. <sup>b</sup> Portfolio Budget Statements 2015-16, Budget Related Paper No. 1.5 – Education and Training Portfolio, May 2015. Part year effect due to Machinery of Government Changes announced on 23 December 2014. <sup>c</sup> Portfolio Budget Statements 2015-16, Budget Related Paper No. 1.12 - Industry Portfolio, May 2015. Programs transferred to the Department of Education and Training due to Machinery of Government Changes announced on 23 December 2014. <sup>d</sup> Portfolio Additional Estimates Statements 2015-16, Education and Training Portfolio, February 2016. <sup>e</sup> Portfolio Budget Statements 2016-17, Budget Related Paper No. 1.5 – Education and Training Portfolio, May 2016. 2014-15 figure is the sum from the 2014-15 PBS (see notes b) and c)). <sup>f</sup> Mid-Year Economic and Fiscal Outlook 2015-16, December 2015. Savings of \$273.8 million over four years from 2015-16. Funding of \$325.7 million over 4 years will continue to be provided. <sup>g</sup> Budget 2016-17, Budget Measures, Budget Paper No. 2 2016-17, May 2016. Total savings of \$247.2 million over 4 years from 2015-16. Funding of \$206.9 million over 5 years will continue to be provided (Note: funding figure is sum of program expenses 2015-16 through 2019-20).

SOURCE: DEPARTMENT OF EDUCATION AND TRAINING AND DOCUMENTS LISTED ABOVE.

Information provided by Education indicates that a total of 20 ASL (average staffing level), located in state and national offices, were allocated to the management and administration of the ISF in 2015-16. Based on an average all-inclusive cost per ASL of \$200,000 per year (salary, superannuation, on-costs) the Department's expenses for the program are estimated to have been around \$4.0 million a year. The program's ASL was reduced to 12 in the 2016-17 budget leading to total estimated departmental expenses of \$2.4 million a year.

The department has also indicated that other National Office resources are used to support the Program, including the Compliance Team assisting with ISF audit activities.

### 3.6 Program performance targets

The ISF was initially expected to deliver up to 200,000 training and support services over four years, increasing to over 250,000 training and support services over 5 years in the 2015-16 budget. Following the program efficiency savings described above, the actual and targets for the number of participants supported to undertake training and/or support services has been reduced to around 64,300 over the six years from 2014-15 to 2019-20.

The distribution of the number of participants across fiscal years can be seen in Table 3.4, again derived from budget and budget related documents.

**TABLE 3.4** NUMBER OF PARTICIPANTS SUPPORTED TO UNDERTAKE TRAINING AND/OR SUPPORT SERVICES

Source	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
2014-15 PBS	7,000	38,000	44,000	45,500	-	-	
2015-16 PBS	7,000	38,000	44,000	45,500	46,000	-	180,500
2015-16 PAES	7,035 (actual)	14,000	-	-	-	-	
2016-17 PBS	-	Forecast 22,500 Target 14,000	Target 8,800	Target 11,000	Target 11,500	Target 12,000	Target 64,300 (incl 2014-15 actual)

Note: Performance criteria – training grants are prioritised to micro and small businesses (expected achievement more than 75% in 2015-16).

SOURCES: (1) PORTFOLIO BUDGET STATEMENTS 2014-15, BUDGET RELATED PAPER NO. 1.12 - INDUSTRY PORTFOLIO, MAY 2014. (2) PORTFOLIO BUDGET STATEMENTS 2015-16, BUDGET RELATED PAPER NO. 1.5 – EDUCATION AND TRAINING PORTFOLIO, MAY 2015. (3) PORTFOLIO ADDITIONAL ESTIMATES STATEMENTS 2015-16, EDUCATION AND TRAINING PORTFOLIO, FEBRUARY 2016. (4) PORTFOLIO BUDGET STATEMENTS 2016-17, BUDGET RELATED PAPER NO. 1.5 – EDUCATION AND TRAINING PORTFOLIO, MAY 2016.

It should also be noted that in response to the budget savings efficiencies and the reduced ISF targets noted above, Education has renegotiated the contracts with the Skills Adviser providers and the total number of Skills Advisers was reduced from 88 in 2015-16 to 55 by the end of September 2016.

### 3.7 Conclusions

The key findings from the issues discussed in this chapter are as follows:

- The ISF Program has evolved since it was first established as reflected in the revised Program Guidelines, which came into effect in September 2015, and the more targeted approach announced in the 2016-17 budget.
- The ISF has some relatively unique design elements such as the focus on growth opportunities and on meeting business skills needs, including by providing access to non-accredited training and allowing unincorporated businesses to access the Program.
- The Department's Program administration operates on a distributed model with certain functions performed by State offices and others by national office, including the latter needing to approve large or high risk grants and taking overall responsibility for Program management and delivery.
- The two IT platforms used for ISF Program administration, DIIS' SGMS and Education's records management system, "are not effectively integrated", this leads to additional administrative effort by staff.
- The initial impact of the major reduction in the ISF Program budget can be seen in the significant reduction in the targets for the number of participants receiving support through training and support services and in the number of Skills Advisers deployed.
- Due to the constraints on funding for the Program, program staff have had to 'raise the bar' by requiring a higher score against the ISF merit criteria before an application will be approved.

The ISF is examined in greater depth in the following chapters.



# ANALYSIS OF THE ISF'S DESIGN AND ADMINISTRATIVE ARRANGEMENTS

# 4

## 4.1 Introduction

This chapter considers the appropriateness, effectiveness and efficiency of the ISF's design arrangements, as described in the previous chapter. The chapter draws on evidence from a range of perspectives, including Education managers, Skills Advisers and businesses to inform the analysis.

Australian Government provision of programs to assist businesses in general, and small and medium businesses in particular, is a relatively crowded space with several Australian Government departments having programs, which have some bearing on business needs. State and territory governments also have their own programs and incentives (e.g. payroll tax thresholds and reductions for business employing apprentices). Various mechanisms are used to avoid duplication of effort and minimise overlaps. These broader issues are outside the scope of this Review.

At the Australian Government level, DIIS has a range of businesses programs designed to provide support at various stages of business growth and activity. The EP, provides advice and support for businesses to innovate and grow through three elements—accelerating commercialisation, business management and innovation connections. The program also links with the Australian Small Business Advisory Service and Industry Growth Centres. To be eligible for EP support a business needs, amongst other things, to have the skills and capability to operate in one of the Government's five growth sectors. Some businesses that seek support under the EP may first be referred to the ISF to obtain assistance with their skills needs. Businesses who have received appropriate EP support are partially 'pre-qualified' to participate in the ISF, as they are deemed to have satisfied a number of the merit criteria for the ISF.

The Department of Employment has a range of programs designed to assist unemployed people obtain employment ranging from skills training to wage subsidies. The 2016-17 budget announced an \$840.3 million Youth Employment Package to assist up to 120,000 vulnerable young people to take advantage of job opportunities. The core Youth Jobs PaTH (Prepare –Trial -Hire) program provides assistance covering employability skills training, internship placements and a wage subsidy. It also links with the long-running New Enterprise Incentive Scheme (NEIS), which encourages job seekers to become self-employed business owners. While not directly linked, people progressing through PaTH and/or through NEIS could in due course find a future pathway through the ISF.

Education administers a number of skills and training programs other than the ISF but these are focussed on the skilling of individuals in line with the Government's objectives of ensuring Australia has an appropriately skilled and qualified workforce. In this sense the ISF complements and fills a gap in the department's program framework.

Under the current distribution of responsibilities for Vocational Education and Training (VET) State and Territory jurisdictions have certain responsibilities for the funding and delivery of VET qualifications.



The Australian Government provides financial assistance to the States for Skills and Workforce Development, through the National Partnership Agreement on Skills Reform and to eligible subsidised students undertaking Diploma and Advanced Diploma level qualifications through VET FEE-HELP.

Hence there are various programs at the State and Territory level, and the States and Territories have various arrangements for consulting and engaging industry groups to ensure VET training is industry relevant. Their programs are predominately focussed on skilling and training individuals for employment. State and Territory programs are also focussed solely on supporting accredited training. State programs such as *Skilling Queenslanders for Work* are designed to avoid duplication with federal government programs.

As the number, nature, scope and funding for programs of interest to businesses at the federal, state and territory levels are regularly changing and evolving, the *business.gov.au* website lists all the various support programs available to business and provides a starting point for businesses seeking assistance and support. For businesses seeking information on training options, the *training.gov.au* website is the national register for training in Australia and contains information about Registered Training Organisations (RTOs), Nationally Recognised Training (NRT), and the approved scope of each RTO to deliver NRT as required in national and jurisdictional legislation within Australia. The *Myskills* website (a national directory of VET organisations and courses) is another online resource.

## 4.2 Are the objectives of the ISF appropriate?

### 4.2.1 Strategic alignment

The strategic alignment of any program with the Australian Government's agenda and policy and program framework is a key issue in any evaluation. The evolution of the ISF to date indicates that its core role in assisting businesses that have a growth opportunity but are lacking the necessary skills to take best advantage of that opportunity and improve their productivity and competitiveness remains strategically aligned with the Government's broader industry and training priorities. As described above, the ISF has a different approach to any of the other generally available programs, and is thus a relatively unique program which fits within Government's strategic policy framework for skills development and training.

The Program also aligns well with best practice identified from the literature review (see Section 2 and Appendix A). In particular because it:

- Requires the employers to make a contribution towards the cost of training, scaled according to business size and location. This means that the employer has a real stake in the training outcomes while recognising that smaller businesses need higher levels of support
- Uses Skills Advisers to help identify business training needs and identify suitable courses. Skills Advisers provide a 'fresh pair of eyes' and their assistance is appreciated by time-poor business owners. The literature review identifies the use of Skills Advisers as a sound approach (see Section 2 and Appendix A).

The extent to which the ISF supports the Government's Northern Australia growth strategy and particularly the Indigenous participation strategy is less clear cut. As discussed below, there are some elements of the Program design which make it difficult for many Indigenous businesses to participate in the ISF. The appropriateness of the ISF's Program design will need to be re-considered by Government if the broader strategic intent of the Indigenous component of the Program is going to be realised in the future.

The repositioning of the ISF reflected in the savings measures and the tighter targeting announced in the 2016-17 budget reaffirms the core strategic direction of the program, albeit at a reduced scale.

### 4.2.2 Stakeholder support for objectives

Having considered the issue of strategic alignment in broad terms, it is necessary to examine the appropriateness of the stated policy objectives of the ISF. The core policy objectives have remained essentially unchanged since the Program was first announced and reaffirmed by government announcements and in the two versions of the Program Guidelines.

As the ISF objectives are clearly focussed on industry needs, feedback on the objectives underpinning the ISF has been obtained through direct consultations with the Department's national and state offices, Skills Advisers in each state and territory and by survey responses from businesses which have interacted with the program.

Overall, support for the ISF's core policy objectives is very high. Most, if not all, stakeholders consulted identified the following policy objective as the highest priority objectives for the Program:

*...to address workforce capability issues impacting on the ability of Australian businesses to respond to new and changing opportunities and to improve their productivity and competitiveness*

*ISF Program Guidelines, September 2015*

All stakeholders also expressed strong support for retaining the above objective in any future iteration of the Program. Stakeholders identified the importance of having a program objective which focuses on both the productivity and competitiveness of businesses, as the cornerstones of longer term business success. Almost no stakeholders consulted as part of this Review, expressed any substantive reasons why this objective of the Program should be changed.

There was also general support amongst stakeholders for the Northern Australia growth objective, although its practical significance in the southern states and regions was seen to be quite limited. The Indigenous participation objective was either not known about or of less practical significance amongst many Skills Advisers in southern states. A proportion of Education state offices and Skills Advisers consulted for the evaluation questioned whether the ISF was the appropriate vehicle for delivering Indigenous-based objectives. Several reasons for this were given by stakeholders during consultations.

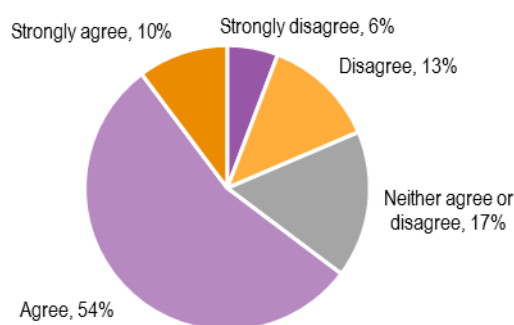
First, the eligibility criteria which require applicants to be a GST registered business excluded many Indigenous businesses that share ABNs with not-for-profit parent organisations. A number of Skills Advisers who work in Northern Australia and regional areas, where Indigenous businesses were located, identified numerous examples where Indigenous corporations (which work in for-profit environments) had presented "strong growth opportunities in new markets, services or products" but were excluded from participation in the Program due to their taxation status.

Second, some Indigenous businesses are not easily identifiable without the assistance of other organisations—such as Indigenous business councils and other representative groups. Generally, government support given to Indigenous businesses is often delivered or brokered through representative organisations, however these organisations are not part of the ISF Program. Without the formal assistance of these brokers it can be difficult to identify which businesses could be targeted by the Program.

Third, once targeted, the incentives for Skills Advisers to assist Indigenous businesses in remote locations are limited. With the exclusion of the five Northern Australia skills advisers appointed after the changes to the program in September 2015, the remaining Skills Advisers are not provided with the resources, incentives or contractual terms required to support Indigenous owned businesses operating in remote areas.

Fourth, the ISF provides businesses with Skills Advisers who deliver a relatively broad level of support. ACIL Allen has heard on numerous occasions that the level of support required by Indigenous-owned businesses is, on average, considerably higher than non-Indigenous businesses. Many Skills Advisers consulted for this project (who work with Indigenous businesses) felt that the workload associated with visiting businesses face to face to discuss skills needs and develop training recommendations, developing an application and supporting the businesses' obligations of a funding agreement far exceeded the level of support that could be provided through the ISF's current arrangements. For example many Indigenous businesses are based in remote locations and travel to and from them to provide support can take several hours each way.

It was encouraging that the overall business survey results indicate that the majority of businesses understood the Program objectives and the support the Program could offer to their businesses (see **Figure 4.1**).

**FIGURE 4.1** DOES THE BUSINESS UNDERSTAND THE ISF'S OBJECTIVES?

Note: 1. Sample size n = 219. 2. Responses to Question: 8. What did you know about the ISF before applying for assistance? Please rate how much you agree with the following statement: I understood the objectives of the ISF and what it is trying to achieve.

SOURCE: SURVEY RESULTS FOR ALL BUSINESSES WHO RECEIVED AN ISF GRANT.

## 4.3 Design elements

This section considers the appropriateness and effectiveness of the key design elements of the ISF and the interplay between them.

### 4.3.1 Use of Skills Advisers

The government and industry stakeholders consulted for this Review regarded the role of Skills Advisers as crucial to the effectiveness of the ISF, particularly for micro and small businesses, while recognising that a substantial proportion of businesses applied direct for ISF support without having received skills advice. Skills Advisers typically have many decades of experience working with and advising businesses on their skills needs. All Skills Advisers are selected through a process which involves input and feedback from the Department to ensure their backgrounds, experience and advisory approach are consistent with the Government's expectations and policy agendas.

Skills Advisers are seen as having major roles in engaging businesses in strategic conversations about their growth opportunities, workforce development and business planning. They assess and provide skills advice and recommendations through the Skills Adviser Tool (SAT) (a Tier 1 activity). Skills Advisers also promote the ISF Program (a Tier 2 activity). They are also expected to provide other forms of incidental support, including guidance to businesses in completing their funding applications. However, ACIL Allen notes that some Skills Advisers considered the latter was not part of their specified function.

**Box 4.1** lists the roles that the Skills Advisers are expected to play in the delivery of the ISF Program. The roles listed are based on the wording of the contract between the Network Providers and the Department. ACIL Allen notes that providing guidance to businesses in completing their funding applications is not explicitly included among the roles listed.

**BOX 4.1 THE ROLES OF SKILLS ADVISERS**

According to the contracts between the Department and the Network Providers, the roles of Skills Advisers are to:

1. Build an understanding of the ISF applicant's business, including its industry sector(s) and operational environment.
2. Confirm the 'growth opportunity' as identified by the business within the context of its overall strategic direction and market position.
3. Identify the gap in the current workforce skills capability that (if filled) would enable the business to achieve the growth opportunity.
4. Provide information on how addressing language, literacy and numeracy issues could improve the business's competitiveness/productivity.
5. Develop and recommend skills training and other workforce development solutions that will provide businesses with the necessary workforce skills to address the skills gap and achieve the growth opportunity.
6. Provide market and industry intelligence to the department and promote the program to business.

*SOURCE: DEPARTMENT OF EDUCATION AND TRAINING*

The business survey results for those businesses that received skills advice and completed a funding agreement are overwhelmingly positive about the value added by Skills Advisers. The survey findings are presented in the following table and figures.

Network providers reported that the Department's expectations in relation to the role of Skills Advisers in marketing were somewhat greater than they believed they had offered in their tender. Skills Advisers reported that many businesses needed their help in completing funding applications. Without this help, these businesses would have failed to proceed with their applications and the skills advice would have been a waste of effort. Our analysis of the literature found that the use of persons to facilitate the Program (as Skills Advisers do) is also regarded as best practice (see Section 2 and Appendix A).

ACIL Allen surveyed 145 businesses that had received skills advice. **Table 4.1** shows the breakdown of those businesses by size of business. The percentage of businesses surveyed by ACIL Allen in each category, aligns relatively closely with the distribution of businesses that have received skills advice according to Education's advice on applicant characteristics as at 30 April 2016, namely 31 per cent for micro businesses, 37 per cent for small businesses, 30 per cent for medium businesses and 1 per cent for large businesses.<sup>13</sup> Note that the number of large businesses who received skills advice is very small. Therefore the responses for these businesses must be treated with a degree of caution as they are not a statistically significant sample. Note also that the large businesses had self-identified as having received skills advice. ACIL Allen notes that in general large businesses are not eligible to receive advice from a Skills Adviser, although there is scope for some discretion by the delegate in this area.

<sup>13</sup> Industry Skills Fund Overview as at 30 April 2016, provided by Education

**TABLE 4.1** BREAKDOWN OF BUSINESSES SURVEYED BY NUMBER OF EMPLOYEES

Number of FTE employees	Number of businesses	Percentage of businesses
0 to 4	49	34 per cent
5 to19	45	31 per cent
20 to 199	46	32 per cent
More than 200	4	3 per cent
<b>Total</b>	<b>144</b>	<b>100 per cent</b>

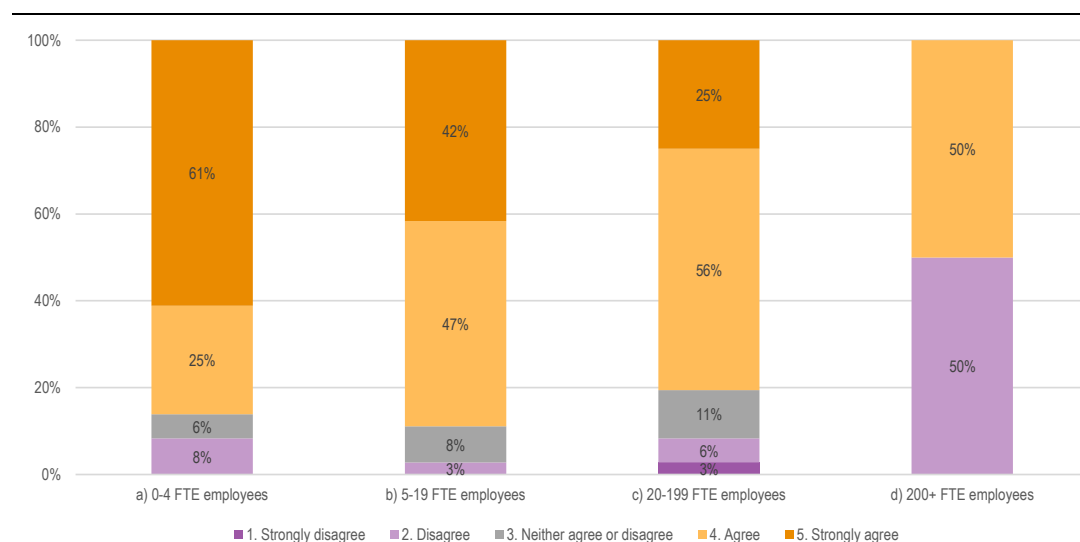
Note: n=144 of a total of 145 survey respondents (1 respondent did not specify number of employees).

Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

**Figure 4.2** shows that the provision of skills advice was a vital part of micro, small and medium businesses’ decisions to apply for ISF support.

**FIGURE 4.2** WAS THE SKILLS ADVICE A VITAL PART IN THE FIRM’S DECISION TO APPLY FOR AN ISF GRANT?



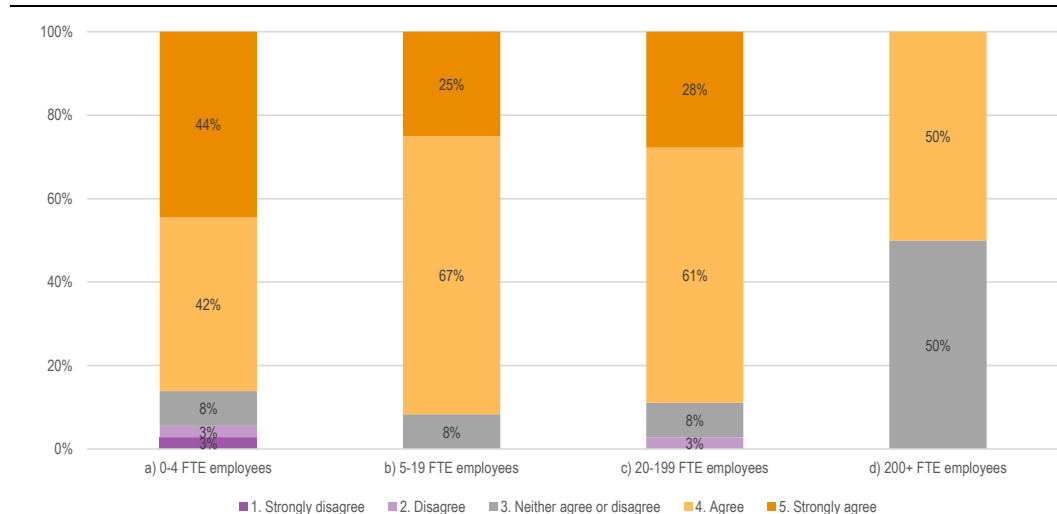
1. n = 110. 2. Question: 14 (a) Please indicate your views on the following statement: The skills advice was a vital part of my decision to lodge an ISF application.

Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

**Figure 4.3** shows that there is a very high level of satisfaction among businesses with Skills Advisers’ knowledge of their industry.

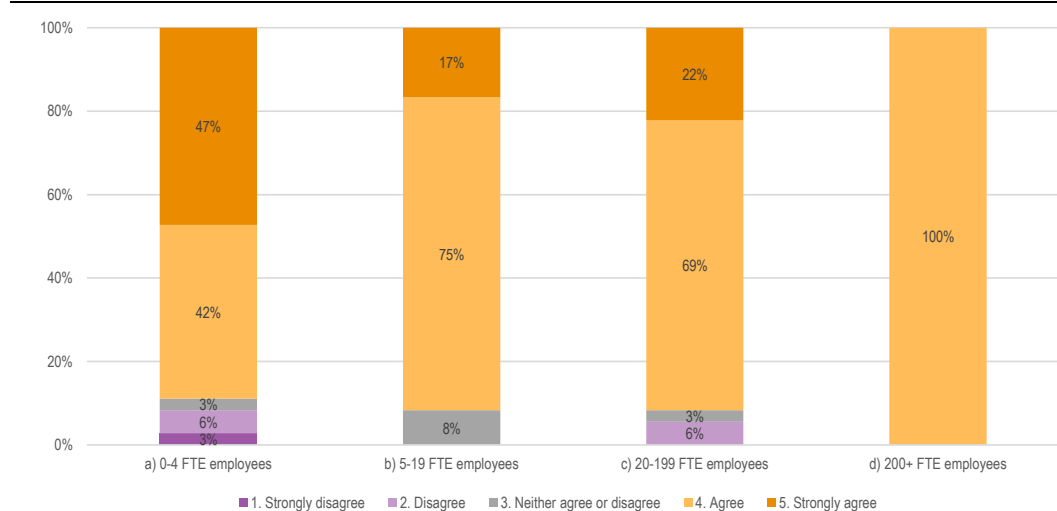
**FIGURE 4.3** DOES THE SKILLS ADVISER UNDERSTAND YOUR INDUSTRY?



1. n = 110. 2. Question: 14 (b) Please indicate your views on the following statement: The Skills Adviser understood the industry I operate in.  
 Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

Figure 4.4 shows that there is almost universal agreement that the Skills Advisers understand the employment and training market in the industry sector in which businesses’ operate.

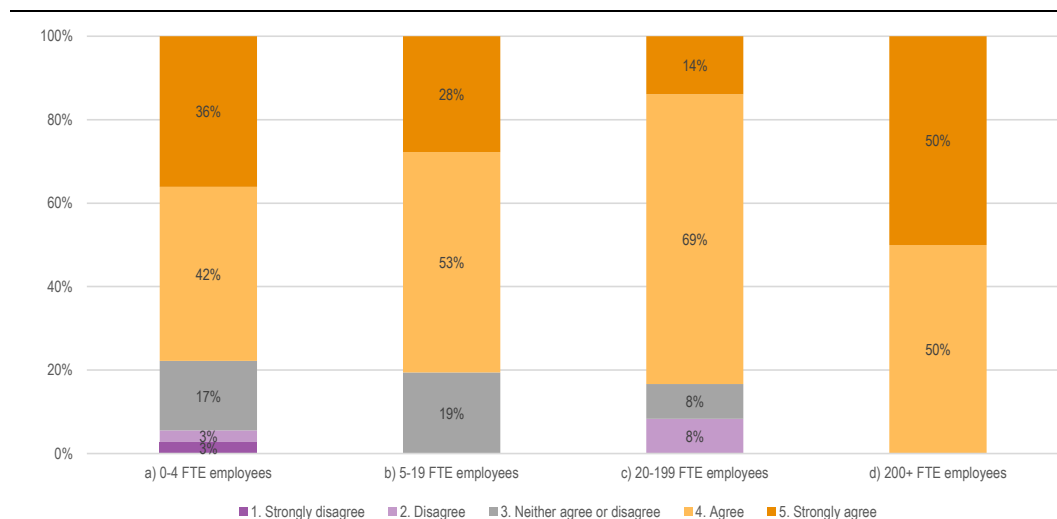
**FIGURE 4.4** DOES THE SKILLS ADVISER UNDERSTAND THE TRAINING MARKET IN YOUR INDUSTRY SECTOR?



1. n = 110. 2. Question: 14 (c) Please indicate your views on the following statement: The Skills Adviser understood the employment and training market in the industry sector in which my business operates.  
 Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

Figure 4.5 indicates a very high level of agreement across all business sizes that the advice provided by Skills Advisers is regarded by businesses as being useful for both strategic business and workforce development planning.

**FIGURE 4.5** DID THE SKILLS ADVISER PROVIDE THAT WAS USEFUL FOR STRATEGIC BUSINESS PLANNING AND WORKFORCE DEVELOPMENT PLANNING?



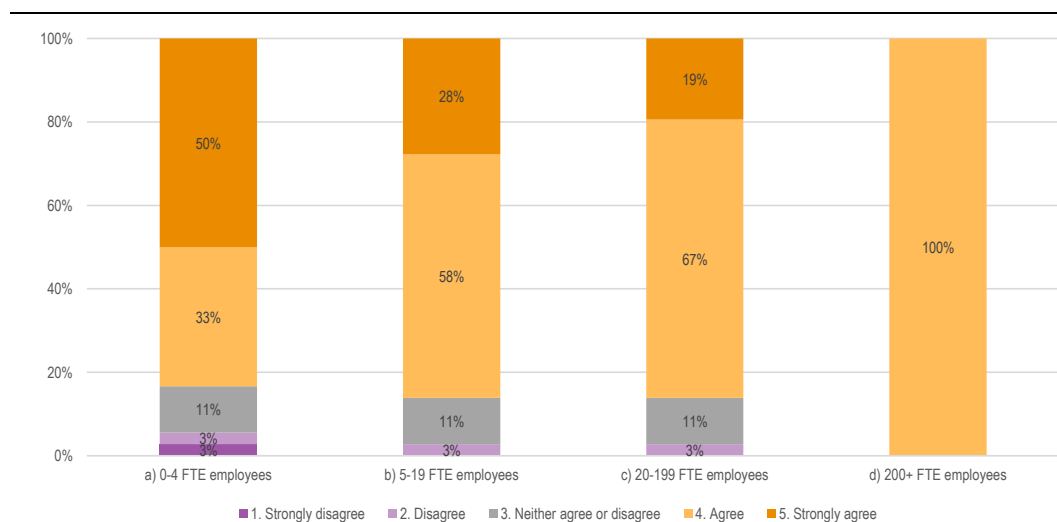
1. n = 110. 2. Question: 14 (d) Please indicate your views on the following statement: The Skills Adviser provided advice that could be used for strategic business planning and workforce development planning.

Note Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

Figure 4.6 shows a high level of agreement across all businesses surveyed that the skills advice they received was tailored to meet their businesses' needs.

**FIGURE 4.6** WAS THE SKILLS ADVICE TAILORED TO MEET YOUR BUSINESS NEEDS?



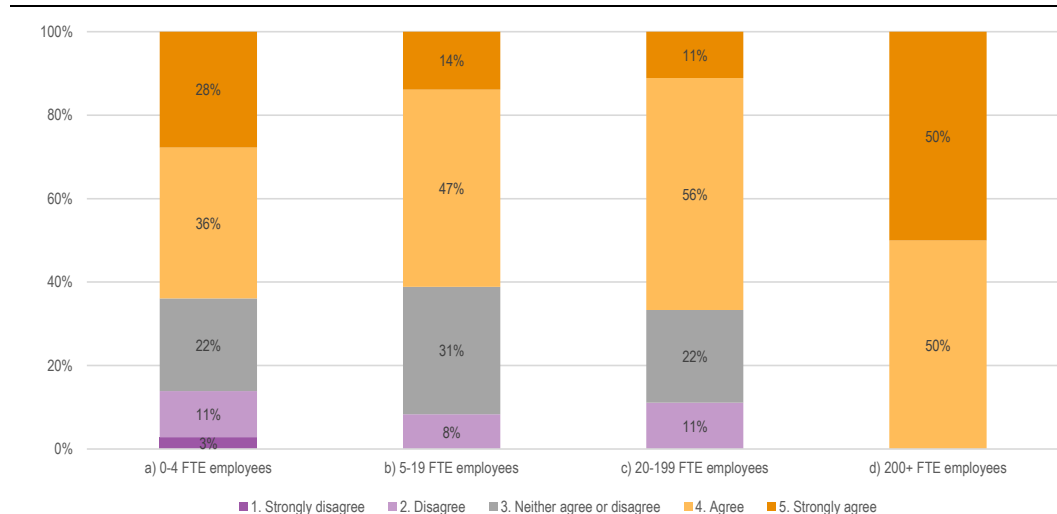
1. n = 110. 2. Question: 14 (e) Please indicate your views on the following statement: The skills advice was tailored to my business's needs.

Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

The results shown in Figure 4.7 confirm that most businesses believe that the advice provided by Skills Advisers could be used for other operational purposes. This is one of the broader benefits flowing from the provision of skills advice.

**FIGURE 4.7** COULD THE SKILLS ADVICE BE USED FOR OTHER OPERATIONAL PURPOSES?



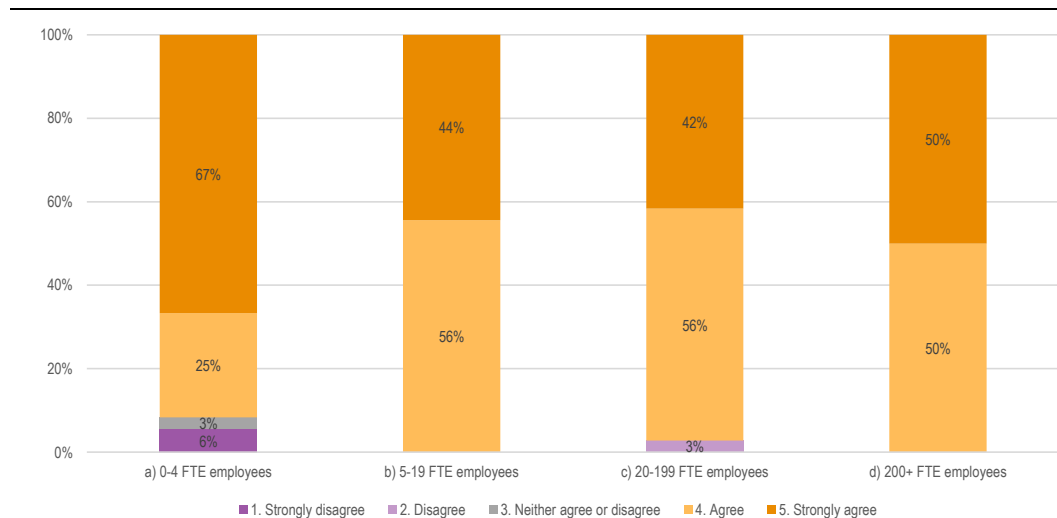
1. n = 110. 2. Question: 14 (f) Please indicate your views on the following statement: The Skills Adviser provided advice that could be used for other operational purposes.

Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

The survey results shown in **Figure 4.8** show that virtually all businesses found the Skills Advisers easy to work with. This is an indicator that Skills Advisers are building good relationships with the firms that they are assisting.

**FIGURE 4.8** WAS THE SKILLS ADVISER EASY WORK WITH?



1. n = 110. 2. Question: 14 (g) Please indicate your views on the following statement: The Skills Adviser was easy to work with.

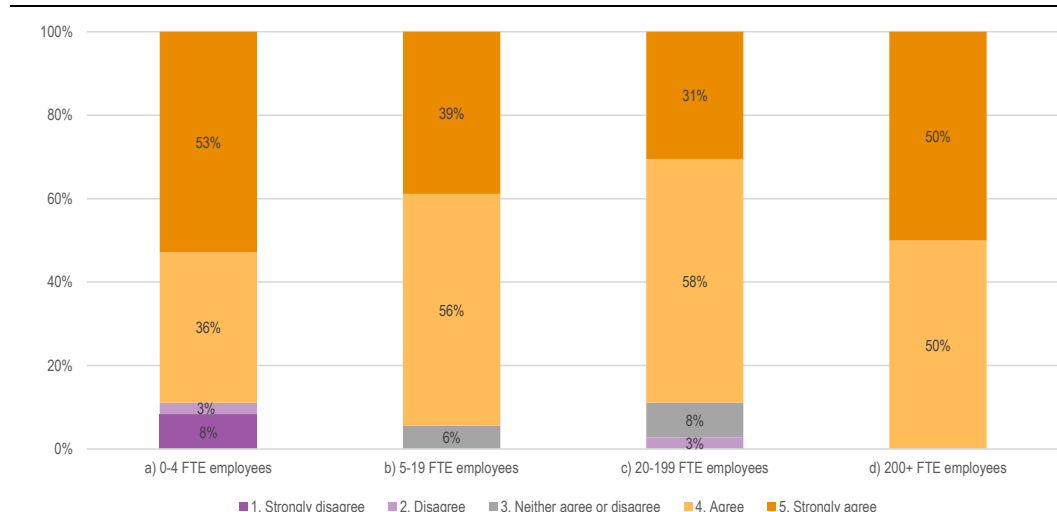
Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

**Figure 4.9** shows that there is a high level of satisfaction among businesses with the efficiency of the skills advice process.



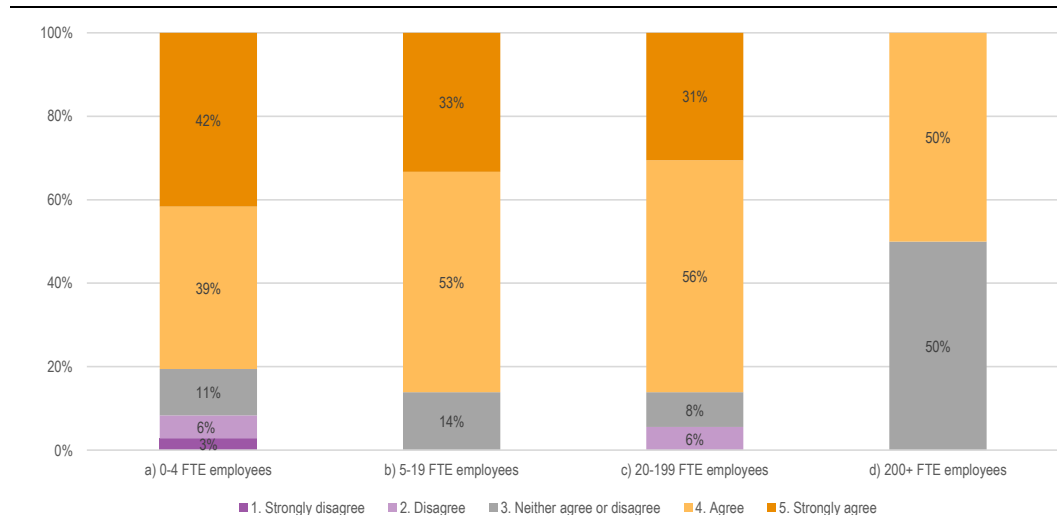
**FIGURE 4.9** WAS THE SKILLS ADVICE PROCESS COMPLETED IN AN EFFICIENT MANNER?



1. n = 110. 2. Question: 14 (h) Please indicate your views on the following statement: The skills advice process was completed in an efficient manner.  
 Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

Figure 4.10 shows that there is a high level of satisfaction among businesses with the quality of the skills advice received. This is especially the case for micro, small and medium sized businesses. This is an important indicator of the effectiveness of skills advice.

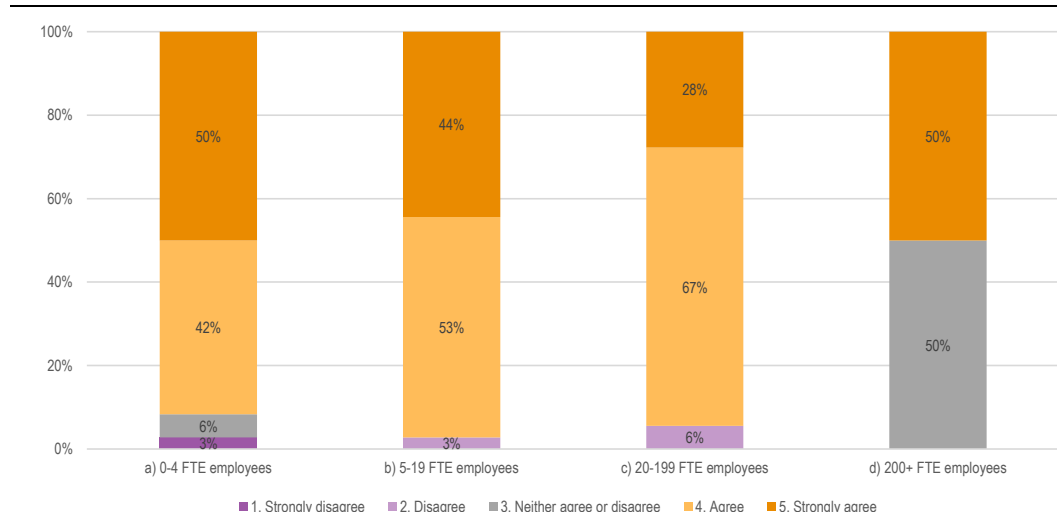
**FIGURE 4.10** WAS THE SKILLS ADVICE REPORT OF HIGH QUALITY?



1. n = 110. 2. Question: 14 (i) Please indicate your views on the following statement: The Skills Advice Report that I received was of a high quality.  
 Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

Finally, Figure 4.11 shows that the majority of businesses surveyed would recommend the skills advice service to other businesses. This further reinforces the generally high level of satisfaction among businesses with Skills Advisers and the skills advice process shown in the survey results above. The use of Skills Advisers is also consistent the best practice approaches identified in the literature review (see Section 2 and Appendix A).

**FIGURE 4.11** WOULD YOU RECOMMEND THE SKILLS ADVICE SERVICE TO OTHER BUSINESSES?



1. n = 110. 2. Question: 14 (j) Please indicate your views on the following statement: I would recommend the Skills Advice service to other businesses.  
 Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency.  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

**4.3.2 Role of Skills Advisers promoting the ISF Program**

The preminent source of information about the ISF for businesses that received skills advice was Skills Advisers. Industry or business associations were the second most common source of information for this group (see **Figure 4.12**).

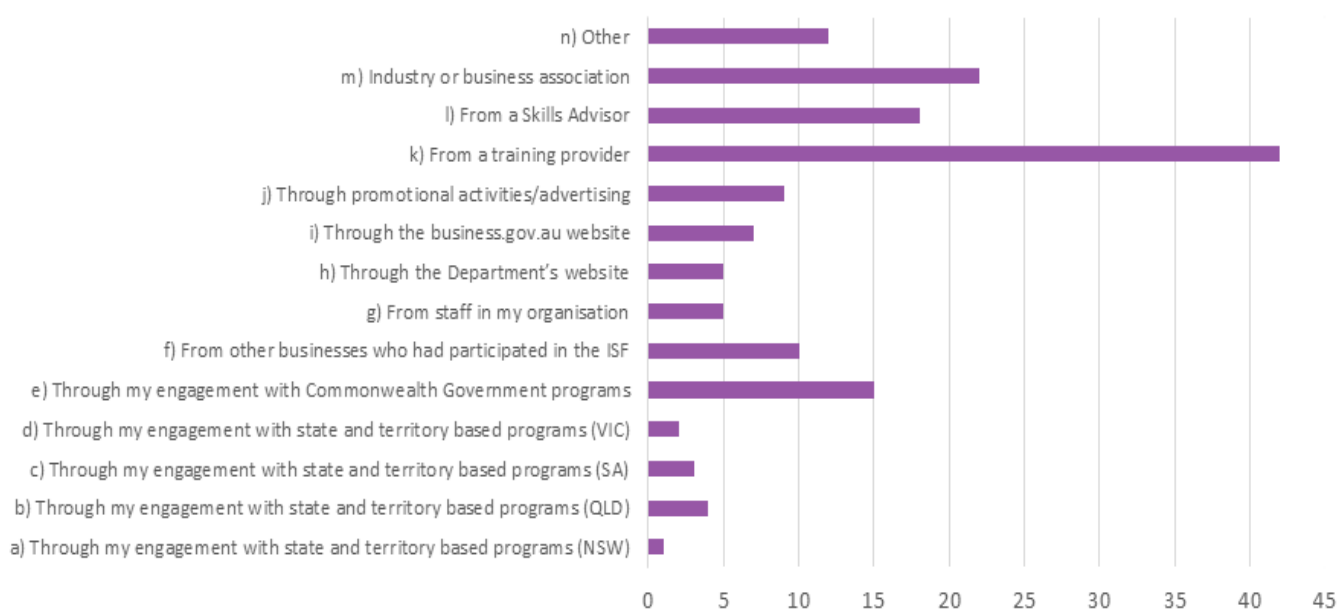
**FIGURE 4.12** HOW DID YOU FIRST LEARN ABOUT THE ISF? (FIRMS THAT RECEIVED SKILLS ADVICE)



Note: Survey responses to Question: 7. How did you first learn about the Industry Skills Fund (ISF)?  
 SOURCE: SURVEY RESPONSES FROM FIRMS THAT RECEIVED SKILLS ADVICE

We see from **Figure 4.13** that industry or business associations again was the second most common source of information for the group of businesses that did not receive skills advice. However, the most common source of information about ISF for this group was a training provider.

**FIGURE 4.13** HOW DID YOU FIRST LEARN ABOUT THE IFS? (FIRMS THAT DID NOT RECEIVE SKILLS ADVICE)

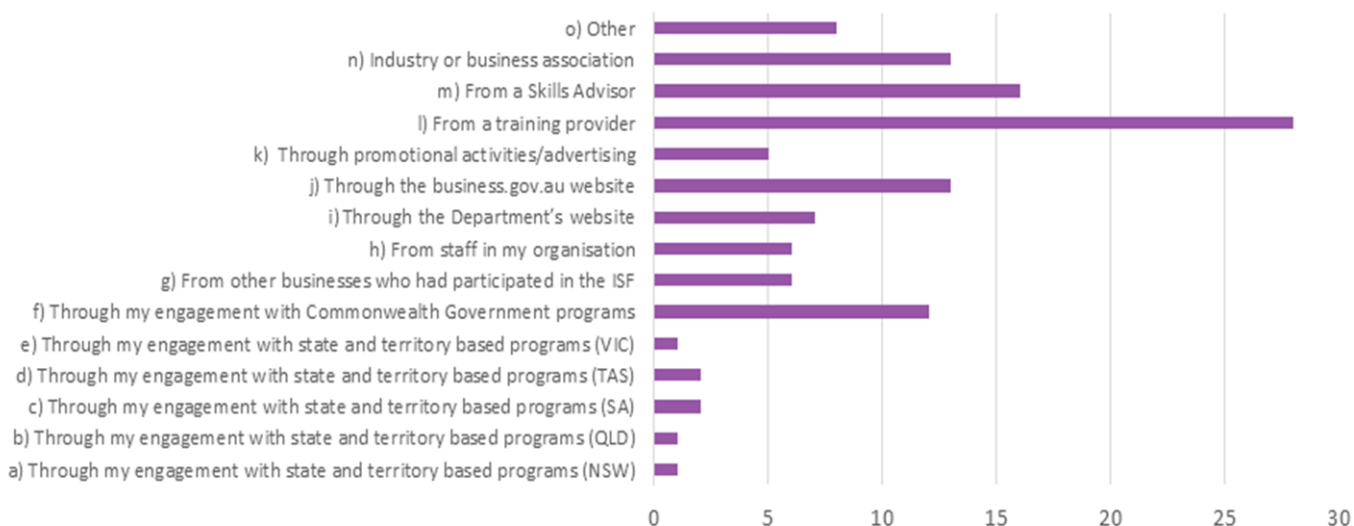


Note: Survey responses to Question: 7. How did you first learn about the Industry Skills Fund (ISF)?

SOURCE: SURVEY RESPONSES FROM FIRMS THAT DID NOT RECEIVE SKILLS ADVICE

Training providers were again the most common source of information about ISF in the case of firms that did not execute a funding agreement (see **Figure 4.14**).

**FIGURE 4.14** HOW DID YOU FIRST LEARN ABOUT THE ISF? (FIRMS THAT DID NOT EXECUTE A FUNDING AGREEMENT)



Note: Survey responses to Question: 7. How did you first learn about the Industry Skills Fund (ISF)?

SOURCE: SURVEY RESPONSES FROM FIRMS THAT DID NOT EXECUTE A FUNDING AGREEMENT.

### 4.3.3 Demonstration of a growth opportunity

There was a lot of commentary by stakeholders during the consultations about the understanding and practical implementation of a “growth opportunity” as defined in the Program Guidelines. Some suggested that the interpretation had tightened over time.

In normal business parlance, growth is seen as increasing revenue, profits, employment or geographic reach based on existing business models rather than necessarily involving diversification, new export markets and so on. Bridging the conceptual and terminology difference between these two views on ‘growth’ presented a challenge for some businesses. On many occasions during consultations ACIL Allen heard different perspectives on what constituted a growth opportunity. Skills Advisers and Education officers both offered different interpretations on what constituted a growth opportunity.

In short, there seems to be some confusion about what actually constitutes a growth opportunity amongst applicants, Skills Advisers and Education officers. We were told on many occasions that businesses had expressed frustration when different interpretations of growth had been provided to a business by Skills Advisers or Education officers. Addressing these divergences in view is important as it is these groups that provide guidance to businesses during the enquiry/application process and assess their applications.

However, it is also important to note that some stakeholders had little difficulty in understanding the difference between ‘growth’ and business as usual (BAU).

Most stakeholders supported the growth opportunity concept but others felt some latitude could be given for substantial domestic expansion along existing ‘business as usual’ lines since that could improve them to improve productivity, competitiveness and employment outcomes. Other stakeholders noted that achievable growth opportunities in regional areas could be limited.

### 4.3.4 Provision of grant funding to businesses

All stakeholders broadly supported the ISF contribution and reimbursement funding model. Key observations included that:

- The availability of funding support was important to get many businesses to invest in skills training and workforce development.
- Most businesses did not object to making a contribution from their own funds and were comfortable with the sliding scale approach, which provides more support to smaller businesses, and with the concessional contributions required of businesses in Northern Australia.
- The contribution approach ensured that businesses had ‘skin in the game’ and were more likely to consider training decisions carefully and ensure the training provided meet their needs. The contribution approach also manages the broader risks of the ISF, in that businesses must pay upfront for the training and are only reimbursed for a proportion of the cost. They are therefore unlikely to engage in any undesirable or fraudulent activities with training providers.
- Business contributions are one of the inbuilt risk management features of the Program design and they reduce the opportunities to ‘gaming the system’. That is, businesses must pay a proportion of the cost of the services they receive and they are unlikely to pay for poor quality or overly expensive training that does not deliver value to their organisation.

The business survey results indicate that in the absence of ISF funding over 40 per cent of businesses would not have conducted the training undertaken under the Program (see **Figure 5.2**).

### 4.3.5 Accredited vs non-accredited training

State office staff consulted for this Review were universally supportive of business access to non-accredited training, which is seen as more flexible, timely and relevant to business skills needs. It was also the only form of training currently available in some leading edge fields.

Both State offices and Skills Advisers emphasised that from a business, as opposed to social policy, perspective it was the necessary skill sets that were needed, not an accredited qualification. The quotes from Skills Advisers provided below are highly indicative of the feedback ACIL Allen received about the value of non-accredited training to the businesses which participate in the ISF:

*We know, and have known for decades, that businesses want and need the competency not the qualification. Businesses do not want to pay for certificates. They want workers who have the skills required to make their business a success. The ISF is one of the few programs out there which gives businesses the choice to select the training they most need (rather than) the training they are told to deliver by a traditional RTO which does not have a training solution which meets their requirements.*

*Skills Adviser*

*The non-accredited part of this Program is its strongest. Businesses love the ability for me to provide a tailored training solution against the growth opportunity the business is facing. Some businesses that I work with, work in sectors where traditional training options are outdated and underwhelming. With the inclusion of non-accredited options I am well placed to meet my clients' needs. I would not like to see this aspect of the Program disappear.*

*Skills Adviser*

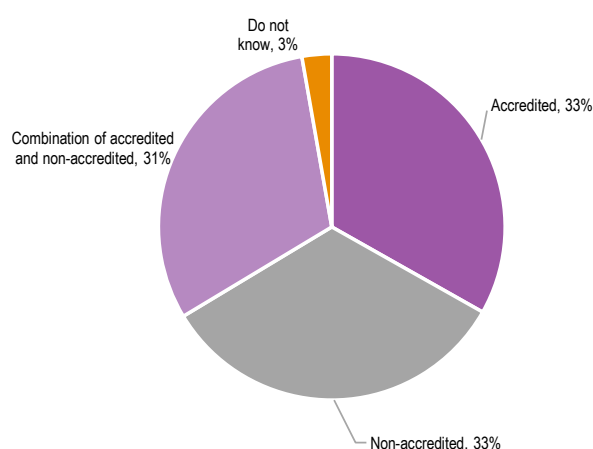
In addition, many Skills Advisers consulted for this Review identified that the business owners, managers and staff they regularly advise already have the formal (i.e. tertiary qualifications) that would normally be supported by Government assistance training and education programs and often displayed no need or desire to support this type of training in their business. These Skills Advisers commonly noted that the direct and opportunity costs associated with a standardised qualification-based training support approach could outweigh the possible benefit to the business and its staff in many areas where a growth opportunity is being sought (such as exports and new markets).

However, stakeholders also recognised that there may be cost and quality issues associated with some providers of non-accredited training. Stakeholders generally thought that such problems could be readily detected and communicated and the perceived risks, based on experience with other programs such as the previous National Workforce Development Fund (NWDF) and the current VET FEE-HELP Program, were overstated.

Stakeholders were also very supportive of accredited training, whether for skill sets or qualifications, where that met the needs of business. It was noted that there could also be problems of cost, quality, timeliness and relevance (e.g. training packages being out of date) with Registered Training Organisations (RTOs) providing accredited training.

The business survey results show that for businesses that had skills advice the training undertaken was fairly evenly split between non-accredited, accredited and a mixture of both forms of training (see **Figure 4.15**).

**FIGURE 4.15** NATURE OF THE TRAINING SUPPORTED BY ISF (FIRMS THAT RECEIVED SKILLS ADVICE)

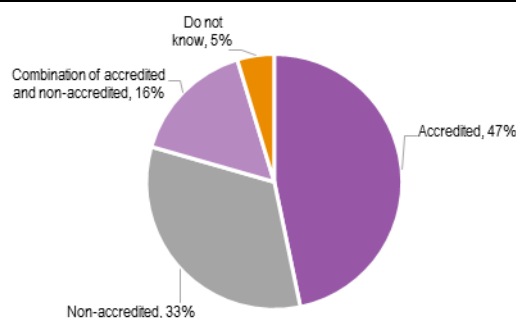


Note: Survey responses to Question: 16. Please identify if the training supported through the ISF was accredited, non-accredited, a combination of accredited and non-accredited or do not know.

SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT RECEIVED SKILLS ADVICE

We see from **Figure 4.16** that accredited training makes up almost half of the training provided to firms that did not receive skills advice. One possible reason for the difference between these two groups may be astute marketing by RTOs to firms who have not received skills advice. This would align with the survey responses from this group which identified training providers as the largest source of information about ISF (see **Figure 4.13**).

**FIGURE 4.16** NATURE OF THE TRAINING SUPPORTED BY ISF (FIRMS THAT DID NOT RECEIVE SKILLS ADVICE)



Note: Survey responses to Question: 16. Please identify if the training supported through the ISF was accredited, non-accredited, a combination of accredited and non-accredited or do not know.

SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT DID NOT RECEIVE SKILLS ADVICE

#### 4.3.6 Unincorporated businesses

In September 2015 the policy changed to make unincorporated businesses eligible for the ISF Program. This change reflects the fact that as 30 June 2015, businesses operated by sole proprietors comprised 26% and partnerships 14% respectively of all businesses operating in Australia. While a much smaller sector than companies (36%) and trusts (24%), the previous exclusion of unincorporated businesses meant that a relatively significant proportion of businesses that might wish to pursue a growth opportunity were ineligible for assistance.<sup>14</sup>

A small number of state offices and skills advisers commented favourably on the policy change during the consultations.

#### 4.3.7 Northern Australia and Indigenous component

As indicated in Chapter 3, stakeholder feedback suggests that the Northern Australia component of the ISF growth stream is not a significant issue for businesses outside Queensland, Western Australia and the Northern Territory. Stakeholders in other States indicated that only a small number of funding applications had included a Northern Australia growth component.

This may reflect the fact that the Northern Australia component is still relatively new, having only been introduced in the second version of the ISF Program Guidelines in September 2015. It could also be due to a lack of knowledge about northern growth possibilities among businesses located elsewhere.

A somewhat different picture emerged from the ACIL Allen business survey results discussed in Section 5.4.2. A third of businesses responding said that they were operating in, or pursuing a growth opportunity in Northern Australia (see **Figure 5.13**). This compares to the 11 percent of grant recipients that Education has identified as pursuing a growth opportunity in Northern Australia.<sup>15</sup> Possible reasons for the difference might include:

- A disproportionate number of businesses located in and/or pursuing a growth opportunity in Northern Australia may have responded to the survey (about 40% of respondents did not answer the location question, possibly because they operate in multiple states/territories and regions).

<sup>14</sup> ABS catalogue 8165.0 – *Count of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015*, published 26 February 2016.

<sup>15</sup> Industry Skills Fund Overview as at 30 April 2016 (provided by Education)

- Varying interpretations of what constitutes a Northern Australia growth opportunity under the ISF, including by businesses physically located close to but not above the Tropic of Capricorn. We understand that Education exercises some flexibility around the border issue.
- Some businesses may have decided to pursue a Northern Australia business opportunity after receiving ISF funding and enhancing their skills base.
- Some businesses may have Northern Australia growth opportunity aspirations but that element may not have been well developed and was not the basis on which they received ISF support.

As discussed in Chapter 3, no specific initiatives were pursued in relation to Indigenous participation. Stakeholder feedback indicated that the Indigenous participation element had not achieved significant traction, even in Northern Australia. As an example of the general problem, a stakeholder in Victoria noted that over 300 Indigenous businesses had been identified in the state but not one had yet progressed to a successful ISF funding application.

A number of generic issues were raised that were seen as barriers by stakeholders, namely:

- A lack of knowledge about the Indigenous objective amongst many Skills Advisers
- Certain growth opportunities, such as tourism, fell outside the specified growth areas given priority under the ISF.
- Many Indigenous businesses were located in regions where growth opportunities were limited or where industries were going through a process of structural adjustment (e.g. the resources sector).
- Many Indigenous businesses began as social enterprises and were established on a not-for-profit basis and were therefore ineligible for support from the ISF.
- Some Indigenous businesses needed support with foundation skills and it could be difficult for them to produce a competitive ISF application.
- Some Skills Advisers identified a lack of cultural awareness and capacity to communicate with Indigenous businesses in a way that was most meaningful to them at two critical points in the implementation of the ISF program.
  - First, the awareness raising campaign for the ISF was not an effective engagement mechanism for Indigenous businesses located in regional and remote areas. Some of the ISF's early promotional material was bureaucratic in its style and presentation and not well geared to businesses that had not previously applied for or received government support.
  - Second, those Skills Advisers who work with Indigenous program participants identified the application forms and processes as being a barrier to Indigenous participation. In particular, technical language relating to the ISF's merit criteria (such as definitions of a growth opportunity that refer to structural adjustment) are deemed to present barriers for micro and small businesses which are unfamiliar with such language.

#### **4.3.8 Are the ISF's key design elements still appropriate?**

Overall the consultations indicated that the key design elements of the ISF are supported by most stakeholders, with some reservations. In considering the continued appropriateness of the Program design ACIL Allen has considered the counterfactual—that is, what would be the implications for the ISF if some design elements were abandoned or significantly changed? And how would that effect the interaction of the key elements within the Program design and its overall coherence?

#### **Eligibility**

In September 2015 a number of changes were announced to the ISF Program. One of these was to expand the eligibility criteria to allow participation by unincorporated businesses. This was a relatively significant change as most government programs only allow incorporated businesses to apply for support. While unincorporated businesses have been declining as a proportion of all Australian businesses they still represent a significant proportion of all businesses. It is therefore considered appropriate, on economic and public policy grounds, for unincorporated businesses to remain eligible for assistance and support under the ISF.

We note that since the eligibility change was made, unincorporated businesses have begun to participate in the ISF Program. As at 31 August around 10 per cent of the approved grants have been to unincorporated businesses.

See also the discussion of Northern Australia and Indigenous participation rates below.

### **Skills Advisers**

It is clear that skills advice is a key element of the Program, particularly for smaller businesses. Without access to such advice fewer businesses are likely to successfully access ISF funding support and others are more likely to seek support for training that they perceive is needed to meet an immediate need rather than take a more holistic and strategic view.

It is also clear that the delivery of skills advice by experienced and knowledgeable Skills Advisers is highly valued by businesses. It is difficult to conceive of an equivalent role being undertaken by Education staff with comparable success. This simply reflects the different skills sets, knowledge and experience needed.

We also note that Department staff thought that applications from firms that have received skills advice are generally of a higher quality than those from firms that have not received skills advice.

Feedback from Network Providers suggests they offer slightly different propositions and they therefore priced their offers to the Department differently. This is reflected in slightly different contractual arrangements between the Network Providers and the Skills Advisers. To the extent that the Department feels that the contractual arrangements between Network Providers and their Skills Advisers need to be different then they will need to more clearly specify what they want in the next RFT to provide these services. (See also discussion in Section 4.5)

### **Growth opportunity**

The requirement to demonstrate a growth opportunity is a fundamental design element of the ISF Program and strongly aligned with the ISF's core objectives. While some businesses demonstrating strong growth based on business-as-usual (BAU) models would benefit from access to the ISF, it is difficult to make a compelling case for change to the 'growth' criteria, particularly in an environment where Program funding has been substantially reduced.

Some Skills Advisers argued that the priority given to the specified growth sectors may disadvantage eligible businesses in other sectors. There were also some that argued for changes to the priority industries (for example to delete mining and add tourism). Both these views may reflect a lack of knowledge about how funding was being distributed overall. If so, then better feedback to Skills Advisers in this area could be merited.

The feedback from state office staff was that some companies had problems understanding the growth opportunity concept and that more effort was needed to explain this concept.

Stakeholder feedback indicates that Skills Advisers can play a significant role in discussing and clarifying businesses' growth opportunities.

### **Grant funding**

The provision of grant funding is fundamental to the rationale for establishing the ISF and strongly aligned with the Program's objectives. While it is possible to conceive of a Program which simply provided skills advice it is clear that it is the availability of a government contribution towards training costs (i.e. training grants) that makes the ISF attractive and effective in achieving a higher level of training activity than would otherwise occur. There is also a strong logic to providing relatively greater support to smaller businesses in terms of needs, benefits and capacity to pay.

Furthermore, there is strong logic to the maintenance of a business contribution and re-imburement model underpinning the grant funding. This model reduces the risk that a business, Skills Adviser and or training provider would game the Program. It also provides a mechanism which minimises the likelihood that systematic or wide-spread abuse of the Program will occur. In short, businesses will not pay for training that does not deliver the desired outcomes or generate value for them.



State office staff advised that companies generally had no difficulty with the concept of business contributions. Similarly, they advised that businesses supported the sliding scale of contributions and the Northern Australia differential. It is worth noting that the contribution model is also supported by our analysis of the literature (see Section 2 and Appendix A).

### **Non-accredited training**

Withdrawal or a substantial tightening of support for non-accredited training would be detrimental to meeting the needs of businesses. This is demonstrated by the substantial use of this form of training by ISF participants.

Reliance solely on accredited training would have a substantial impact on the flexibility of the ISF to respond to business needs. It would also eliminate one of the unique features of the ISF that is highly valued by all stakeholders.

State office staff feedback was that companies highly valued non-accredited training as it could be custom designed to meet business needs. Non-accredited training also focused on the skills needed by the business rather than a qualification for their staff. Furthermore, delivery was generally flexible and timely. Finally, they noted that in some fields accredited training was either not available (e.g. 3D printing for specific applications), was not up to date (e.g. integrated solar electricity installations utilising the latest energy management software and battery technology) or no accredited provider was available.

The substantial reduction in the ISF's budget funding and the raising of the bar by Education in assessing the quality and competitiveness of applications could result in non-accredited training being more closely scrutinised and a stronger preference for accredited training. Such a shift could disadvantage some firms. In that context, it should be stressed that while State office staff advised that many companies also valued accredited training, it should not be to the exclusion of non-accredited training.

### **Northern Australia and Indigenous participation**

Providing concessional contribution rates for businesses in Northern Australia can be justified on the basis of the Government's broader policy objectives and the likely higher training costs such businesses may face. However the proportion of business contribution required is not related to the general contribution scale for other eligible businesses, and the rationale underpinning the differences is not clear. There was also some feedback from State offices that some Indigenous companies faced particular challenges in successfully accessing the program due to their lower literacy, numeracy and computer skills. The bigger point raised by state office staff was that many Indigenous businesses were simply not eligible because of their not for profit (NFP) status.

It is probably too early to tell whether the existence of reduced business contribution rates leads to additional training in Northern Australia beyond what would be achieved under the contribution rates applicable to the rest of the country.

The inclusion of Indigenous participation in the ISF objectives is not followed through in the Program design elements. That is, there is no concession or other incentive designed to attract or support Indigenous businesses beyond what is generally available, including in the Northern Australia element. While inclusion of an Indigenous specific design element would add some complexity to the ISF, the current disconnect between the Indigenous participation objective and Program design should be addressed, preferably in consultation with organisations such as Supply Nation and Indigenous Business Australia.

Overall, State office staff feedback indicated that companies thought the ISF was a valuable Program that had some unique and valuable features that were of considerable benefit to the participating companies.

## 4.4 Program administration

This section examines the efficiency and effectiveness of key aspects of the administration of the ISF Program. Stakeholders expressed mixed views about the administrative burden associated with the ISF. In general terms the administrative processes are designed to minimise the administrative burden on business users while many of the Department's Program officers find the back end systems somewhat cumbersome and struggle with the workload associated with Program administration.

### 4.4.1 The ISF's application processes

Skills Advisers advised that completing an ISF funding application can be challenging, especially for micro and small businesses, many of whom may have no prior experience with government funding programs. However, it should be noted that most businesses had a positive view of the application process (see **Figure 4.17**).

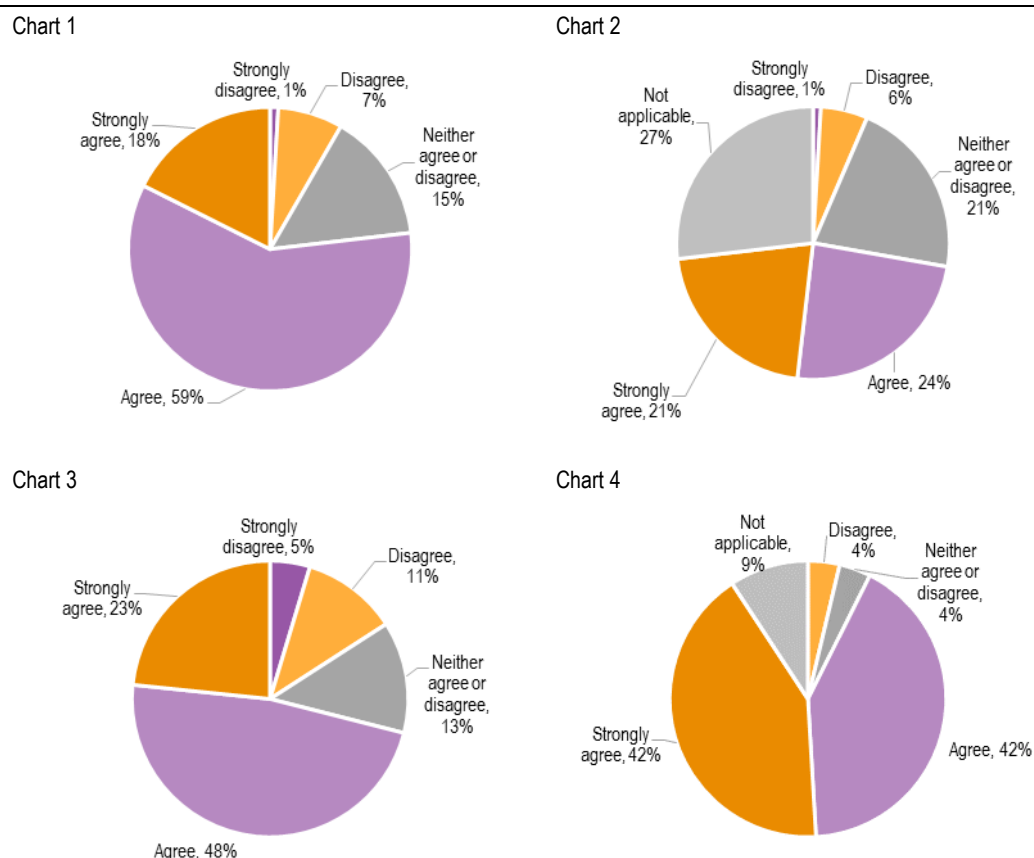
Skills advisers identified a range of issues, including how to clearly link training needs to the growth opportunity, identifying appropriate training courses and providers, obtaining two quotes for the training, the limited usefulness of the Government's skills and training websites, and IT system constraints. Many Skills Advisers advised that they were providing informal guidance to businesses to assist with the process and they generally believe that they should have a larger, more formal role in this area while maintaining their independence from training providers.

Some Skills Advisers find the administrative processes relatively straight forward and no more burdensome than other programs they may have had experience with.

While ensuring the accountability of public funds is undoubtedly important, a substantial number of stakeholders noted that the ISF's administrative processes could be enhanced by taking a more 'risk aware', rather than 'risk avoidance' approach. There is little distinction between the assessment processes used by the Department for small and large grants. The State Office staff consulted for this Review noted, on numerous occasions, that they are required to collect the same level of detail from an applicant regardless of the application value or the risk associated with the application. For example, all businesses are required to demonstrate (in roughly the same amount of detail) the relationship between the growth opportunity, the business requirement, the anticipated outcome and the funding support being requested from Government.

In addition, the normal processes of Program administration and oversight are made more complex by the questioning and testing of Skills Advisers advice, decisions made under limited delegation (\$20,000 grant value, \$100,000 project cost) by Education state offices, all large grants being handled by national office and inevitable communication issues around changes in administrative policy.

The business survey results indicate a range of views about various elements of Program administration. A clear and significant majority of the businesses found most elements of the administrative process to be user friendly. This was supported by the feedback from State office staff who expressed the view that most companies found the online application process relatively straightforward.

**FIGURE 4.17** BUSINESSES' VIEWS ON APPLICATION PROCESS

Note: 1. n = 219. 2. Question: 12. Please rate how much you agree with the following statements about the ISF's application process:

Chart 1 - The Customer Information Guide was clear and I understood the application process and eligibility criteria.

Chart 2 - The Call Centre (13 28 46) provided me with clear information about the application process and the eligibility criteria.

Chart 3 - Application forms and online processes were user-friendly.

Chart 4 - Any questions I asked during the application process were answered to my satisfaction.

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT.

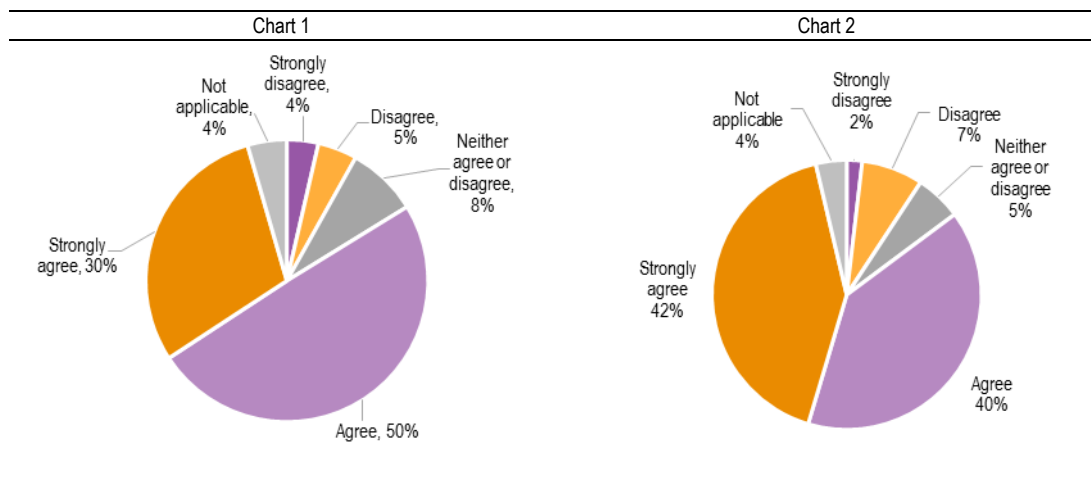
The response in relation to the information provided by the call centre was the least favourable, with only 45 per cent of businesses either agreeing or strongly agreeing with the following statement "The Call Centre (13 28 46) provided me with clear information about the application process and the eligibility criteria." (Question 12 b). However, this is more likely to be due to fewer businesses using the call centre. It is worth noting that 84 per cent of respondents either agreed or strongly agreed that any questions they asked during the application process were answered to their satisfaction.

#### 4.4.2 Funding Agreement

Businesses did not raise major concerns about completing the ISF funding agreement. However, due to some of the differences in the design and operation of Education's and DIIS' IT systems for program management there is considerable work for Education staff associated with any variations to training courses, timeframes or people being trained. Any changes require a new agreement to be generated through a contract variation. These variations need to be generated even for what may be relatively minor changes. The effort required often seems to have been disproportionate to the change required (e.g. a contract variation due to a minor change in the delivery date of a funded application).

Stakeholders did mention some delays in notifying successful businesses of the outcome of their funding application. However, as can be seen from **Figure 4.18** businesses were generally pleased with the time taken to assess their applications and advise them of the outcome.

**FIGURE 4.18** BUSINESSES' VIEWS ON FUNDING AGREEMENT PROCESSING TIME



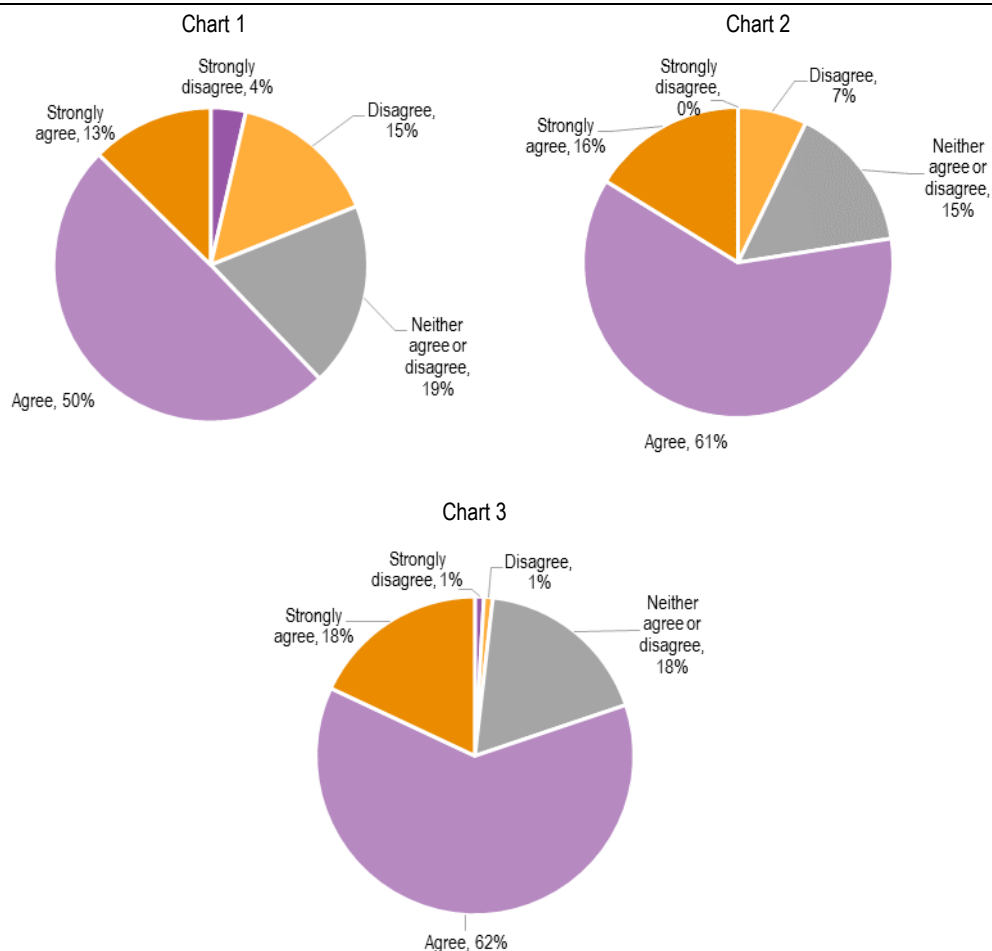
Note: Survey responses to Question: 12. Please rate how much you agree with the following statement "My application was assessed and I was notified of the decision within 15 business days of submitting the application".

Chart 1 – Responses from firms that had received skills advice.

Chart 2 – Responses from firms that did not receive skills advice.

SOURCE: SURVEY RESPONSES FROM FIRMS THAT RECEIVED ISF SUPPORT

The business survey results also show that the majority of businesses did not find the process of executing a funding agreement to be unduly time consuming. However, as Chart 1 in **Figure 4.19** shows, this was an area where businesses were slightly less positive about the process, with almost 20 per cent of respondents either disagreeing or disagreeing strongly with the proposition that the process was not unduly time consuming for their business.

**FIGURE 4.19** BUSINESSES' VIEWS ON THE FUNDING AGREEMENT

Note: 1. n = 219. 2. Question: 13. Please rate how much you agree with the following statements about the ISF's process for executing a Funding Agreement:

Chart 1 - The process of finalising Funding Agreement was not unduly time consuming for my business.

Chart 2 - I had a clear understanding of my obligations at the time the Funding Agreement was finalised with the Australian Government.

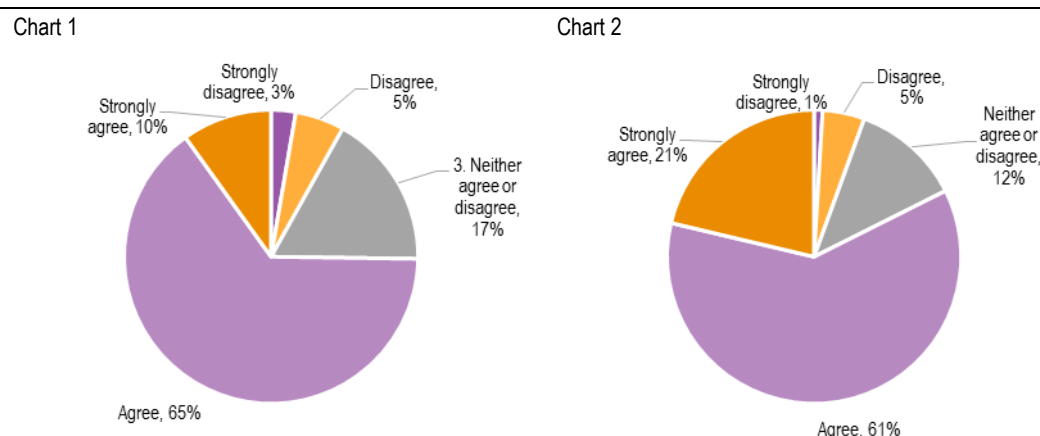
Chart 3 - The Department provided opportunities to resolve issues that arose during the Funding Agreement.

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT.

#### 4.4.3 Monitoring, reporting and payment processes

The feedback from stakeholders indicated that the monitoring, reporting and payment processes worked reasonably smoothly. In order to improve the efficiency of processing and distribution of workload, Education has centralised the administration of many Funding Agreements for smaller grants in a small team located in the South Australia office. Large and high risk Funding Agreements are managed by national office staff.

The business survey results confirmed that the majority of businesses considered that the amount of information required to be provided by them was appropriate. Three quarters of the businesses who received skills advice agreed or strongly agreed that the reporting requirements placed on their firm by the Funding Agreement were appropriate for the level of support received. The figure for businesses who did not receive skills advice was slightly higher at 82 per cent.

**FIGURE 4.20** WERE THE REPORTING REQUIREMENTS APPROPRIATE TO THE LEVEL OF SUPPORT PROVIDED?

Note: 1. Question: 13. Please rate how much you agree with the following statements about the ISF's process for executing a Funding Agreement:  
c) The reporting requirements placed on my organisation by the Funding Agreement were appropriate for the level of support received.

Chart 1 – Businesses that received skills advice.

Chart 2 – Businesses did not receive skills advice.

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT (WITH AND WITHOUT SKILLS ADVICE).

As outlined previously in sections 3.4.9 and 3.4.10 (more detail is provided in the ISF Procedures Manual Part E—Payments and Reporting) relatively little data is required from businesses in meeting their progress reporting requirements (for split and multiple payment contracts) and to acquit their contracts to obtain their final payment (e.g. evidence of expenditure, an independent audit, training commenced and completed). This reflects an appropriate focus on compliance with the provisions of the Funding Agreements.

The administrative data available to Education is, however, therefore quite limited in terms of being able to make an assessment of the outcomes actually achieved by businesses. For example, there is no follow up process to establish the benefits realised from the training funded. The fact that Education is receiving second and third funding applications from some businesses indicates that in those cases the initial training funded has delivered direct business benefits that outweigh the costs of participation. It also may reflect that micro and small businesses with limited cash flow choose to sequence their applications for financial and capability reasons.

The ACIL Allen business survey results indicate that for those businesses that are now in a position to assess the impacts of the ISF training, the outcomes have been positive (see the discussion in Chapter 5 and **Figure 5.5** to **Figure 5.8**).

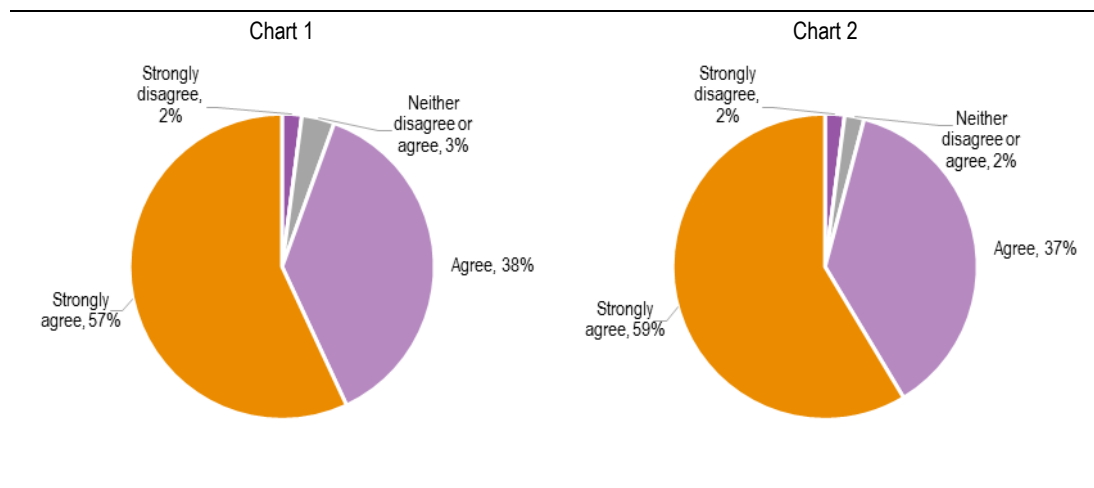
#### 4.4.4 Do the administrative processes support the Program's objectives?

The ISF Program objectives, expected outcomes and design features were all focussed on making the ISF an industry facing and driven Program. Part of the original intent was clearly to make the ISF as accessible and business friendly as practicable, within the constraints of normal public sector governance, risk management and accountability arrangements.

Overall stakeholder feedback and the business survey results indicate that the core administrative arrangements are consistent with making the processes user-friendly for business.

Businesses' views of the ISF were generally very positive. Almost all the survey respondents that had received an ISF grant indicated that they would be very likely to participate in the ISF in the future and that they would recommend the Program to other businesses (see **Figure 4.21** and **Figure 4.22**).

**FIGURE 4.21** BUSINESSES' VIEWS ON THE ISF (FIRMS THAT RECEIVED SKILLS ADVICE)



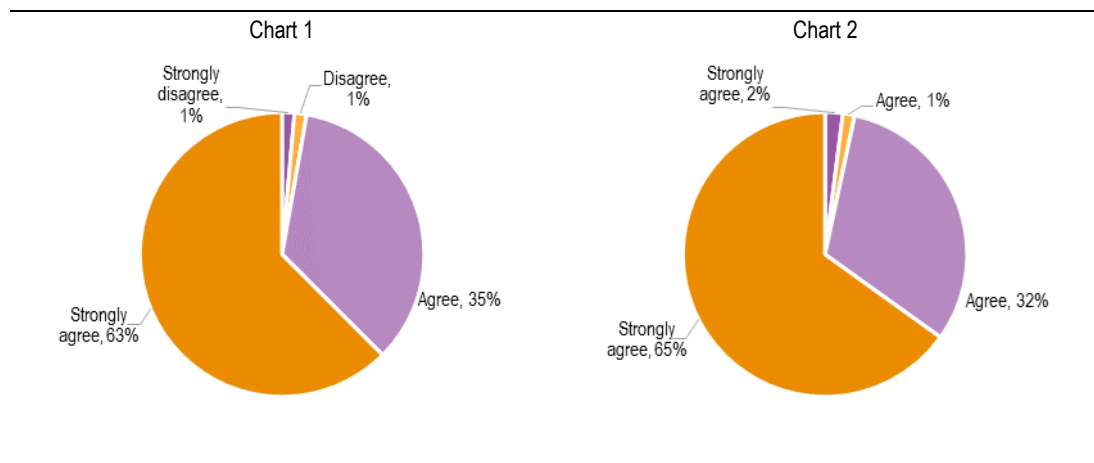
Note: Survey responses to Question: 21. Please identify how much you agree with the following statements::

Chart 1 - I would like to participate in the ISF in the future.

Chart 2 - I would recommend the ISF to other businesses.

SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT RECEIVED SKILLS ADVICE.

**FIGURE 4.22** BUSINESSES' VIEWS ON THE ISF (FIRMS THAT DID NOT RECEIVE SKILLS ADVICE)



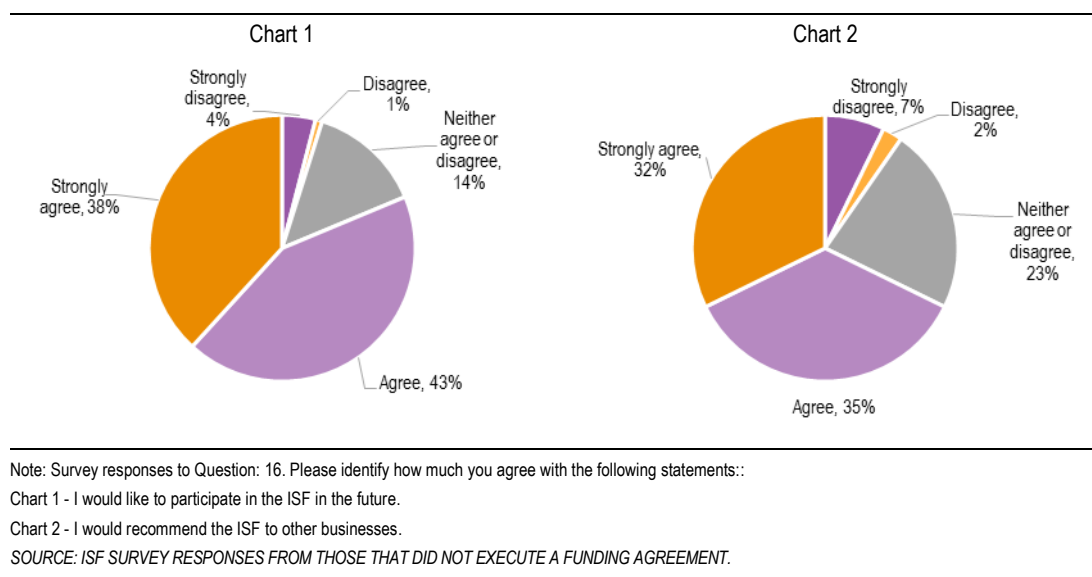
Note: Survey responses to Question: 21. Please identify how much you agree with the following statements:

Chart 1 - I would like to participate in the ISF in the future.

Chart 2 - I would recommend the ISF to other businesses.

SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT DID NOT RECEIVE SKILLS ADVICE.

As can be seen from **Figure 4.23**, even the firms that did not execute a funding agreement with the ISF were overwhelmingly positive about the Program.

**FIGURE 4.23** BUSINESSES' VIEWS ON THE ISF (FIRMS THAT DID NOT EXECUTE A FUNDING AGREEMENT)

However, both Skills Advisers and Education officers expressed some frustration with the administrative arrangements and the SGMS platform. While the latter cannot be readily enhanced and there could be considerable costs in doing so, there appears to be some scope for internal administrative processes to be further streamlined by adopting a revised risk management strategy that more realistically deals with the actual rather than perceived risks of the ISF Program and reduces duplication of effort. This risk management strategy should also include a review of the Program's current delegations of authority to ensure they are aligned with the broader practices of the Department. Implementing measures to address both these areas of concern would help to improve the ISF Program's administration.

## 4.5 Improvements identified by stakeholders

Most of the key issues identified by stakeholders have been discussed above. In general the suggestions for improvements fall into two categories – general issues of principle and approach and specific issues of administration.

The main general issues identified were:

- Concerns about risk both of from reputational and Program delivery perspective, including staff concerns about the risk management approach used for ISF. State Office staff considered that greater delegation of authority and responsibility and a greater willingness to accept the professional judgements of people in the field would ease the administrative burden.
  - ACIL Allen recognises that there is a need to be accountable for public funds. The challenge is to strike the right balance between managing risks while not introducing an approach that is more complex than necessary. Some stakeholders clearly feel that the right balance has not yet been achieved. They also believe that the right level of communication between National and State Office staff about applications that fall into the medium or high level risk categories has not been found.
- The need for better, more proactive and regular communication on changes in administrative policy and feedback on administrative performance. This issue is of particular concern given the distributed nature of Program administration and the various 'hand off' points in the administrative processes.



Improvements related to specific Program administration issues were:

- Frustrations with the limited life time (30 days) of the smart forms utilised in the SGMS system, which required action to be taken to keep them active, and often did not work well with the demands on time-poor and busy micro and small businesses.
- Uncertainty about why certain decisions are taken with respect to whether training recommendations are funded or not. Improved communication between the Department, Network Providers and Skills Advisers is again seen as necessary to improve the consistency of the ISF's delivery. Also if Skills Advisers know why an application is rejected there is more of an incentive to go back to the business with a possible alternative approach.
- Apparent differences in Skills Adviser contracts both between and within (i.e. across states) Network Providers. While the contract details are clearly an issue for the Network Providers, those contract details can impact on Program delivery. For example, when contracts have no incentives or compensation for Skills Advisers to travel to regional areas those areas could be relatively under-served.

## 4.6 Findings

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The key findings from the issues considered in this chapter are that:

- The repositioning of the ISF to focus on its core objectives of supporting micro and small businesses foreshadowed in the 2016-17 budget is appropriate and could be quickly implemented through amended Program Guidelines and clear communication to all stakeholders.
- There remains a sound policy rationale and broad stakeholder support for the core objectives of the ISF.
- The ISF's overall design principles are consistent with the best practices identified in the literature review (see Section 2 and Appendix A).
- There is a sound policy basis and stakeholder support for the key design elements of the ISF, particularly the role of Skills Advisers, the focus on growth opportunities, the provision of grant funding on a co-contribution basis and access to non-accredited training.
- The policy underpinning the Northern Australia and Indigenous participation elements of the Program reflect broader government policy objectives outside the original intent and design of the ISF. The additionality provided by these elements is not clear.
- The clear majority of businesses are comfortable with the administrative processes of the ISF Program, although micro and small businesses often need guidance and support from Skills Advisers with the funding application process.
- Most Skills Advisers and Education state office staff who are closely involved in the Program consider that there is scope and a need to improve communication flows across and about the Program.
- A more 'risk aware' rather than 'risk avoidance' approach to Program administration could improve the efficiency of the administrative processes.
- The administrative data collected for Program administration purposes does not provide a sound basis for evaluating business outcomes.



## 5.1 Introduction

This chapter considers indicators of the Program's impact. It identifies the key stakeholders and the impacts of their participation in the ISF. It also considers whether these impacts would have been generated in the absence of the ISF.

## 5.2 Approach used to analyse the ISF's impacts

The overarching policy objective for the ISF is to boost business productivity and increase the competitiveness of Australian businesses across the economy. The more specific policy objectives of the ISF are to:

- Have a highly skilled workforce that is able to adapt to rapid technological change, structural change and new business opportunities.
- Address workplace capability issues impacting on the ability of Australian businesses to respond to new and changing opportunities and improve their productivity and competitiveness in a global market.
- Support the long term growth of Northern Australia.
- Focus on promoting Indigenous participation and encourage businesses to think of the opportunities for expanding operations to and within Northern Australia

The key stakeholders for the ISF Program are the employees who receive training under the auspices of the Program and the businesses who employ the staff who receive that training. In order to meet the above policy objectives of the ISF it is expected to deliver the following outcomes for those stakeholders:

- Enhance the capability and skill levels of the workforce in the businesses that are successful in gaining funding.
- Contribute to increased productivity and competitiveness of the businesses that participate in the Fund.
- Support the skills development of small to medium businesses, including micro businesses.
- Support businesses to respond to growth opportunities, especially in Priority Industries.<sup>16</sup>

The following sections assess how well the ISF Program has delivered against the objectives specified above and the extent to which it has achieved the desired outcomes of the Program. The analysis draws on both the data provided by the Department, the stakeholder consultations and the results of ACIL Allen's survey of businesses participating in the ISF.

<sup>16</sup> Industry Skills Fund, Program Guidelines, 19 September 2016.

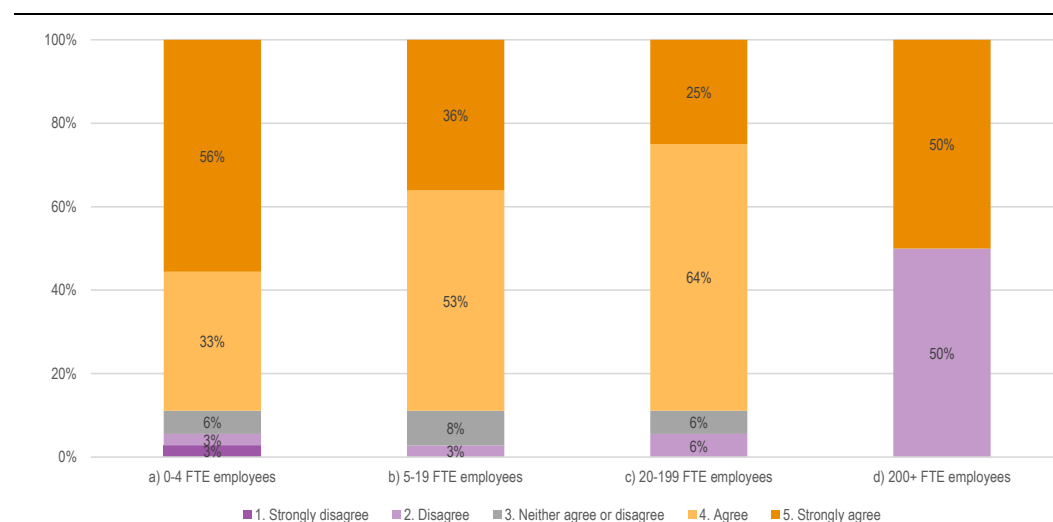
## 5.3 Impacts observed

### 5.3.1 Outcome 1—Enhanced capability and skill of the workforce

As at 30 April 2016, 767 ISF grants for a total of just over \$13.49 million had been approved.<sup>17</sup> Of these, 677 grants worth a total of just over \$11 million had been executed. The executed grants provided funding for 7,496 training places. Of these 1,193 training courses had been completed as at the end of April.

It is likely that company employees who have completed their training will have improved their capabilities and skills as a result of that training. Certainly businesses surveyed by ACIL Allen as part of this evaluation are overwhelmingly favourable in their assessment of the training outcome. **Figure 5.1** shows that close to 90 per cent of micro businesses and SMEs either *agreed* or *strongly agreed* that the training outcome had been a good one for their business. Interestingly, the smaller the business the stronger this positive view was.

**FIGURE 5.1** DID THE SKILLS ADVICE CONTRIBUTE TO A GOOD TRAINING OUTCOME?



1. n = 110. 2. Question: 14 (k) Please indicate your views on the following statement: The skills advice contributed to a good training outcome for my business.

Note: Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

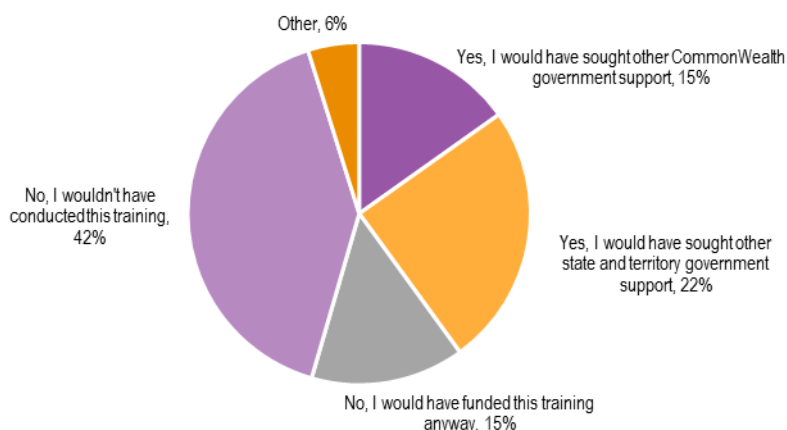
**Figure 5.2** shows the responses of businesses who were surveyed to the question of whether they would have sought similar advice/support from elsewhere if the ISF did not exist. Over 40 per cent responded that they would not have conducted the training without the support from the ISF. In other words, some 40 per cent of business who participated in the ISF have received a better training outcome for their staff than they would have in the absence of the ISF.

The fact that over half (54 per cent) said that they would have either paid for the training themselves or sought support from other commonwealth or state programs if the ISF support had not been available strongly suggests that the training provided was seen as important by the business.

This view is supported by the survey responses to the question which asked for businesses' views on whether the training provided adequately addressed the skills need(s) within their business. Over 90 per cent of respondents either *agreed* or *strongly agreed* that it had (see **Figure 5.3**).

<sup>17</sup> Industry Skills Fund Overview as at 30 April 2016 (provided by Education)

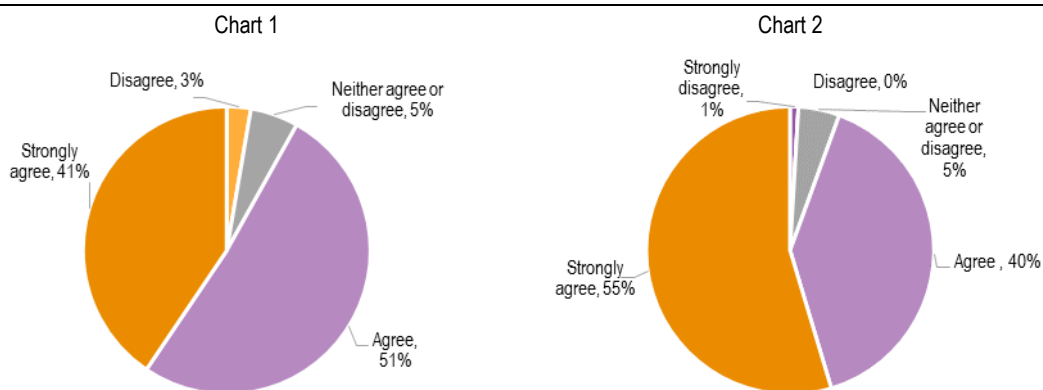
**FIGURE 5.2** WOULD THE TRAINING HAVE BEEN DONE IN THE ABSENCE OF THE ISF?



Note: 1. Responses to Question: 9. If the ISF did not exist would you have sought similar advice/support from elsewhere? Chart combines the responses from businesses that did and did not receive skills advice.

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT.

**FIGURE 5.3** DID THE TRAINING OUTCOME ADDRESS THE SKILLS NEEDS OF THE BUSINESS?



Note: Response to Question: 17. Please rate how much you agree with the following statement about training quality: The training adequately addressed the skills need(s) within my business.

Chart 1 - for businesses that received skills advice

Chart 2 - for businesses that did not receive skills advice

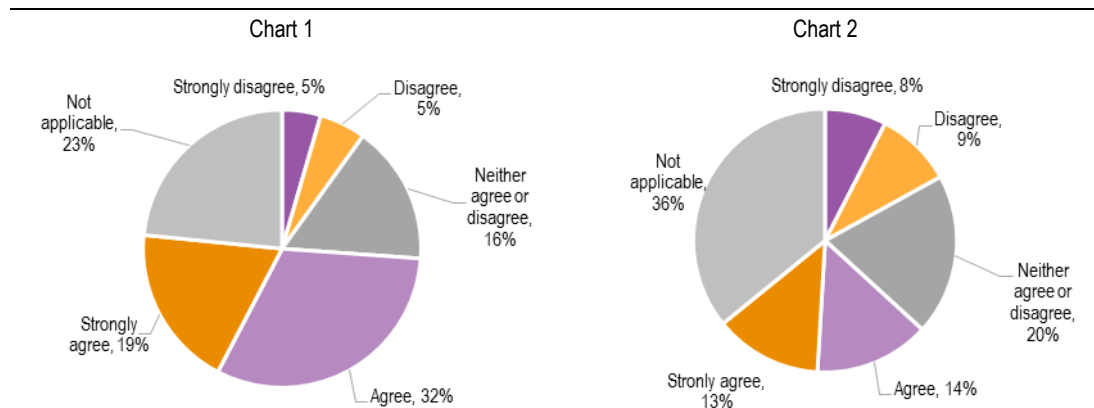
SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT (WITH AND WITHOUT SKILLS ADVICE).

### 5.3.2 Outcome 2—Increased productivity and competitiveness of participating businesses

Given that a relatively small number of the approved and funded training courses have to date been completed (1,193 out of 7,496 as at the end of April 2016) it is likely to be difficult for some businesses to identify whether the training received has improved their productivity or increased their competitiveness.

Figure 5.4 shows that over half of the businesses surveyed who had received skills advice either *agreed* or *strongly agreed* with statement that the training has not yet been completed or it is too early to identify impact. Approximately a further 40 per cent selected *not applicable* as their response. Only 10 per cent either *disagreed* or *strongly disagreed* with the proposition being put. This compares with only just over a quarter of businesses who did not receive skills advice agreeing or strongly agreeing with the statement.

**FIGURE 5.4** IS IT TOO EARLY TO IDENTIFY THE IMPACT OF TRAINING?



Note: Responses to Question: 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The training has not yet been completed or it is too early to identify impact.

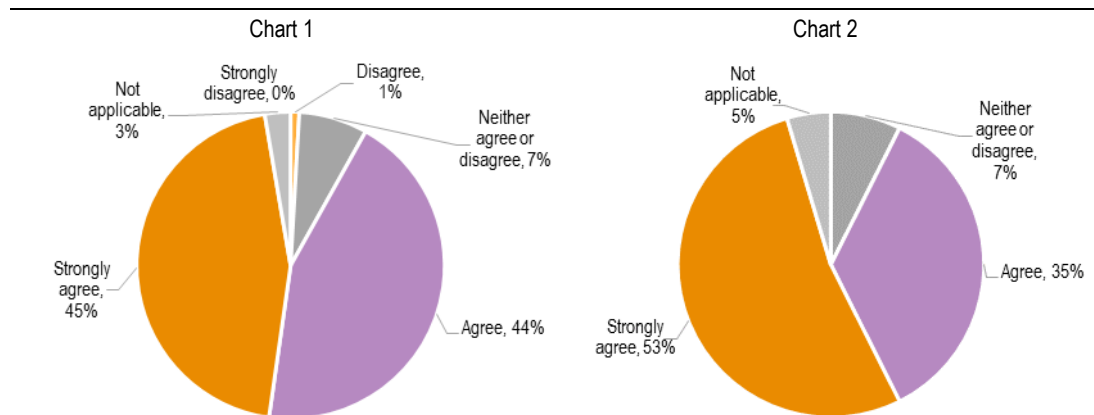
Chart 1 - for businesses that received skills advice

Chart 2 - for businesses that did not receive skills advice

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT (WITH AND WITHOUT SKILLS ADVICE).

Notwithstanding the above responses, the majority of businesses agreed that the ISF had helped to improve the productivity of their business. **Figure 5.5** shows almost 90 per cent of respondents either *agreed* or *strongly agreed* that the ISF had helped them to improve the productivity of their business. The apparent contradiction may be due to businesses recognising that the training had improved their productivity, but that it was still too early to quantify that impact of the ISF given other factors at play (e.g. capital expenditure) and to see any improvement in their bottom line.

**FIGURE 5.5** DID THE ISF SUPPORT HELP TO IMPROVE PRODUCTIVITY?



Note: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF helped to improve the productivity of my business.

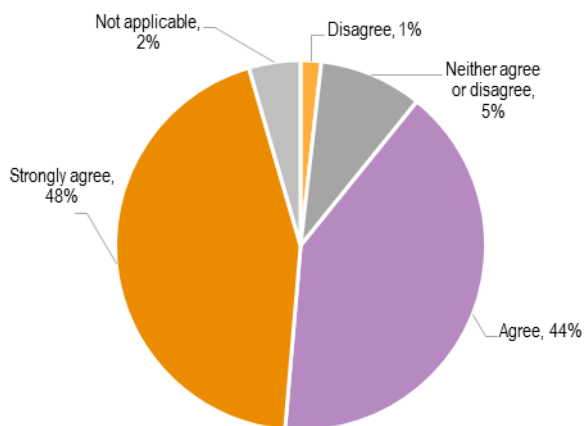
Chart 1 - for businesses that received skills advice

Chart 2 - for businesses that did not receive skills advice

SOURCE: SURVEY RESULTS FOR BUSINESSES THAT RECEIVED AN ISF GRANT (WITH AND WITHOUT SKILLS ADVICE).

Businesses who had received an ISF grant overwhelmingly *agreed* or *strongly agreed* that the support received from the ISF helped their business to: adopt new processes and/or develop new products (92 per cent); helped them to access new markets or customers (87 per cent); and helped to improve the quality of the products or services provided by their business (71 per cent).

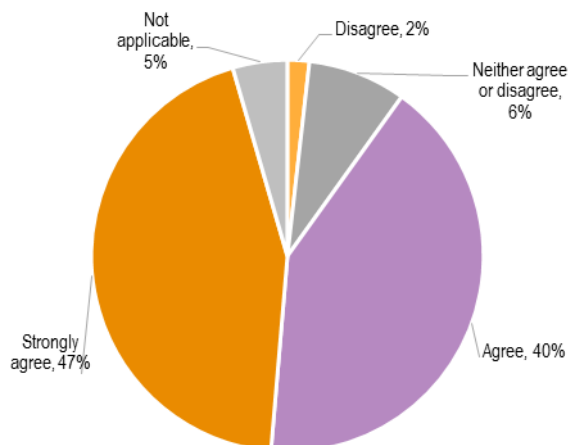
**FIGURE 5.6** DID THE ISF HELP TO INTRODUCE NEW PROCESSES AND PRODUCTS?



Note: 1. Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF helped my business to adopt new processes and/or development of new products. Combines the response from businesses that received or did not receive skills advice.

SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

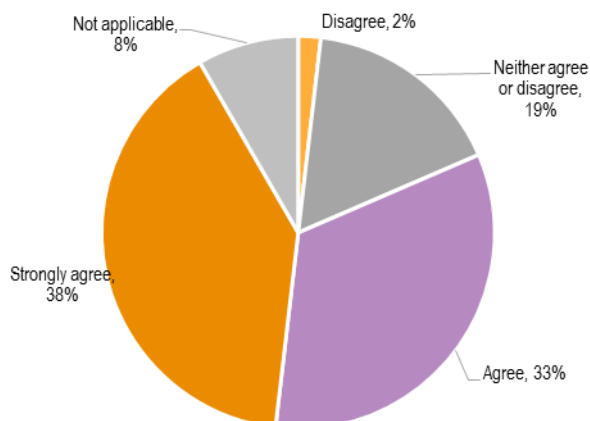
**FIGURE 5.7** DID THE ISF HELP TO IMPROVE QUALITY OF PRODUCTS OR SERVICES



Note: 1. Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF helped to improve the quality of the products or services of my business. Combines the response from businesses that received or did not receive skills advice.

SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

**FIGURE 5.8** DID THE ISF ENABLE THE BUSINESS TO ACCESS TO NEW MARKETS OR CUSTOMERS?



Note: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF enabled my business to access new markets or customers. Combines the response from businesses that received or did not receive skills advice.

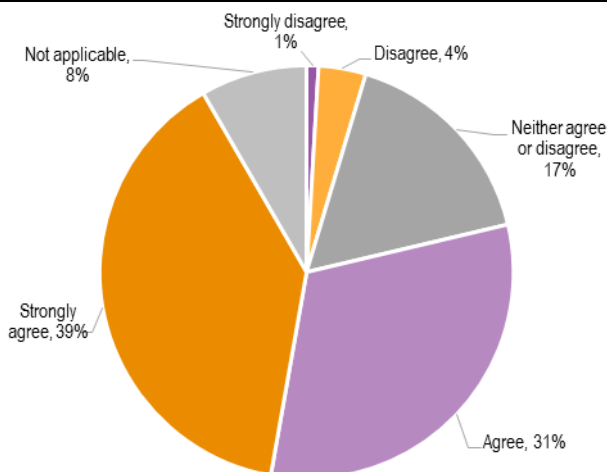
SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

These results are very encouraging in terms of the ISF assisting firms to position themselves to take advantage of their growth opportunity, discussed further below.

**5.3.3 Outcome 3—Skills development of SMEs.**

Businesses that received ISF grants had very positive views on whether the support received from the ISF helped their business to better identify skills needs and training solutions. Only 3 per cent of the businesses who had received an ISF grant disagreed with that proposition. See **Figure 5.9**.

**FIGURE 5.9** DID THE ISF HELP TO IDENTIFY SKILLS NEEDS AND TRAINING SOLUTIONS?

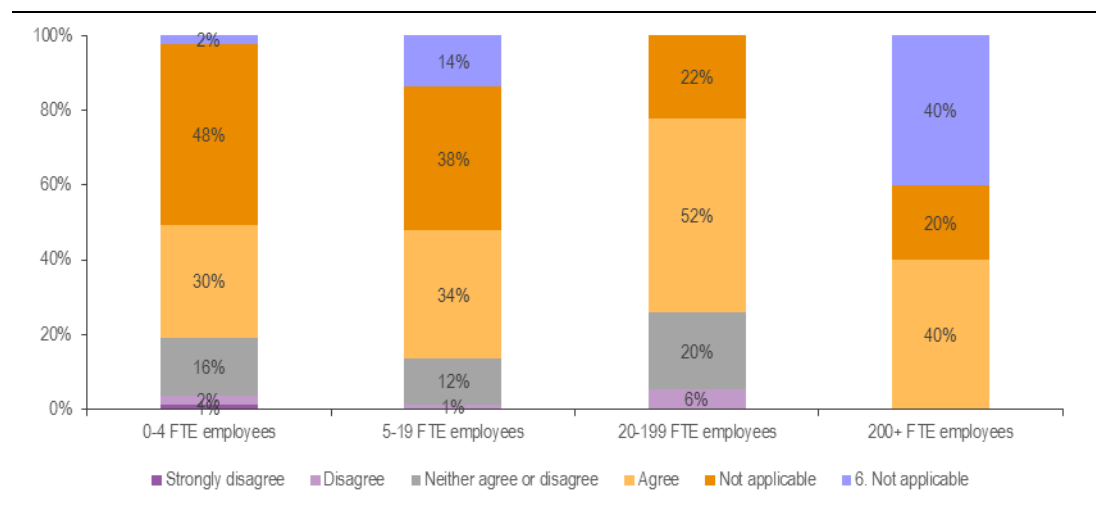


Note: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF helped my business to better identify skills needs and training solutions. Combines the response from businesses that received or did not receive skills advice.

SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

We can see from **Figure 5.10** that micro businesses (0-4 FTEs) were the most positive about whether support received from the ISF helped their business to better identify skills needs and training solutions.

**FIGURE 5.10** DID THE ISF HELP TO IDENTIFY SKILLS NEEDS AND TRAINING SOLUTIONS? (BY BUSINESS SIZE)

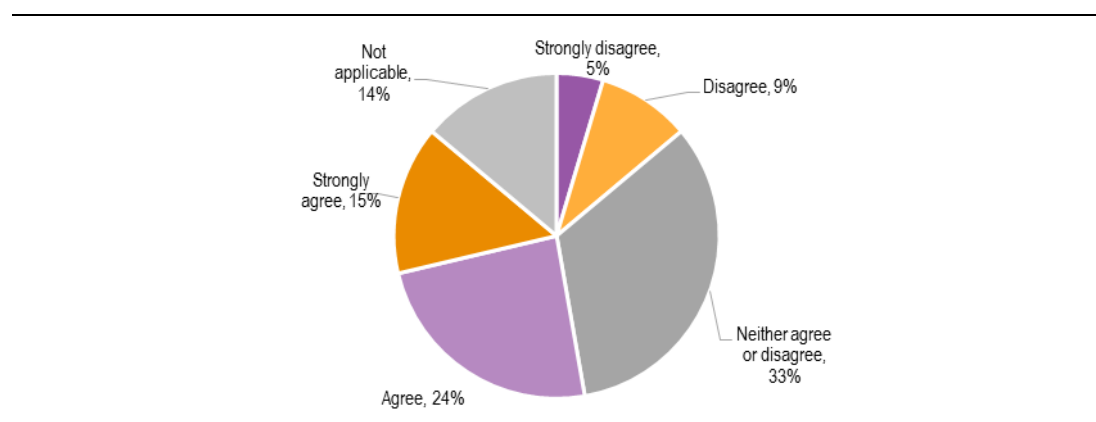


Notes: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF helped my business to better identify skills needs and training solutions. Combines the response from businesses that received or did not receive skills advice. Only a small number of large businesses responded to the survey. The responses from these businesses must therefore be treated with some caution. However, they self-identified as having received skills advice and are therefore included to ensure full transparency  
 SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

**5.3.4 Outcome 4—Businesses able to respond to growth opportunities, especially in Priority Industries**

While employment growth is not a direct objective of the ISF it is a possible indicator of business growth. A minority of businesses *agreed* or *strongly agreed* that support received from the ISF had enabled their firm to employ more staff (39 per cent). The significant proportion of respondents neither agreed nor disagreed with the proposition (33 per cent). ACIL Allen believes that essentially this group of respondents were indicating that they did not yet know what the employment outcome was.

**FIGURE 5.11** DID THE ISF ENABLE YOUR BUSINESS TO EMPLOY MORE STAFF?

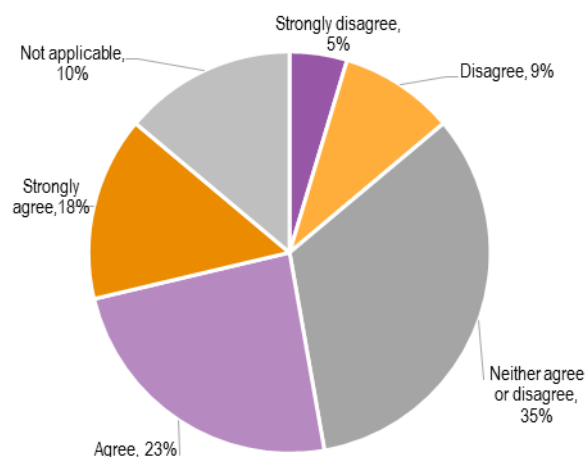


Note: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF enabled my business to employ more staff. Combines the response from businesses that received or did not receive skills advice.  
 SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.



The responses for whether the ISF grant had enabled their business to increase its revenue were quite similar. Just over 40 per cent thought it had, 35 per cent were unsure.

**FIGURE 5.12** DID THE ISF ENABLE YOUR BUSINESS TO INCREASE ITS REVENUE?



Note: Response to Question 18. Please rate how much you agree with the following statement about the impact of the ISF on your business: The support received from the ISF enabled my business to increase its revenue. Combines the response from businesses that received or did not receive skills advice.  
SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

**Box 5.1** illustrates the way in which training supported by an ISF grant can have a major impact on a firm's ability to grow their business.

#### **BOX 5.1** ISF GRANT POSITIONS FIRM FOR GROWTH

Modo Mio Naked, an award winning Tasmanian bakery, were able to enhance their business with the help of an ISF grant. The bakery received a grant of around \$7,000 to help them develop and train their staff on food safety issues. The Managing Director of the firm, Ms Susanne Dobrowski, stated that:

*We knew we needed a number of extra skills to help us get over the line for the Hazard Analysis and Critical Control Points accreditation and decided to apply for a grant.*

The training provided the staff with a better understanding of food safety through the analysis and control of chemical and physical hazards in production, procurement and manufacturing. Ms Dobroski noted that:

*Now we have accreditation we are actively targeting major food service distribution chains who are also Hazard Analysis and Critical Control Points accredited. This will help us grow our business through exporting.*

SOURCE: [HTTPS://WWW.BUSINESS.GOV.AU](https://www.business.gov.au) ACCESSED OCTOBER 2016

**Table 5.1** shows the number of grants and the total value of grants by sector as at the end of April 2016. Just over a quarter of grants and funds went to the five priority sectors and the rest of the grants were roughly split between enabling sectors and non-priority sectors. Only one of the priority sectors (the food and agribusiness sector) received more than 10 per cent of the grants and funds provided. The medical technologies and pharmaceuticals sector only received 2 grants and 0.2 per cent of the funds approved.

The average size of grants was between \$15,000 and \$20,000 for most of the sectors listed in the table. The two outliers were the energy sector where the average grant was only just over \$6,000 and the mining equipment, technology and services sector with an average grant size of almost \$53,000.

**TABLE 5.1** NUMBER OF GRANTS AND VALUE OF GRANTS BY SECTOR

Sector	Number of grants approved	Value of grants	Share of grants approved	Share of funds approved
Advanced manufacturing (P)	66	\$1,252,339	8.6%	9.3%
Energy (P)	41	\$261,961	5.3%	1.9%
Food and agribusiness (P)	83	\$1,725,461	10.8%	12.8%
Medical technologies and pharmaceuticals (P)	2	\$30,600	0.3%	0.2%
Mining equipment, technology and services (P)	9	\$475,309	1.2%	3.5%
Enabling sector (P)	304	\$4,726,415	39.6%	35.0%
Non-priority sectors	262	\$5,019,723	34.2%	37.2%

Note: Sectors marked "(P)" are priority sectors

SOURCE: INDUSTRY SKILLS FUND OVERVIEW AS AT 30 APRIL 2016 (PROVIDED BY EDUCATION)

## 5.4 Other impacts

### 5.4.1 Unincorporated businesses

The stakeholders consulted during the Review did not make any distinctions between the impact of the ISF on unincorporated or incorporated businesses firms.

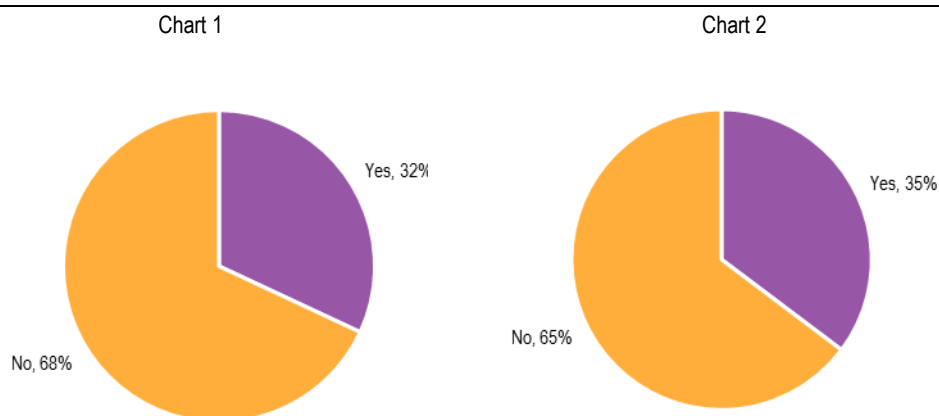
Administrative data provided by the Department indicates that around 10% of the number and value of ISF grants have been awarded to unincorporated businesses. This is a less than the proportion of unincorporated businesses in Australia, which suggests there may be some unmet demand from unincorporated businesses.

### 5.4.2 Northern Australia

Approximately one third of businesses responding to the ACIL Allen survey said that they were operating in, or pursuing a growth opportunity in Northern Australia (see **Figure 5.13**). Education has identified 11 percent of its grant recipients as pursuing a growth opportunity in Northern Australia.<sup>18</sup> The responses to the ACIL Allen survey provide somewhat greater reassurance that the ISF is having some success in targeting growth opportunities in Northern Australia. One possible explanation why there is such a large difference between the Department's results and those obtained from the survey is that some firms have realised that there are growth opportunities in Northern Australia since they applied for an ISF grant. Another possible reason might be that the Department only started seeking information about businesses' involvement in Northern Australia following the changes made to the Program in September 2015.

<sup>18</sup> Industry Skills Fund Overview as at 30 April 2016 (provided by Education)

**FIGURE 5.13** FIRMS OPERATING IN OR PURSUING A GROWTH OPPORTUNITY IN NORTHERN AUSTRALIA



Note: Responses to Question: 2. Is your business operating in, or pursuing a growth opportunity in Northern Australia?

Chart 1 - for businesses that received skills advice

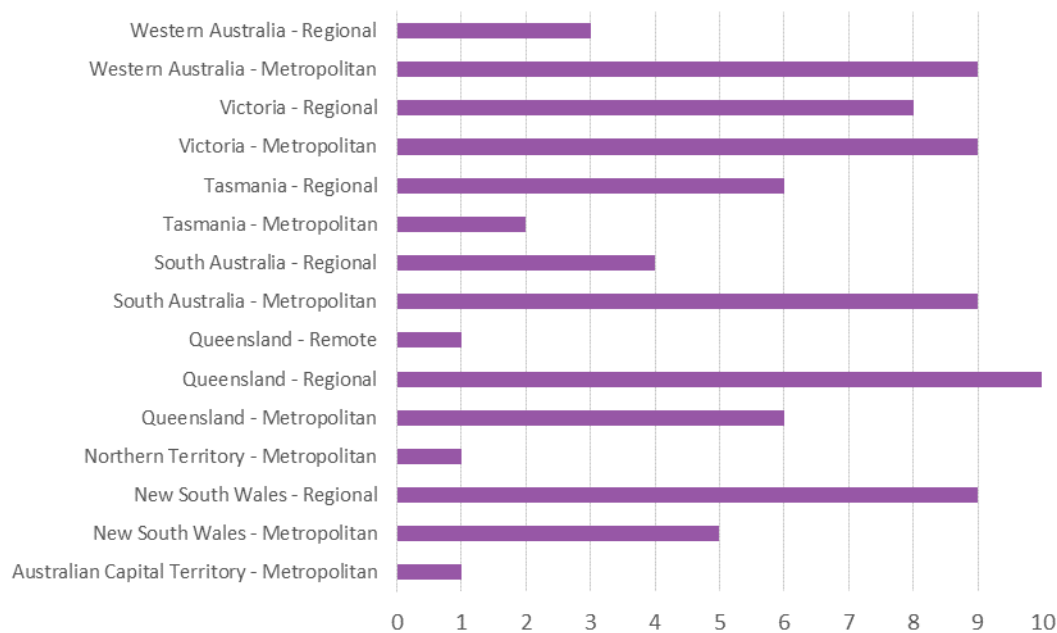
Chart 2 - for businesses that did not receive skills advice

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE AND THOSE THAT DID NOT.

### 5.4.3 Businesses in regional and remote locations

We see from **Figure 5.14** that the majority of firms that received skills advice were located in regional or metropolitan Australia. Only one of the respondents identified themselves as a firm located in a remote area. Note that only a small proportion of firms that received skills advice answered this question.

**FIGURE 5.14** GRANTS BY LOCATION – FOR FIRMS THAT RECEIVED SKILLS ADVICE

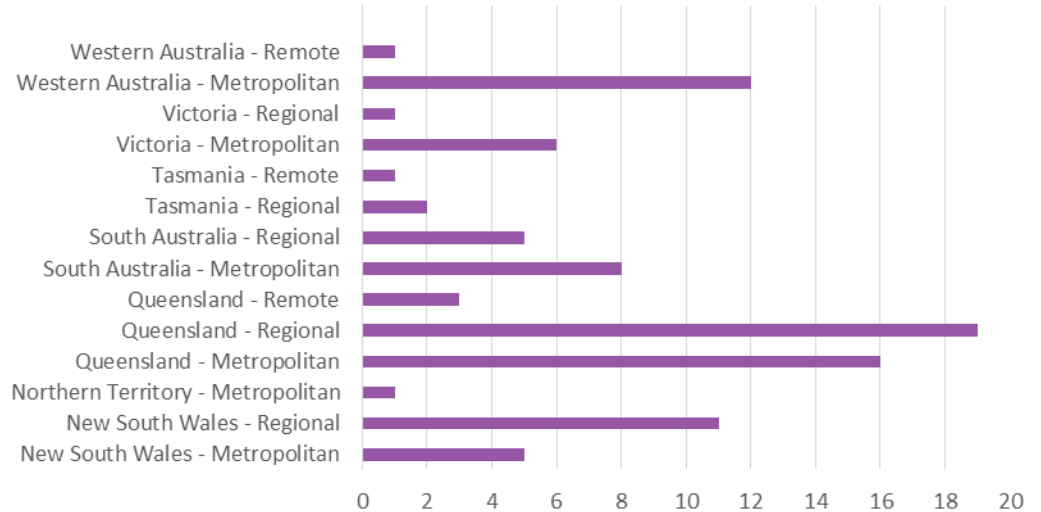


Note: Question: 5. Where is your business located?

SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT RECEIVED SKILLS ADVICE.

There were slightly more grants for firms from remote sites (5) among the firms that did not receive skills advice. Again, only a small proportion of firms that did not receive skills advice answered this question.

**FIGURE 5.15** GRANTS BY LOCATION – FOR FIRMS THAT DID NOT RECEIVE SKILLS ADVICE

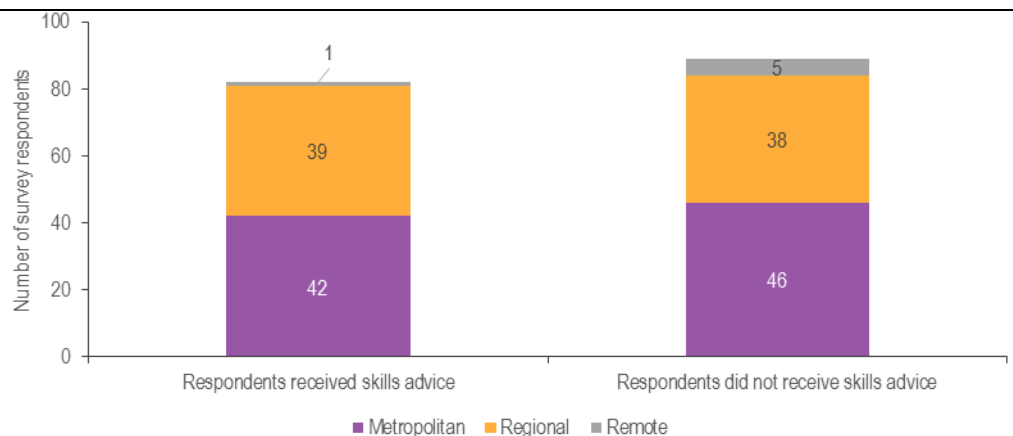


Note: Question: 5. Where is your business located?  
 SOURCE: ISF SURVEY RESULTS FOR BUSINESSES THAT DID NOT RECEIVE SKILLS ADVICE.

However we can see from **Figure 5.16** that, irrespective of whether the firm had received skills advice or not, the vast majority of firms who were given grants were based in regional or metropolitan locations. In both cases the majority of grants were provided to firms in metropolitan areas. No information was collected that specifically explains the low number of grants to firms in remote regions. There are a number of possible factors that might have influenced the low number of grants to remote firms, for example:

- The lower number of eligible businesses in remote areas.
- The challenges facing Skills Advisers in remote regions.
- The challenges in promoting the Program in remote areas.

**FIGURE 5.16** PROPORTION OF GRANTS BY METROPOLITAN, REGIONAL AND REMOTE LOCATIONS



SOURCE: SURVEY RESULTS FOR ALL BUSINESSES THAT RECEIVED AN ISF GRANT.

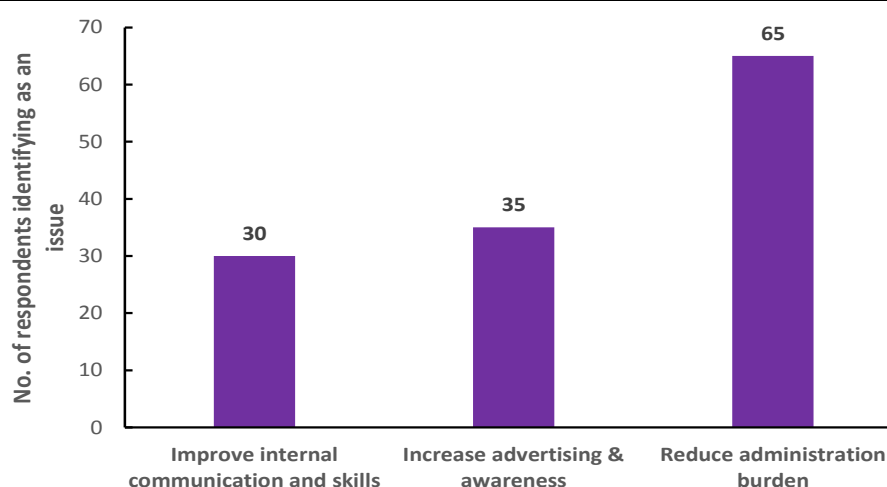


## 5.5 Suggestions for improvement

Just under 240 of the businesses surveyed suggested ways for improving the Program. Over half (54 per cent) of the respondents identified improvements that can be grouped under three categories. **Figure 5.17** shows that the largest number of suggestions for changes to the Program can be categorised as reducing 'red tape'. Over a quarter of respondents suggested improvements in this area. Respondents particularly identified grant applications as an area where they would welcome some efforts to streamline the process.

Notwithstanding the feedback discussed above, the business survey results clearly show that a clear majority of business were very supportive of the overall design and delivery arrangements for the ISF Program.

**FIGURE 5.17** TOP THREE SUGGESTED AREAS FOR IMPROVEMENT



SOURCE: ISF SURVEY RESULTS

Another area that featured strongly in the survey responses (around 15 per cent of respondents) was increasing advertising and awareness of the Program. While this is an outward facing activity, a further 13 per cent of respondents identified possible improving communication between Program personnel and improved skills within the Department as potential improvements. The comments in relation to improved communications were in part linked to a desire to better understand the ISF Program.

Examples of specific comments from businesses included:

- Having a consistent staff member to work with during the Program.
- Keep the (Skills) Adviser in the loop when it comes to how the funding and training are going.
- Skills Advisers are from different companies, got contradictory advice on eligibility.
- Application and decision process is too long and some red tapes can be cut in the application documentation.
- Improvements can be made to the website for application.
- Improve the relevance of the Program to small business and flexibility in training – e.g. tailored to particular industry (e.g. IT and Advanced Manufacturing).
- More promotion and marketing for the Program.
- Make more funding available – e.g. to cover travel and wage.
- Better communication throughout the Program and make the process (e.g. application) easier to understand.

## 5.6 Findings

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The key findings of this chapter are that:

- Employees who have undertaken training will have improved their capabilities and skills as a result of that training.
- Businesses surveyed as part of this Review are overwhelmingly favourable in their assessment of the training outcomes for their business. The smaller the business the more positive this view was.
- Some 42 per cent of businesses said that they would not have conducted training in the absence of the ISF. This suggests the ISF was successful in encouraging small businesses to provide training for their employees where they would otherwise not have.
- Over 90 per cent of businesses either agreed or strongly agreed that the training provided had adequately addressed the skills need(s) within their business.
- The majority of businesses agreed that the ISF had helped to improve their productivity. However, many businesses also agreed that it was still too early to quantify the impact of that improvement.
  - The scale and scope of any productivity improvement will only become apparent at some point in the future when robust multi-year company-level data are available for detailed analysis.
- Businesses were overwhelmingly supportive of the proposition that the ISF had helped their business to better identify skills needs and training solutions.
- About a third of businesses who responded to the ACIL Allen survey said that they were operating in, or pursuing a growth opportunity in Northern Australia. This is about three times more than the number that the Department had identified in that category. There could be some merit in better understanding the reasons behind this difference.
  - One possible explanation could be that businesses only decided to pursue a growth opportunity in Northern Australia after they completed ISF supported training.
- The majority of ISF support was provided to firms in metropolitan or regional areas. Very few firms in remote areas received support from the ISF.



This chapter provides an overview of two pilot Programs: the TES and the YEP Program. Funding for the Youth Pilots commenced in 2014-15. Both pilot Programs ceased in 2015-16.

## 6.1 Background to the Youth Pilots

The Youth Pilot Programs were initially announced by the Prime Minister and Minister for Industry on 8 September 2014.<sup>19</sup> The Youth Pilots were introduced to fill a gap in the market between the closure of the previous Youth Connections program and the implementation of the Commonwealth Youth Employment Strategy announced in the 2015-16 budget.<sup>20</sup> The Youth Pilots were an attempt to trial new approaches to address youth unemployment. The Prime Minister announced that the Government was:

- *investing in two new innovative training Programs to enable young job seekers in regional communities to successfully get a job and provide employers the skilled employees they need to grow their business*
- *investing \$38 million to deliver the Training for Employment Scholarship Program to assist employers in regional areas where youth unemployment is high to provide job specific training for new employees*
- *establishing a new Youth Employment Pathways Program to assist young Australians in regional areas to identify and successfully start on the path to their chosen career by returning to school, starting vocational education training or moving into the workforce.*

The Prime Ministerial announcement was followed by a period of consultation based on a Discussion Paper,<sup>21</sup> which invited stakeholder input until 28 November 2014. The Discussion Paper noted that:

*There are a range of supports in place for young people accessing Australia's training system. These include targeted support for apprentices and the National Training Entitlement as administered by states and territories. However, given the level of youth unemployment there is a need to trial alternative approaches.*

*These pilots will trial a new way of boosting economic activity in regional areas and improving job prospects for young people.*

Comments on the Discussion Paper helped inform the detailed design of TES and YEP.

The Machinery of Government changes announced on 23 December 2014 moved the administration of TES and YEP from the Department of Industry, Innovation and Science to the Department of Education and Training.

<sup>19</sup> Tony Abbott. 2014. "Jobs and new careers for young Australians to grow businesses". September 8. Accessed August 4, 2016. <http://pmtranscripts.dpmc.gov.au/release/transcript-23805>

<sup>20</sup> [http://www.budget.gov.au/2015-16/content/glossy/sml\\_bus/html/sml\\_bus-14.htm](http://www.budget.gov.au/2015-16/content/glossy/sml_bus/html/sml_bus-14.htm), accessed November 2016.

<sup>21</sup> Department of Industry, n.d. *Industry Skills Fund – Youth Pilot Programmes: Discussion Paper*.

On 5 March 2015, the Assistant Minister for Education and Training announced the launch of the two pilots,<sup>22</sup> stating that the businesses and community organisations could access support to improve the skills of young persons under the two Youth Stream Pilot Programs.

The Department published separate Program Guidelines and customer information guides for TES and YEP. The Program Guidelines for each Program provided similar types of information as was included in the Program Guidelines for the ISF. The customer information guides for each Program included further details and guidance for applicants.

The first sets of Program Guidelines and customer information guides for YEP and TES were finalised in February 2015 and came into effect on 1 March 2015. Initially, both programs were scheduled to close on 29 February 2016 or sooner if the appropriated funds were expended, whichever occurred first.

Following a relatively low number of applications for YEP and TES, the Program Guidelines and customer information guides were updated and second versions came into effect on 1 September 2015. The key differences between Versions 1 and 2 of the Guidelines for both Programs was that eligibility was expanded from specific regional areas (defined in the customer information guide) to Australia-wide. The Programs were also extended until 30 June 2016 or sooner if the appropriated funds were expended, whichever occurred first.

Funding for the Youth Pilots commenced in financial year 2014-15. Both pilot Programs ceased in 2015-16.

## 6.2 Policy rationale for TES and YEP

The Youth Pilot programs were designed to trial new approaches for identifying and supporting the provision of training to disengaged youth. The funding model being tested in the case of TES excluded the use of brokers and instead required any VET training provided under the program to be driven by the needs of businesses. This meant that the training provided was not necessarily a RTO determined course. This opened the door for funding support to be provided for non-accredited training, including Foundation Skills (FSK) training.

The YEP Pilot Program adopted a somewhat different approach. It was designed to provide support for disengaged youth by using the community service organisations that interact with that particular cohort on a regular basis as intermediaries.

### 6.2.1 TES

#### Overarching aim

An overarching aim of TES was to address youth unemployment and workforce skills issues by adopting a business-driven approach to building vocational skills for young people.

#### Policy objective

Under Version 1 of the Guidelines, the policy objective of TES was to provide businesses in selected geographic regions with greater access to appropriately skilled workers in their region, and to improve job prospects for young people. Version 2 of the Guidelines broadened the geographic scope of the Pilot Program to apply across the whole of Australia.

#### Expected Program outcomes

The expected outcomes from TES, under both Versions 1 and 2 of the Guidelines, were to:

- Trial a new model of providing incentives for employers to take on new workers.
- Trial a new employer-led model that provided job-specific training.
- Trial a new model to create pathways for unemployed young people to move into long term work.

<sup>22</sup> Simon Birmingham, 2015. "Applications to upskill youth now open." March 5. Accessed August 4, 2016. [http://www.nesa.com.au/media/74848/150305\\_birmingham\\_applications%20to%20upskill%20youth%20now%20open.pdf](http://www.nesa.com.au/media/74848/150305_birmingham_applications%20to%20upskill%20youth%20now%20open.pdf)



## 6.2.2 YEP

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### Overarching aim

YEP was intended to assist disengaged young people in regional areas and areas that were identified as having high youth unemployment.

### Policy objective

The policy objective of YEP was to address youth disengagement issues by supporting the return of young people to education, training or work. YEP was to be delivered by Community Service Organisations (CSOs) across Australia.

### Expected Program outcomes

The expected outcomes from YEP under Version 1 of the Guidelines were to trial a new model:

- For providing disengaged young people with support to make transitions into education, training or work.
- To reduce youth disengagement in target regions.

Version 2 of the Guidelines amended the second outcome to remove the geographic restriction on targeted regions.

## 6.3 Design features

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### 6.3.1 TES

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#### Description of the Program

TES provided funding to micro, small and medium-sized businesses who hired unemployed people aged 18 to 24 years. The purpose of the funding was to reimburse (up to a cap) the costs of job-specific training for new employees.

At the time it was announced, TES was to provide \$37.6 million for 7,500 scholarships. Each TES scholarship was to be worth up to \$7,500 (including GST). TES was an eligibility-based program. Applicants whose applications met the eligibility criteria were approved if funding was available. Businesses could apply for funding to reimburse (up to \$7,500 including GST) the costs of training for new employees relating to up to 26 weeks of job-specific training.

Under Version 1 of the TES Guidelines, solvent businesses holding an Australian Business Number were eligible to apply for funding if they employed less than 200 FTE, were located in at least one of the eleven target region,<sup>23</sup> and were not named by the Workplace Gender Equality Agency as an organisation that had not complied with the *Workplace Gender Equality Act 2012* (Cth). The second version of the Guidelines widened the geographic eligibility for businesses to participate to provide that businesses could be anywhere in Australia.

The following organisations were ineligible to apply for TES funding: individuals (sole traders were eligible), trusts (except where the trustee was eligible to receive a scholarship), training providers including Group Training Organisations and Registered Training Organisations, and government agencies and bodies.

TES could fund training scholarships for new employees aged 18-24 years of a business provided the business had employed them for at least 25 hours per week within the last three months in either a permanent or contract capacity (for 12 months or longer). Employees were not eligible to receive a scholarship if they had been in full time employment or full time study prior to being employed by the applicant business.

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<sup>23</sup> The TES Customer Information Guide March 2015 version identified the regions, which were defined in terms of Australian Bureau of Statistics Statistical Area Level 4 (SA4) areas. The regions for YEP were: NSW: Central Coast, Hunter Valley exc Newcastle, Sydney – Outer West and Blue Mountains; Qld: Sunshine Coast, Ipswich, Townsville; Vic: Mornington Peninsula; SA: Adelaide – North; WA: Perth – South West; Tas: Launceston – North East

TES could fund training activities that businesses identified as providing employees with new vocational skills (including accredited training and foundation skills training). TES funding was not available for training that was otherwise eligible for government funding from any level of government.<sup>24</sup>

### 6.3.2 YEP

#### Description of the Program

YEP provided funding to Community Service Organisations (CSOs) to deliver support services to young people aged 15 to 18 years who had been disengaged from school for at least three months and who were not participating in training or employment. Under the YEP, total funding of up to \$6.2 million was to be provided to fund services for up to 3,000 young people.<sup>25</sup>

YEP was an eligibility-based Program. Applications that met the eligibility criteria were approved for funding if sufficient funding was available. Applicants did not compete with each other for funding.

Under the initial version of the Guidelines, CSOs<sup>26</sup> operating in one or more of the specific targeted geographic regions<sup>27</sup> could apply for funding if they had two years' experience working with at-risk and/or disengaged young people and linkages with schools, employers and other youth related services in those regions. Version 2 of the Guidelines relaxed eligibility requirements somewhat and removed the requirement that CSOs be operating in specified regions and only required they be located in Australia.<sup>28</sup>

YEP could fund CSOs to provide services to people aged 15-18 years who had not attended school for at least three months, were not participating in training or employment, and had non-vocational barriers<sup>29</sup> to training or employment.

The services that could be funded by YEP were services either provided or purchased to help transition young people into education, training or work. These included: case management; support to address non-vocational barriers; and accredited or non-accredited training, including foundation skills.

## 6.4 Administrative arrangements and delivery model

### 6.4.1 TES

#### Program Delegate

The Assistant Minister for Education and Training was required to appoint a Program Delegate for TES who had overall responsibility for the Program and could make decisions about its administration. The Assistant Minister appointed the Branch Manager, Foundation Skills Branch, Department of Education and Training, as the Program Delegate. The Assistant Minister also appointed the Director, Youth Engagement Pilots Section, Foundation Skills Branch, Department of Education and Training, as the Alternate Program Delegate.

The Program Delegate's decisions about whether to approve the eligibility of an application, the amounts to be funded for approved applications, and the terms and conditions of funding agreements were final.

<sup>24</sup> An exception to this was that TES funding could be used to pay for the non-subsidised component of training costs for training delivered through the National Training Entitlement.

<sup>25</sup> Media release from Senator the Hon Simon Birmingham, Assistant Minister for Education and Training, 5 March 2015. <https://ministers.education.gov.au/birmingham/44-million-skill-young-people> accessed 29 September 2016.

<sup>26</sup> Government agencies and government business enterprises from all three levels of government were ineligible to apply for funding.

<sup>27</sup> The YEP Customer Information Guide March 2015 version identified the regions, which were defined in terms of Australian Bureau of Statistics Statistical Area Level 4 (SA4) areas. The regions for YEP were: NSW: Central Coast, New England and North West, Sydney-Blacktown, Richmond-Tweed, Mid North Coast, Sydney – Outer West and Blue Mountains; Qld: Sunshine Coast, Logan – Beaudesert, Townsville, Fitzroy, Cairns, Gold Coast; Vic: Melbourne – North West; Melbourne – West; Melbourne – Outer East; Melbourne – South East, Geelong, Shepparton; SA: Adelaide – West; WA: Perth – South West; Tas: Launceston – North East.

<sup>28</sup> YEP Program Guidelines Version 2, September 2015.

<sup>29</sup> Including: mental illness; social problems including domestic violence; financial management difficulties; social isolation and poor communication skills; addictions including drug, alcohol and gambling; and homelessness or unstable accommodation.

### **Applications**

Applications opened for TES on 1 March 2015. Applications were to be assessed by a TES Program Officer based on eligibility, value for money and relevance and quality before being referred to the Program Delegate for a decision. The consideration of whether an application was value for money was to include whether the grant achieved a better outcome for the business and the young person which would not have otherwise been achieved without the grant.

The Program Delegate made final decisions about applications. The Delegate was required to approve TES applications meeting these requirements if sufficient funding was available.

Applicants were to receive a decision about whether their application had been approved within 15 working days of submitting an application.

### **Funding agreements**

Successful applicants were required to execute funding agreements with the Program Delegate before funds could be provided to them. A funding agreement had to be executed before the applicant commenced the provision of services or made an agreement with a provider for those services to be provided.

A funding agreement could be varied by mutual consent between the applicant and Delegate provided it significantly improved outcomes and was consistent with the objectives of TES. Funding agreements operated on a reimbursement system. Successful applicants had to fund all training costs for their eligible participants before being reimbursed.

### **Program evaluation and survey**

Successful applicants were required to cooperate with an evaluation of the TES (this Review), and to complete a survey within 30 days after the end date of their funding agreement.

## **6.4.2 YEP**

### **Program Delegate**

The Assistant Minister for Education and Training was required to appoint a Program Delegate for YEP who had overall responsibility for the Program and could make decisions about its administration. The Assistant Minister appointed the Branch Manager, Foundation Skills Branch, Department of Education and Training, as the Program Delegate. The Assistant Minister also appointed the Director, Youth Engagement Pilots Section, Foundation Skills Branch, Department of Education and Training, as the Alternate Program Delegate.

The Program Delegate's decisions about whether to approve the eligibility of an application, the amounts to be funded for approved applications, and the terms and conditions of funding agreements, were final.

### **Applications**

Applications opened for YEP on 1 March 2015. Applications were initially assessed by a YEP Program Officer on the basis of eligibility, experience, value for money, relevance and quality. The consideration of whether an application was value for money was to include whether the grant achieved a better outcome for the young person which would not have otherwise been achieved without the grant.

The Program Delegate made final decisions on applications and was required to approve YEP applications that met the requirements if sufficient funding was available.

Applicants were to receive a decision about whether their application had been approved within 15 working days of submitting an application.

### Funding agreements

Successful applicants were required to execute funding agreements with the Program Delegate before funds could be provided to them. A funding agreement could be varied by mutual consent between the applicant and Delegate provided it significantly improved outcomes and was consistent with the objectives of YEP.

Grants under funding agreements were to be paid to grant recipients in two instalments:

- 50 per cent on execution of the funding agreement
- 50 per cent once all the young persons to whom the CSO was providing services had reconnected with school, commenced vocational education, or moved into the workforce.

Successful YEP applicants were required to submit a final report as specified in their funding agreement. Reporting was to coincide with the final milestone payment. The YEP Customer Information Guide states that the final report may include the following information:

- Details of engagements, commencements and completions.
- An overview of the services provided.
- Achievement of outcomes.
- An evaluation of the services provided under the Funding Agreement.

### Program evaluation and survey

Successful applicants were required to cooperate with an evaluation of the YEP, and to complete a survey within 30 days after the end date of their funding agreement.

## 6.5 Pilot Program resources

The 2014-15 Portfolio Additional Estimates Statements for the Education and Training Portfolio allocated \$39.8 million (administered expenses) over three financial years from 2014-15 to the establishment of the Industry Skills Fund—Training for Employment Scholarships and Youth Employment Program. **Table 6.1** indicates how these expenses were distributed across the three financial years.

**TABLE 6.1** YEP and TES—program expenses

Source	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000
<b>Program Expenses</b>			
2014-15 PAES	4,422	32,816	2,580

SOURCE: PORTFOLIO ADDITIONAL ESTIMATES STATEMENTS 2014-15, EDUCATION AND TRAINING PORTFOLIO, 2015

The Department has provided the following estimates of ASL dedicated to administering the TES and YEP Programs:

- From November 2014 to June 2015 six ASL were allocated to the Programs – this implies an annual cost of around \$1.2 million.
- From June 2015 to December 2015 3.3 ASL were allocated to the Programs - this implies an annual cost of \$660,000.
- From January 2016 - to 30 June 2016 0.6 ASL were allocated to the Programs - this implies an annual cost of \$120,000.

## 6.6 Program performance targets

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While the Program Guidelines capped the total funding available through YEP and TES, they did not specify the total number of young people to be supported through YEP or TES. The Guidelines stated that funding of up to \$37.6 million was to be provided through TES for up to 7,500 scholarships and that funding of up to \$6.2 million was to be provided through YEP for funding the provision of services for up to 3,000 young people.

According to the 2015-16 Portfolio Budget Statement for the Education and Training Portfolio, the deliverables for YEP and TES were to provide funding through YEP to assist 2,000 young people (in 2015-16), and funding through TES to support 5,000 young people (in 2015-16).



The Youth Pilots addressed a common need through different mechanisms. The rationale for the Youth Pilots was based on a generally-agreed need—targeting young people with low levels of educational attainment and low levels of transition to work, to help them gain employment. The evidence suggests that, if these young people can be encouraged to undertake training, their employment prospects can be enhanced. The likelihood that the training would achieve this outcome was expected to be greater by tying TES to recent business recruitment. In the case of YEP, the training need was identified by a youth support organisation. The businesses and support organisations involved in TES and YEP:

- had a strong interest in ensuring that the training was relevant and at an appropriate level to the needs of the trainees
- were well-placed to identify appropriate courses
- were likely to be better able to analyse trainee needs and course suitability than the trainees themselves.

This analysis is based on interviews with samples of businesses and CSOs who received TES and YEP grants respectively.

## 7.1 Training Employment Scholarships

### 7.1.1 Design elements

This analysis is based on interviews with businesses or support organisations involved in ten TES grants.

The design of TES required a business with an eligible new or recently recruited young employee to identify a training need and a suitable course, and meet the cost of training before being reimbursed. A number of limitations were placed on training costs—for example, travel and equipment costs were not covered, training could not extend beyond 26 weeks, and the TES support was capped at \$7,500 per person. The types of training that could be supported were tightly defined.

Stakeholders advised that the application process was relatively lengthy. A business had to recruit an unemployed person and apply for TES support within the first three months of employment. There was some confusion over the three month period, with some businesses thinking that the potential trainee had to have been employed for three months at the time of application. Successful business applicants also had to settle a funding agreement, identify a training provider and arrange training, and then seek reimbursement. Some businesses did not understand that non-accredited training was eligible.

The Customer Information Guide made the pilot nature of the Program clear—applications could be accepted up to a specified date but the Program could end earlier if all Program funds were expended.

The closure of the Program was announced in the May 2016 Budget. Ultimately, the Program operated for about 14 months.

The Program was initially restricted to eleven regions. However, the lack of employment opportunities in the regions and the lack of adequate marketing resulted in only two approved grants. Even when the pilot was extended to the whole of Australia, the total number of TES grant applications received was only 36, of which 29 were approved (27 unique organisations), far less than the stated deliverable of assisting 5,000 young people. Some grants went to businesses that either no longer exist or could not be contacted for this Review.

TES required business owners to invest time and effort in preparing a funding application, ensuring that the training took place and reporting the outcome. Business owners considered that they were taking some risks in paying for the training up front. They noted that these risks included not getting reimbursed or the trainee leaving to take other employment. On the other hand, the training costs were fully covered (up to the \$7,500 limit). Where the training was not locally available, travel and accommodation costs were a problem. This was particularly the case for regional applicants, which disadvantaged non-metropolitan applicants.

However, the major flaw in the design of the TES Program was in its marketing. The department held stakeholder briefing sessions in jurisdictions and used social media to publicise the Program. This was clearly ineffective. Based on the low take up rate, the stakeholder briefings in jurisdictions did not appear to reach the target firms. The use of an e-marketing campaign/platform was clearly also ineffective in promoting the Program amongst businesses.

This view is supported by the survey responses of businesses that participated in the ISF (see **Figure 4.12** and **Figure 4.13**). The survey results showed that Skills Advisers were an important source of information about the ISF for businesses. Industry or business associations were the second most common source of information. On the other hand, advertising or promotional activities were ranked quite low as a source of information.

There are a number of possible reasons why the marketing campaign was ineffective. For example, many small business owners do not have time to follow social media and even if they were doing so, they could have easily missed a communication about TES. The briefing sessions would certainly have been useful for informing those attending the sessions about the program. However, as one stakeholder noted, it usually takes time for word to get around about new programs and that transfer of information apparently did not occur in the case of TES.

Even when it became evident that the take-up of TES was much lower than expected, no change in marketing strategy appears to have occurred. As a result, small businesses were generally not aware of the TES Program's existence. Stakeholders interviewed were unanimous on this point. Stakeholder interviews revealed that most heard about TES through word of mouth from a range of contacts. Only one had heard about TES from a Departmental source (a seconded staff member).

The importance of the marketing of TES is increased since the TES Pilot did not engage the kinds of organisations that are likely to know the individual business managers/owners that might participate in the Program. Note that the lack of engagement with these organisations was intentional as the TES Pilot was designed to test an approach that involved direct funding to businesses.

Given that TES was a pilot program with only a limited time to run a more significant effort to market the program should have been made early in the life of the pilot. The challenge of marketing the program after its extension to the whole of Australia was even higher as by then it only had about half a year to run and businesses and were concerned that the Program might be wound up before they received payment for training costs incurred.

### **7.1.2 Administrative arrangements**

Stakeholders reported that the administrative arrangements were generally satisfactory, which is consistent with the feedback gained on the ISF.

However, some applicants consulted by ACIL Allen reported that the application process was difficult. For example, one applicant reported that the web-based form could not be saved when partially

completed. Others felt that the details requested were excessive and the forms took too long to complete. Some had to get help to complete their application.

However, stakeholders reported no problems with payment procedures or reporting requirements. Once again, this feedback is highly consistent with the feedback provided on the ISF. This is further evidence of the effort taken by the Department to establish program arrangements that are business facing and friendly.

### 7.1.3 Evidence of impacts

The TES pilot duration was in operation for too short a time and too recently for this summative Review to develop a systematic quantitative analysis of benefits to either the businesses or the trainees involved. Anecdotally, stakeholders reported benefits:

- To their businesses—improved business performance, but at some cost, and with concerns about the high mobility of young employees. Generally, business stakeholders were not confident that, at the time of interview (August 2016), they had received net benefits.
- To the trainees—grant recipients reported that trainees had acquired new skills (particularly numeracy), increased confidence, turning a raw recruit into a valuable employee, and in one case completing a Certificate II course.

The businesses interviewed for this Review were all very supportive of the TES and would have liked it to continue. Some saw a public good element in their involvement in TES, as a contribution to the training of young people for their business sector. None had come across a program similar to TES in the past.

### 7.1.4 Improvements to the Program

Apart from wanting more continuity and stability in Program funding, there were few suggestions about possible improvements. Travel was an issue for businesses in regional areas, resulting in them bearing greater costs than their metropolitan counterparts. Some stakeholders would have liked to make greater use of the Program and use it more than once for individual employees. All stakeholders considered that the Program needed to be better marketed.

## 7.2 Youth Employment Program

### 7.2.1 Design elements

The YEP Program opened for applications on 1 March 2015 and was originally scheduled to close on 29 February 2016 or sooner if Program funds were fully committed. YEP was aimed at funding CSOs to provide services to disengaged young people to support their re-engagement with education and training.

The rationale for these measures was the need to respond to the high levels of youth unemployment, especially in economically depressed regions. Initially, some twenty-one regions of highest youth unemployment were nominated for Program roll out. However it became clear within a few months that take up was minimal, with only 76 applications for funding made up to 31 August 2015 of which 63 were approved to assist 292 young people. This was thought to be because of a lack of opportunities in the regions. The eligibility was then extended to all of Australia.

Delivery through CSOs was a key strength. The CSOs had: the motivation; the connections to young people and communities; an understanding of issues; and the ability to broker partnerships. CSOs supported the program's eligibility criteria for participants and the capacity the program provided to tailor solutions for individual young people.

CSOs had a very positive view of YEP, considering it was one of the best programs they had interacted with. CSOs considered that the pilot allowed them to provide intervention services to young people who needed assistance quickly. Anecdotal evidence from CSOs suggests that a large fraction of young people who were provided with services funded through YEP—CSOs mentioned at least 50 per cent—went on to further education, training, or occasionally found employment. Disengaged family members sometimes followed their siblings into education or training. The Program required



relatively low amounts of administrative effort on the part of CSOs, and YEP's objectives provided CSOs with flexibility in the services they could offer. CSOs also stated that YEP filled a gap in the programs available to help disengaged young people aged 15-18 years.

YEP did have a number of design features or processes that detracted from the ability of CSOs to fund and deliver services to young people at risk through the Program. Some CSOs considered that funding approval was too slow, with some young people having lost interest by the time funding had been approved. This detracted from the ability of the Program to fund effective intervention services. Some CSOs also considered that they would have been able to reach more young people if Program administrators had been faster. We note that the average time taken for an application to be approved was 11 days. While this would normally be considered a very quick turnaround time for a government program it is still perhaps too long to retain the interest of a disengaged youth.

CSOs also felt that some of the design features of YEP unnecessarily restricted the number of young people they were able to help through the Program. The requirement to obtain approval to provide services to specified individuals was seen as unnecessarily restrictive as it prevented CSOs replacing people who may have lost interest in being assisted with those who were interested. One CSO also stated that the time lag in getting funding approved forced CSOs to deliver structured group based training and support, which may not meet the needs of young people. There was also a strong view that the definition of disengagement was too restrictive as a young person who attended school for only one or two days in the last three months was not eligible for assistance through YEP. Most CSOs also stated that the age qualification was too restrictive, and that the upper age limit could have been increased to 19 or 20 years. Furthermore, a number of CSOs stated that having multiple funding rounds presented a barrier to having a planned, cohesive approach to service delivery.

They would also have liked some flexibility around the definition of disengagement, age range and outcomes so they could include young people otherwise excluded, or needing more intensive support.

As at 11 May 2016, the Department had received a total of 212 applications for funding through YEP. Of these, 173 applications were approved, 17 applications had been withdrawn or were not approved, and the approval of 22 applications was pending. A total of \$2,340,583.81 was approved to assist 1,341 participants through YEP.<sup>30</sup>

### **7.2.2 Administrative arrangements**

The CSOs consulted for the Review were experienced in dealing with a range of government programs. They did not consider the administrative burden placed on them in relation to YEP to be particularly onerous compared to other programs. CSOs viewed their interactions with Education staff as positive.

CSOs would have liked pre-approval to service a number of participants and to be able to provide specific details of individuals later. As noted above, delays between application and approval can be a problem as some at risk young people will drop out if they cannot be engaged quickly. Furthermore, it is often difficult to re-engage this cohort of clients if they become discouraged and drop out of the program.

### **7.2.3 Evidence of impacts**

Once again, the YEP pilot duration was much too short and also too recent for this Review to develop a systematic quantitative analysis of benefits to either the businesses or the trainees involved. Anecdotally, stakeholders report clear benefits to participants: some stakeholders indicate that at least half of participants went on to further education and study and some reported a small number of employment outcomes.

Quantitative evidence of impact was very difficult to find, given the limited data available. But providing detailed quantitative analysis of YEP may actually miss the underlying rationale for the Program. That is, YEP is about the engagement of young people at critical points in their education, training and workforce career. The fact that YEP funding increased CSOs' capability and capacity to reach a larger cohort of disengaged youth should be the outcome against which all others are compared whatever

<sup>30</sup> The YEP pilot program closed early due to funding constraints.

the achievement of Program outcomes appears to be. For example some CSOs report high levels of success with training, while other CSOs only targeted a direct employment outcome, the fact that CSOs are reporting a re-engagement outcome should be welcomed. In addition, many CSOs were able to point to spin off benefits for families and communities from their activities under the Program. Ideally these benefits should be documented and monitored over time.

Most, if not all, CSOs were extremely pleased with the Program and would like to see it continue into the future. The case study below of Kimberley Group Training, an organisation that is based in the Kimberley and provides services to people in that region, highlights this. It provides an example of the type of qualitative evidence of the YEP's impact on local communities that was provided to ACIL Allen during the consultation process.

#### BOX 7.1 YEP CASE STUDY – KIMBERLEY GROUP TRAINING

Kimberley Group Training (KGT) is an accredited Group Training Organisation that provides services to both Indigenous and non-Indigenous people throughout the Kimberley region of Western Australia. KGT has offices in Kununurra and Broome.

The Program Delegate approved ten applications from KGT for funding as at 11 May 2016 totalling approximately \$27,000. The purpose of the funding was to support the provision of services to a total of 15 young people.

KGT was funded through YEP to provide two types of projects: *Rising stars*, a work readiness Program which focussed on engaging individual young people facing non-vocational barriers to work; and *Youth Engagement*, which focussed on helping young people be ready to fill hospitality positions in local businesses for the 2016 tourist season.

The experience of KGT is presented here as a case study as consultations with other CSOs indicate that experience is highly indicative of CSOs' experience of YEP more broadly.

Of the 15 young people whom KGT was funded to provide services to, ten engaged in subsequent training or employment. **Table 7.1** presents information about the outcomes and/or impacts resulting from the YEP funding for these 10 young people as reported by KGT. Participants have been de-identified.

SOURCE: DEPARTMENT OF EDUCATION

**TABLE 7.1** OUTCOMES AND IMPACTS OF YEP FUNDING—KIMBERLEY GROUP TRAINING

Participant	Outcomes / impacts
A	Cert II in Hospitality traineeship at café
B	Obtained Responsible Service of Alcohol and Food handling qualification Cert II in Hospitality traineeship at exclusive resort
C	Participant gained confidence and life skills Obtained Responsible Service of Alcohol and Food handling qualification Cert II in Hospitality traineeship at exclusive resort
D	Cert II in Business at a training institute
E	Cert II in Business at a training institute
F	Cert IV in Mental Health
G	Obtained first job as a receptionist, and started Cert III in Business traineeship
H	Cert II in Business at a training institute. Will be considered for employment as a Cert II Business trainee after Cert II obtained
I	Obtained Responsible Service of Alcohol and Food handling qualification Commenced Utility Officer role at the Argyle diamond mine
J	Cert II in Hospitality at exclusive resort

SOURCE: KIMBERLEY GROUP TRAINING

### 7.2.4 Improvements identified by stakeholders

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Stakeholders consulted for the Review consistently argued that adopting a pre-approval model would be a major improvement for YEP. CSOs felt that having the discretion to intervene earlier (in consultation with schools) on a case-by-case would be a useful addition to any program like this one in the future. In the view of all CSOs consulted, a three-month period of non-attendance can be too long to wait until beginning efforts to reengage a young person in school, other education or employment. The three month period is also seen as too inflexible in that it does not allow for students who are at risk of disengagement through low school attendance to gain assistance from the Program.

CSOs would also have welcomed the capacity to continue to take an individual through the Program if they had a birthday during the engagement process, or to have an extended age range for eligibility.

CSOs considered that fast Program administration was critical to the success of YEP and that Program administration in YEP was too slow for the young people targeted the Program. Some young people had lost interest by the time funding was approved, and that approved funding could then not be transferred to provide services to another young person in need. The time taken to approve funding may also constrain what services a CSO can provide to young people.

A number of CSOs stated that having multiple funding rounds presented a barrier to having a planned, cohesive approach to service delivery.

## 7.3 Findings

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### 7.3.1 TES

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Conceptually, TES was a measure that addressed an identified need and did so in a way that was likely to result in training relevant to the employment of young persons. However, it fell well short of its deliverables, with only 29 grants to assist young people approved, against a target of 5,000.

Businesses reported that TES put a burden on them—initially to find a suitable recruit and subsequently for employee time lost while the training was taking place. Businesses also had to identify a suitable course and ensure that the training actually took place. However, Education notes that much of what businesses had to do under the program was what businesses need to do if they want to train their staff.

The marketing of this Program was insufficient and ineffective. TES would have benefited from a more intense and diverse marketing campaign, particularly at the very beginning of the Pilot Program.

There were undoubtedly benefits from TES for trainees. There may be benefits for business too in the future. However, businesses reported that it was too early for them to be confident that this was the case and that it certainly too soon to be able to try to quantify them.

In summary, given the very small number of grants awarded and the recent nature of the Program, it is not possible to do more than report on the anecdotal benefits from TES.

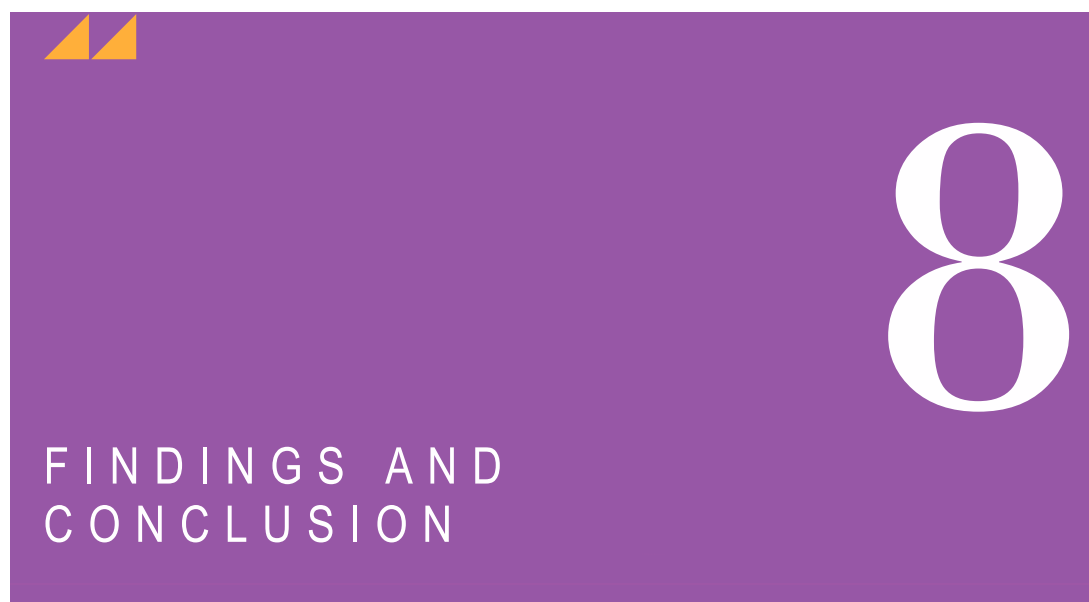
### 7.3.2 YEP

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The YEP was able to demonstrate the viability of working through CSOs to target young people at risk of becoming long-term unemployed. It was successful in highlighting aspects of programs that target young people at risk that are useful. Anecdotal evidence suggests that a significant proportion of YEP participants went on to education or training.

YEP highlighted that having a high level of flexibility in the services to be provided was very useful as it allowed the services to be better targeted to the particular needs of each individual. This was seen as very important as the factors impacting engagement in education and training vary from person to person.

However, there were constraints in the eligibility criteria for young people to be funded for assistance through YEP which may have been unnecessarily restrictive—including measures of disengagement from school, age, and the requirement for pre-approval. Greater flexibility in these areas would be likely to improve the outcomes of the Program.



## 8.1 Overall conclusion

The evidence collected for this Review clearly suggests that the core policy objectives of the ISF remain appropriate. The ISF's focus on meeting business' skills needs and thereby enhancing their capability to pursue a growth opportunity is widely supported by stakeholder groups and by businesses themselves. It is considered to be a well-designed and effective vehicle for providing assistance and financial support to micro, small and medium sized businesses that are pursuing a growth opportunity but need assistance to capture that opportunity. Importantly, the ISF Program's broad design principles are consistent with the best practice approaches identified in the literature Review (see Section 2 and Appendix A).

The ISF has evolved in response to changing circumstances and policies, evidence of areas of unmet need, practical experience with implementation of the Program, and funding reductions. It is arguably more ambitious (as a result of the addition of Northern Australia objective), broader in scope (given the inclusion of unincorporated business), and yet more competitive and focussed (with greater emphasis on merit and smaller businesses) than when originally conceived. This augurs well for the future relevance and usefulness of the Program.

The evidence presented in this report does not support the removal of, or significant changes to, any of the core objectives, design elements or administrative framework for digital end-to-end processing for businesses accessing the Program. It is also encouraging that both stakeholder groups and business consider that, even at this relatively early stage in the life of the Program, it is proving effective in meeting business skills needs and that the assistance and support provided is generating positive impacts for businesses – notwithstanding that some of these benefits are still difficult to quantify. ACIL Allen has therefore given consideration of what changes could enhance the delivery and performance of the Program in the future.

Within this context, the key findings for the ISF Program and the Youth Pilots are presented below.

## 8.2 Key findings on the ISF

### 8.2.1 Program objectives

As mentioned above, the ISF's core policy settings and objectives are considered by most, if not all, stakeholders consulted for this Review to be appropriate and should remain unchanged.

The analysis in Chapter 4 indicates that the Program's core objectives remain appropriate from the perspective of both strategic policy alignment and business needs. It is entirely appropriate to focus government training support on those businesses that are seeking growth opportunities, but lack the capabilities and capacities to capture these opportunities in a way that drives business productivity

and competitiveness. It is clear that the ISF has a number of unique features for targeting business needs and does not duplicate other federal, state and territory programs that seek to support businesses to grow and mature. Certainly, the ISF is seen by many consulted for this project as being highly valuable and unique in its offerings and design. The relevance and usefulness of the ISF is reinforced by the results of the business survey.

The ISF is also delivering early positive outcomes for businesses as demonstrated by the business survey results presented in Chapter 5, and is generally well-regarded by Program participants. However, at the time the Review was undertaken the ISF was still relatively new and it is too early to demonstrate (quantitatively) the broader (and longer term) impact of the ISF on participants.

There are some question marks however, over the appropriateness of the ISF's secondary objectives. In particular, ACIL Allen has received feedback throughout the Review on the appropriateness of the ISF's Indigenous-related objectives, and whether the ISF is the right vehicle to pursue them.

Chapter 3 has highlighted a range of reasons why many Indigenous businesses, which could demonstrate strong growth potential, are currently excluded from participation in the Program. These barriers to Indigenous participation will either need to be addressed or another more appropriate program identified for pursuing the Program's current suite of Indigenous-related objectives.

### 8.2.2 Design elements

This Review has considered the appropriateness and effectiveness of the ISF's design and administrative arrangements. ACIL Allen has concluded that for the most part the current design is entirely appropriate for achieving the policy objectives set for the Program. Hence, ACIL Allen views the key issues for the ISF's future as ones of fine tuning to optimise Program delivery, rather than fundamental redesign.

The reimbursement and sliding scale contribution model for providing funding support for meeting businesses' skills needs are widely supported by stakeholder groups and businesses. The ability for businesses to apply for further support after an initial application is also valued. The flexibility of the Program's funding arrangements is clearly a strong point.

The ability for an applicant to gain funding support for both accredited and non-accredited training are highly valued aspects of the ISF which should be maintained. Non-accredited training is often seen as more closely aligned with business skills needs, but accredited training also has an important role to play. Which form of training is most appropriate can only really be determined on a case by case basis but the flexibility to access both should be maintained. These Program design elements provide businesses with fit-for-purpose training and skills development support which is not available in any other federal, state or territory government program that ACIL Allen has considered for this Review.

It is evident from consultations that the role of Skills Advisers requires some clarification. Providing the Skills Advisers with more support would optimise the potential benefits of engaging this highly skilled and expert cohort of business advisers.

Throughout this Review ACIL Allen has witnessed some frustration and at times confusion over what Skills Advisers see as their role (see **Box 4.1**). For example, some Skills Advisers believe that they cannot assist an applicant prepare a funding application. Some Education officers suggested that the confusion was based on a misunderstanding of the roles of Skills Advisers. For example, Skills Advisers are allowed to assist a business with a funding application.

In addition, the majority of Skills Advisers are frustrated with the limitations placed on the advice they can give to businesses. Some Skills Advisers feel that their inability under the Program Guidelines to identify a training provider and training options as part of their Skills Advice to a business is ill-conceived. ACIL Allen notes that Skills Advisers are in fact allowed to provide advice on training options, but not advice on training providers. The Department has taken steps to clarify the roles of Skills Advisers. For example, it has prepared a short briefing note for Skills Advisers, which lists what they can and cannot do to support the preparation of a grant application (see **Table 8.1**).

**TABLE 8.1** SKILLS ADVISER'S ROLES IN SUPPORTING GRANT APPLICATIONS

Skills Advisers can	Skills Advisers cannot
– Provide generalised guidance in completing the application form including phrasing, format and ways to strengthen application	– Complete application on business's behalf or draft words for inclusion in the application
– Provide advice / clarification on the funding application process	– Give any indication that the application will be successful
– Assist business to identify and evaluate potential training providers	– Recommend individual training providers
– Provide contact information for further assistance / information about application's progress	– Follow up the application on the business's behalf

SOURCE: HAND OUT FOR SKILLS ADVISERS PREPARED BY THE DEPARTMENT

As can be seen from **Table 8.1**, Skills Advisers are not permitted to recommend individual training providers. However, Skills Advisers stressed on numerous occasions, that many micro and small businesses are not well placed to identify a training provider and require significant assistance to select an appropriate training provider. While, ACIL Allen understands the risks associated with Skills Adviser and training provider capture that can emerge in a program like this, we are also highly sympathetic to the views of Skills Advisers on this issue. The reasons for this are three-fold.

First, Skills Advisers are selected through a rigorous process in which the Department plays a major role. Advisers are selected because of their expertise and professional reputation. That expertise and reputation should provide the Department with a degree of confidence that training solutions recommended by Skills Advisers are not a result of training provider capture but rather based on their experience and robust analysis of businesses skills needs. Risks around provider capture can be mitigated through requiring Skills Advisers to provide a list of training options including at least two different training providers, and through normal program monitoring to detect any systemic bias in Skills Advisers' suggestions of courses and providers.

Furthermore, should there be any perceived or actual conflicts of interest for a Skills Adviser (e.g. where a Skills Adviser is employed by a Network Provider which is also an RTO), they should be declared by the Skills Adviser at the outset of their engagement, and monitored by the Department throughout the life of their contract.

Second, businesses must pay up front for the training provided and only receive a partial reimbursement from the Government after the training has been delivered. ACIL Allen believes that it is extremely unlikely that businesses would systematically pay for training that does not meet their needs or is sub-standard. We note that the ACIL Allen survey of businesses indicates a high level of satisfaction with the training provided.

Third, the Department's own application processing and quality assurance procedures provides a high level of assurance that the risk of provider capture and of overly aggressive, overly expensive or substandard training providers being engaged is minimised.

ACIL Allen sees these three elements as providing the Department with a high degree of confidence that the Skills Advisers can be relied upon to provide accurate and appropriate advice to businesses under the ISF.

Some Skills Advisers are also frustrated at their inability to keep track of a client's progress through the system. Many Skills Advisers reported to ACIL Allen that not knowing the status of a client's application was both frustrating (from the perspective of gaining feedback on the quality of the professional advice they give) and embarrassing when they cannot demonstrate their awareness of the application process and progress to the firms they are helping.

### 8.2.3 Administration

ACIL Allen has also received a lot of feedback about Program administration. Much of that has been positive. For example, from the perspective of the businesses, the ISF administrative processes have been designed to minimise the impost placed on them. This includes the digital end-to-end processing system. While some businesses have experienced issues with the fixed expiry date on smart forms and translating the SAT advice into the funding application, online processing is regarded as consistent with general business practices and businesses do not regard the overall administrative burden on them as excessive.

However, the existing approach to administration does place a considerable work burden on the Department officials responsible for managing the ISF. It is evident that elements of the SGMS platform are not ideal from the perspective of the ISF's ongoing delivery and improvements will need to be made, or an alternative platform sourced over time. The development of an enhanced grant program platform for the whole of government Industry Hub, in which the Department is involved, may provide a suitable solution.

There is also merit in the Department reviewing whether the Delegations of Authority used for the ISF align with the Department's broader approach to delegations and that decisions on applications and funding agreements are made on a risk adjusted basis.

Throughout this Review issues associated with Program communication has been a recurring theme. At the heart of the concerns lies an issue with the communication style, timeliness and channels used by the Department for this Program. Communication within the Department and between the Department, Skills Advisers and businesses needs to be improved over time.

The departmental resources provided to administer the ISF appear reasonable. However, we note that the Department has supplemented those resources in areas such as managing small value contracts, dealing with additional Skills Advisers and Program audit functions. Assessing the Program's efficiency is complicated by:

- The initial transfer of the ISF from the then Department of Industry to the Department of Education and Training.
- The reliance on SGMS as the primary platform for program delivery and the issues of incompatibility between it and the Department of Education and Training's IT platform.
- Changes in the scope of the Program in September 2015.
- The impact of the Government's decisions to reduce the funding available to the Program.
- Delays experienced during the caretaker period prior to the 2 July Australian federal election.

## 8.3 Key findings on TES & YEP

ACIL Allen commends the idea of using pilot programs to assess the efficiency and effectiveness of new approaches to the design and delivery of support measures before a possible larger scale roll out. Pilot programs will inevitably have some successful elements and some elements that fail to deliver. Importantly, the lessons from both the successful and unsuccessful pilot programs can inform the design and delivery of better programs in the future.

This Review has highlighted that the YEP pilot was a success whereas the TES pilot was not. The success of YEP lies in Education's use of CSOs to help the Department to deliver the Program. CSOs are ideally placed to identify young people at risk and to develop tailored solutions which meet the individual circumstances of a young person. The success of the pilot also lies in the flexibility afforded to CSOs to use Program funding in a variety of ways to deliver case management, group based support or a combination of both. The Program also allowed CSOs to pursue one of three engagement outcomes (school, non-school based education or employment), depending on the circumstances of the young person involved. This was seen to be another design element which contributed to its success.

TES, by comparison, suffered from some fundamental design flaws which prevented its take-up. These design flaws would need to be removed if a similar program was to be implemented in the future. These flaws centre on the absence of a broker organisation (such as a CSO) to connect businesses to employees. They also centre on the difficulty or lack of incentives for small businesses to invest in the training of new or recently arrived employees.

The administration arrangements for the Youth Pilots were sound. The average turnaround time for the approval of a TES application was relatively short. However, that turnaround time was still too long in the view of CSOs and the addition of some form of pre-approval of YEP applications would be welcomed by most, if not all, CSOs.

It is further evident that the Department's marketing campaign for the TES Program failed to raise awareness amongst potential applicants. The marketing strategy, which consisted of information sessions in each jurisdiction and a social media marketing campaign, was ineffective. A more strategic marketing and awareness campaign driven through CSOs and business representatives should be considered for any future Pilot Programs. The need to market early and hard is particularly important for pilot programs as they generally only have around 12 months to run.





# 9

## RECOMMENDATIONS

The recommendations that follow are based on the analysis and findings discussed in the preceding chapters of this report. ACIL Allen has developed seven recommendations. These can be grouped under the following three broad categories:

- Recommendations around the design, architecture or structure of the Program.
- Recommendations relating to process/administration.
- Recommendations that are focussed on marketing and communications.

### 9.1 Recommendation 1 — Indigenous objective (Design)

The design of the ISF should be reviewed and changes considered that would better allow the strategic intent of the Program's Indigenous component to be realised in the future.

#### 9.1.1 Rationale/objective

When the revised Program Guidelines were issued in September 2015 the policy objectives were expanded to include support for long term growth in Northern Australia and to promote Indigenous participation. However, ACIL Allen understands that few, if any, specific initiatives were taken in response to the new Indigenous participation element. There are also a number of elements of the Program design which make it difficult for many Indigenous businesses to participate in the ISF.

The consultations showed that many Skills Advisers in southern states were not aware of the Indigenous participation objective. Some interviewees raised how the Program could appropriately cater for Indigenous-based objectives. Observations on this included:

- The Program eligibility criteria require applicants to be a GST registered business. This excludes many Indigenous businesses that share ABNs with parent organisations. The ISF also excludes not for profit organisations which is the category that some Indigenous business fall under.
- Indigenous businesses are not always easily identifiable without the assistance of other organisations—such as Indigenous Business Australia, Supply Nation, Indigenous business councils and other representative groups. However these organisations are not part of the ISF Program.
- The level of support required by Indigenous-owned businesses is, on average, considerably higher than non-Indigenous businesses and Skills Advisers are not provided with the resources, incentives or contractual terms that would be required to provide that level of support, particularly in remote areas.

### 9.1.2 What's involved?

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The Department should review whether the ISF is the most appropriate program for supporting Indigenous businesses. If the review concludes that it is, then changes to the Program Guidelines should be considered that would address the existing barriers to participation by Indigenous businesses.

### 9.1.3 Who is responsible?

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The Department.

### 9.1.4 When should it be done?

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The target should be to undertake the review in early 2017 with the aim of making any changes to the Program in the second half of 2017.

## 9.2 Recommendation 2 — Gaining more value from Skills Advisers (Design)

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The Department should consider changes to the ISF that would strengthen the role of the Skills Advisers and allow them to make a greater contribution.

### 9.2.1 Rationale/objective

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The role of Skills Advisers is universally recognised as being crucial to the delivery of the ISF. However there are a number of areas where Skills Advisers could provide more support to businesses. In particular, Skills Advisers' inability under the Program Guidelines to identify a training provider as part of their Skills Advice to a business does not recognise that many micro and small businesses are not well placed to identify an appropriate training solution.

Some suggest that there is a risk that Skills Advisers will be captured by training providers, however, as discussed in Section 8.2.2, ACIL Allen believes that there are several aspects of the current design of the ISF that make this unlikely. In addition any possible lingering concerns in this area could be addressed by periodic random audits of the advice being given, and by ensuring that any declared or undeclared conflicts of interest are being effectively managed by each Skills Adviser.

Challenges in communications between Skills Advisers and Education were a recurring theme with stakeholders. One program design issue that could contribute to this issue is the use of Network Providers to engage the Skills Advisers this effectively positions the Network Providers as intermediaries between the Skills Advisers and the Department.

### 9.2.2 What's involved?

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The Department should consider ways to allow Skills Advisers to provide greater support to businesses, particularly, by permitting them to identify training providers as part of their skills advice to a business. The advice provided on training providers should be monitored and subject to random audit to ensure any possible conflicts of interest are being managed.

### 9.2.3 Who is responsible?

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The Department.

### 9.2.4 When should it be done?

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The aim should be to implement any agreed changes to the role of the Skills Advisers by the second half of 2017.

## 9.3 Recommendation 3 — Lessons from Youth Pilots (Design)

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Piloting programs to test their design and their ability to deliver the objectives set for them, before a more widespread roll out of the program occurs is a sensible approach.

The lessons learned from the Youth Pilots should be taken into account in the design of any similar programs in the future. Where appropriate that information should be shared with other departments with an interest in youth employment programs, such as the Department of Employment.

### 9.3.1 Rationale/objective

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There were a number of design elements of YEP that contributed to its success. One is the Department's use of CSOs to help deliver the Program on their behalf. CSOs are ideally placed to identify young people at risk and to develop tailored solutions which meet the individual's circumstances. The flexibility afforded to CSOs to use Program funding in a variety of ways (e.g. case management, group based support or a combination of these) also contributed to its success. There was also flexibility in the allowed engagement outcomes (school, non-school based education or employment) which could then be tailored to the circumstances of the young person involved.

On the other hand, TES suffered from some fundamental design flaws which greatly hampered its take-up. One important flaw was the lack of a broker organisation (such as a CSO) to connect businesses to employees.

Marketing of pilot programs should begin quickly and be pursued intensively as they generally only have around 12 months to run which is not sufficient for word of mouth information to spread among eligible businesses. This is particularly the case for programs which do not have a broker or intermediary organisation to help deliver the program.

### 9.3.2 What's involved?

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Bear in mind the lessons learnt when developing any future youth training programs. Lessons learnt could also be shared with the Department of Employment.

### 9.3.3 Who is responsible?

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The Department.

### 9.3.4 When should it be done?

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When a similar pilot programs are being considered.

## 9.4 Recommendation 4 — Improve advertising, marketing and stakeholder communications (Communication)

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Ways to improve outwards communication about the ISF and with clients and stakeholders should be considered and improvements implemented on an ongoing basis.

### 9.4.1 Rationale/objective

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Throughout this Review, issues associated with Program communication, or the lack thereof, have been a recurring theme. At the heart of these concerns lies an issue with the communication style and channels used by the Department for this Program. Communication with Skills Advisers and businesses needs to be improved over time. In particular, stakeholders want to be kept informed in a timely manner about what decisions have been made and why they have been taken.

Around 15 per cent of respondents to the survey of businesses suggested that increasing advertising and awareness of the Program would help to improve it. In particular, the more recently introduced elements of the ISF (the Northern Australia and Indigenous elements) were relatively poorly understood by stakeholders. The definition of what constitutes a 'growth opportunity' also continues to pose challenges for many stakeholders.

Advertising and marketing of pilot programs is particularly important, particularly since these programs generally are only open for a relatively short time.

Skills Advisers also argued it would improve the Program's outcomes if there was more (and more rapid) information flows from the Department. For example, on the progress with applications and the reasons for the decisions which indicate a change in operational policy direction or interpretation of Guidelines by the Department.

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#### **9.4.2 What's involved?**

Improving and maintaining the flow of information to businesses and other stakeholders. Targeted, low cost interventions could be quite effective given the increased awareness, maturity and reduced scale of the ISF. Education should give particular attention to improving communications with Skills Advisers either directly or through the Network Providers as appropriate.

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#### **9.4.3 Who is responsible?**

The Department, including the state office network.

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#### **9.4.4 When should it be done?**

This should be an ongoing activity. Changes should be made in an incremental manner and monitored to determine their impact.

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### **9.5 Recommendation 5 — Delegations (Administration)**

Changes to delegations should be considered to give more authority to the Department's state offices. Any changes should be consistent with adopting a risk aware based approach to decisions.

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#### **9.5.1 Rationale/objective**

Many stakeholders noted that the ISF's administrative processes could be enhanced by taking a more "risk aware", rather than "risk avoidance" approach. There is currently little differentiation between the processes required for small and large grants, the administrative processes for applicants with skills advice only differentiate at a \$20,000 grant threshold. The questioning and testing of Skills Advisers advice and the relatively limited delegation of decision making power to Education state offices are also sources of concern.

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#### **9.5.2 What's involved?**

The Department should review the current delegations authority to ensure they align with the broader practices regarding delegations of the Department and with a view to streamlining processes where practicable.

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#### **9.5.3 Who is responsible?**

The Department.

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#### **9.5.4 When should it be done?**

Ideally the review of the current delegations should be completed in early 2017 and any resultant changes introduced in mid-2017.

## 9.6 Recommendation 6 — SGMS (Administration)

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Continue with efforts to improve aspects of the SGMS system pending the implementation of an enhanced grants system through the whole-of-government Industry Hub.

### 9.6.1 Rationale/objective

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The Department uses the Department of Industry, Innovation and Science's Strategic Grants Management System (SGMS) to manage its grants. However SGMS is not compatible with the records management system used by Education and administration of the ISF grants requires officers to use both systems to complete certain functions. This leads to additional administrative effort by department staff.

Any modifications to SGMS in relation to the ISF need to be negotiated and agreed between Education and DIIS. The process of agreeing on and costing any changes that Education might seek to SGMS has proved to be a very lengthy one. ACIL Allen understands that the fact that no specific funding has been allocated within Education to pay DIIS to make any agreed changes contributes to the challenge of making any changes to SGMS in a timely manner.

ACIL Allen understands that SGMS will be replaced by an enhanced grants management IT platform for the whole-of-government Business Grants Hub for all industry facing programs. This was announced as part of the Digital Transformation Agenda in the 2015-16 Budget. The Department is involved in the governance arrangements for the Industry Hub.

### 9.6.2 What's involved?

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The Department needs to persist with efforts to work with DIIS to improve the utility of SGMS as the grants management system for the ISF. The Department should also maintain a close watch on the process to develop the whole-of-government Business Grants Hub to ensure that it is well suited to managing a diverse range of programs, including those with the characteristics of the ISF.

There is also a need to set aside funds to pay for agreed changes to SGMS. To the extent that improvements result in greater ease of use and enhanced functionality there could be some offsetting administrative savings.

### 9.6.3 Who is responsible?

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The Department in close consultation with DIIS.

### 9.6.4 When should it be done?

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This is an ongoing activity.



# APPENDICES



This appendix should be read in conjunction with Section 2

## A.1 Overview of VET in Australia

Knight and Mlotkowski (2009)<sup>31</sup> provided an overview report on VET in Australia and its links to the labour market as an input into an OECD study, *Learning for Jobs* (OECD 2010)<sup>32</sup>. It provides one of the most recent and substantive overviews of the Australian VET system that we were able to identify for this Review.

Knight and Mlotkowski (2009) estimated government expenditure on training in Australia at about 0.5 per cent of GDP (excluding schools and higher education). Around 81 per cent of Australia's public VET system in 2006 was funded by state and federal governments. One of their major findings was:

*A key strength of the Australian VET system is the existence of linkages between VET and the labour market that allow employers and individuals to meet their training and skill needs. These comprise institutional linkages (a variety of formal, legal and administrative structures); formal and informal processes that lead to skills development, underpinned by widespread acceptance of the human capital model; and the dynamics of the labour market (occupational mobility, valuing generic and specific skills, responding to changes in the labour market and how individuals choose their training).*

*Knight and Mlotkowski 2009, page 8*

A further major finding was:

*The mix of public and private VET provision, which extends to the funding of VET, promotes flexibility and diversity. Both individuals and employers make extensive use of Australia's VET system. There are few distinctions between initial and continuing VET programs; they are available to meet the needs of people of all ages, not just young people, and they support the skill needs of the great majority of employers and industries.*

*Knight and Mlotkowski, 2009, page 8*

However these authors noted that:

- The number of traineeships was slow to grow until the Australian Government introduced incentive payments to employers' trainees in the 1990s.
- A number of large industries and employers had opted-out of the recognised VET system or had established their own registered training organisations and firm-specific training packages, constraining portability.

<sup>31</sup> Knight B and Mlotkowski P 2009, *An overview of vocational education and training in Australia and its links to the labour market*, report to NCVER

<sup>32</sup> OECD 2010, *Learning for jobs: A synthesis report of the OECD reviews of vocational education and training*, OECD Paris.

- Informal training was used by 49 per cent of employers of the respondents to the 2007 NCVER Survey of Employers' Use and Views of the VET System.

## A.2 Industry training arrangements in Australia

Industry training in Australia has been the subject of a number of studies; however data on training expenditure by employers in Australia is a notable omission from all of these works. The ABS discontinued an employer survey some years ago and NCVER's bi-annual Survey of Employers' Use and Views of the VET System does not seek financial information.

For this project, our review has focussed on employer involvement. The Allen Consulting Group (2006)<sup>33</sup> found that there was an underinvestment in training by employers and explored the underlying reasons, which included concerns that businesses could not fully capture the returns from investment in the training of employees. The Australian Industry Group, which commissioned the Allen Consulting Group report, published a further report in 2008 (AiG, 2008),<sup>34</sup> entitled "*Skilling the existing workforce, Final project report*". The report identified barriers that prevent firms from increasing the skills of their workforce to required levels including:

- Cost (51.5% of CEOs believe that cost is the major barrier faced in upskilling).
- Departure of staff following training (40.7%).
- Lack of government incentives (36.2%).
- Uncertainty with respect to future needs (31.5%).
- Lack of relevant training (29.9%)
- Employee resistance (29.7%).

Companies appear reasonably satisfied with the training available for upskilling staff. Only 12.1 per cent of firms cited the poor quality of training as a barrier to upskilling while 19.3 per cent identified the inflexibility of training as a concern. The report also argued that, while the concept of life-long learning is widely accepted, it has gained little public policy traction, possibly because the benefits, costs, priorities and outcomes of lifelong learning have not been well defined for individuals, government and enterprises. The AiG noted that:

*As most aspects of workforce development are primarily the responsibility of enterprises and individuals, policies underpinning government involvement must be focused on areas where public good is maximised.*

*AiG 2008, page 30*

On the basis of national consultations undertaken in 2007, the AiG proposed that a framework for government involvement in workforce skills development should:

- Target public funding to areas where there is under investment in training by enterprises and individuals and/or where there are disincentives to invest.
- Ensure public funding is driven by the client's (i.e. the enterprise and individual's) need, not the training provider's need.
- Help to create informed demand by improving information flows about workforce development.
- Ensure regulation and quality assurance is appropriate and drives continuous improvement in workforce development.
- Help to train a high quality training and development workforce.

## A.3 Employer-led industry training in other countries

Many governments provide incentives to stimulate employer-led vocational training, justified on the grounds of externalities (Muller and Behringer 2012).<sup>35</sup> There is a widely held view in the literature that, in the absence of subsidies, firms would under-invest in vocational training. Muller and Behringer

<sup>33</sup> Allen Consulting Group 2006, *World class skills for world class industries: Employers' perspectives on skilling in Australia*, report for AiG

<sup>34</sup> AiG 2008, *Skilling the existing workforce: Final project report*, AiG Sydney.

<sup>35</sup> Muller N and Behringer F 2012, *Subsidies and levies as policy instruments to encourage employer-provided training*, OECD Education Working Paper No. 80, OECD Paris.



examined policies and practices in European Union countries. They noted that the European Continuing Training Survey 2005 showed that 36 per cent of enterprises that provided continuing training for their employees reported that public assistance measures had an impact on their planning and practices. In eight countries, enterprises considered financial incentives to be the most helpful public measure. In Cyprus, Greece, Belgium and France, at least 40 per cent of enterprises considered subsidies to be effective.

Muller and Behringer noted that the cost of training subsidies includes transaction costs, costs of bureaucracy, deadweight losses, substitution effects and interactions with other policies and programs. Employer training subsidies can be direct (including vouchers) or indirect (including tax incentives). There has been little evaluation of employer-provided continuing VET, possibly because these programs are subject to frequent changes and often last only a few years.

Subsidies to employers for vocational training may vary by company size and by sector. For example, SMEs typically receive between 50 and 65 per cent of direct costs. However it appears that in many schemes, little account is taken of indirect costs to companies (e.g. compliance and administration). Very few of the measures providing training incentives to employers have been evaluated (Muller and Behringer 2012). Direct financial support for vocational training is generally considered to be more targeted and to achieve more additionality than tax-based incentives. However tax-based incentives have lower compliance and administration costs (Muller and Behringer 2012).

Muller and Behringer reported the details and structure of employer support schemes in the countries studied. In most cases, smaller enterprises receive more generous support (up to 65 per cent in Ireland), while larger firms commonly receive as low as 25 per cent of training costs. The costs and benefits vary between schemes, but direct support tends to involve higher transaction costs with lower deadweight effects. Indirect (tax-based) measures tend to lack additionality.

### A.3.1 The United Kingdom's *Train to Gain* Program

There are similarities between the ISF and The UK's *Train to Gain* Program that commenced in April 2006. The objectives of the *Train to Gain* program was to support employers in improving the skills of their employees and to contribute to improved business performance. In the first three years, the cost of the Program was approximately £1.47 billion (\$A2.56 billion). It comprised:

- A skills brokerage service to provide advice to employers on identifying training needs and sourcing training.
- Flexible training, for example delivered in the workplace and at a convenient time.
- Full public funding of training for eligible employees taking specified courses and qualifications, and contributions to some other training paid for by employers.

The Learning and Skills Council (LSC) was responsible for planning, delivering and funding the Program. While *Train to Gain* had many similarities with ISF (see **Figure A.1**), it also had some significant differences. For example, the LSC contracted training providers. A review by the UK National Audit Office (NAO 2009)<sup>36</sup> found that:

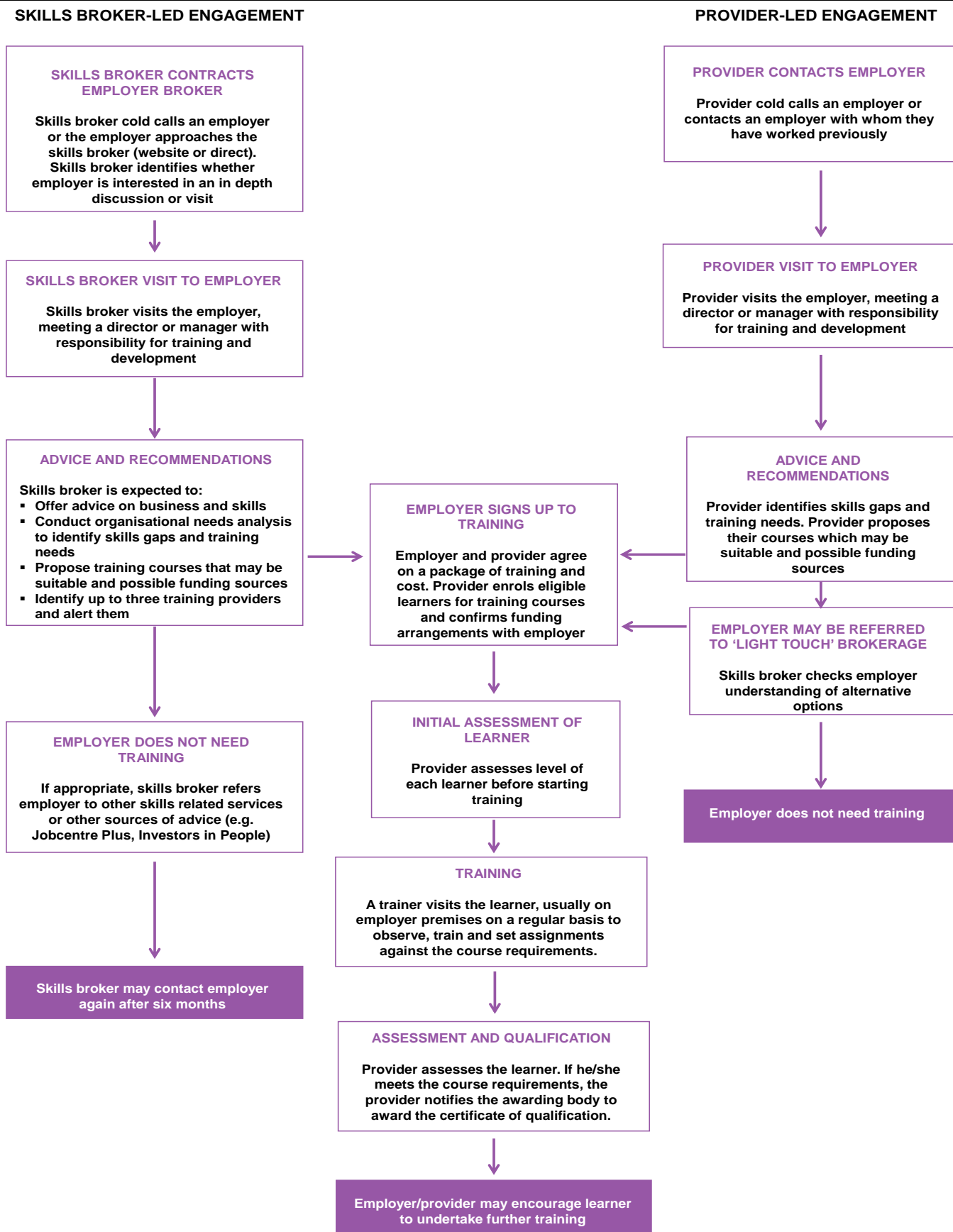
- The Program represented a major reform in the way that training was delivered to employers and learners in employment - there was a substantial increase in the scale of training aimed at meeting the needs of employers.
- The overall success rate was 71 per cent in 2006-07 but rates for the top 100 training providers were uneven, ranging from 8 to 99 per cent.
- Employers and learners reported benefits from training and some improvements in business.
- Demand for training was lower than expected in the first two years - this was addressed by widening eligibility rules.
- Skills brokers helped to engage 'hard-to-reach' employers, contributing one fifth of all *Train to Gain* learners which was less than the 30 per cent expected.
- Employer demand accelerated in autumn 2008 and the LSC responded by tightening controls to try to keep the Program within budget.

<sup>36</sup> UK National Audit Office 2009, *Train to Gain: Developing the Skills of the workforce*

- Survey evidence suggested that half the employers using the Program would have arranged for the same training in the absence of the Program, but not necessarily leading to full qualifications.
- Training providers responded to what employers wanted in terms of how and where the training was delivered.
- Inconsistencies in LSC's management of skills advisers and training providers caused problems including lack of clarity and consistency in communications and contracting, significant error rates in funding claims and lack of controls on subcontracting.

The overall conclusion was that the Program did not represent good value for money. This was attributed to unrealistically ambitious initial targets, ineffective implementation and poor communications. The Program failed to focus resources on areas of greatest need and on using quality training providers. **Figure A.1** illustrates the program logic of the Train to Gain program.

FIGURE A.1 THE UK'S TRAIN TO GAIN PROGRAM



SOURCE: UK NAO 2009

## A.4 Policy drivers (and issues) associated with employer-led training

The major reasons for providing some level of subsidy to SMEs to train their employees are:

- Large employers are in a strong position to identify and meet the training needs of their employees.
- Employers can expect to benefit from employee training and should therefore contribute to the cost.
- SMEs are not so well placed to either identify or support employee training needs. In the absence of incentives, they may underinvest in employee training.

There are merits in engaging employers in decisions on vocational training for their employees. Because employers are contributing to the cost of the training, it is more likely to be focussed on meeting enterprise needs. Employers are likely to look for value for money in making decisions on purchasing training. They are also likely to select for training those employees who most need upgrading their skills. This approach has the potential to send messages to suppliers of training about course content and cost. However employers will not necessarily take a long-term view of their training needs. They may also have difficulties in choosing between suppliers. Furthermore, the employers' interests in training may not coincide with those of their employees, or even the national interest. The benefits of employer-provided training and the merits of using facilitators to overcome barriers to employer engagement in training have been discussed by Stanwick (Stanwick 2009)<sup>37</sup>. He concluded that the major form of engagement is through using competencies as the building block of the training system. He also found that engagement of employers had also been encouraged by promoting competition in the training market. He saw this as ensuring that providers become more responsive to the needs of employers.

The factors that prompt employers to invest in training their workers have been examined by Smith, Oczkowski and Hill (2009).<sup>38</sup> These authors analysed the NCVET 2005 Survey of Employers Use and Views of the VET System and concluded that:

- The need for skills, whether specific to a particular job or general skills upgrading, is a pivotal driver of vocational training by employers. Compliance with regulation is also a factor.
- There are three factors that powerfully influence decisions about training: the overall importance of training to the organisation; the level of workforce skills in the organisation; and recruitment difficulties.

Training is being integrated with other human resource objectives (including improving staff morale and retaining skilled staff) in some organisations. In light of this, training providers need to take a more business-oriented approach with the organisations.

The report also states that:

*...few of the employers who make use of this type of training hire apprentices and trainees for financial reasons and, if they do, it is often in combination with a wide variety of other reasons. The importance of financial considerations such as the availability of government subsidies to support the employment of apprentices and trainees has been significantly overstated in recent years.*

Smith et al 2009, page 8

In the United Kingdom a number of skills policies were introduced throughout the 2000s to influence employers to actively engage with and invest in apprenticeship training (Brown *et al* 2011). There have been complaints that the UK's vocational education system is fragmented, complex and subject to frequent change. The frequent changes appear to have continued following the review by Richard (Richard 2012).<sup>39</sup> In the face of considerable change, the need for McKinsey's system integrators (Mourshed, *et. al.* 2013) is evident (in Australia, Skills Advisers perform this role).<sup>40</sup> The current UK priorities for VET training are listed in **Box A.1**.

<sup>37</sup> Stanwick J 2009, *Employer engagement with VET in Australia*, report for NCVET.

<sup>38</sup> Smith A, Oczkowski, E and Hill M, 2009, *Reasons for training: Why Australian employers train their workers*, report to NCVET.

<sup>39</sup> Richard D 2012, *The Richard Review of Apprenticeships*, report to the UK Department for Business, Innovation and Skills.

<sup>40</sup> Mourshed M, Farrell D and Barton D, 2013, *Education to employment: Designing a system that works*, McKinsey Center for Government.

**BOX A.1** UK PRIORITIES FOR VET

1. Employers should lead on skills and government should enable them
2. Improving workplace productivity should be recognised as the key route to increasing pay and prosperity
3. Earning and learning' should be the gold standard in vocational education
4. Education and employers should be better connected to prepare people for work
5. Success should be measured by a wider set of outcomes not just educational attainment

SOURCE: UKCES 2014

**A.4.1 The needs of SMEs**

While small firms often get mentioned in the literature, only a few studies focus specifically on the needs of SMEs. An OECD report which drew on a survey of SMEs in the West Midlands of the UK (Green and Martinez-Solano, 2011)<sup>41</sup> was one of a series of studies that contributed to the OECD report *Skills Development and Training in SMEs* (OECD 2013).<sup>42</sup>

The key findings reported by the OECD were:

- SMEs use both formal and informal training.
- Better outcomes have been reported from informal training.
- Significant variations exist across regions and employee skill levels.
- Training for highly-skilled employees is focussed on productivity-enhancing skills.
- “Growth potential” SMEs focused on productivity enhancing skills via informal training.
- Market forces are the primary motivation for SME training activity.
- “Growth potential” SMEs are most likely to take up opportunities in the green economy.

A report commissioned by the UK Sector Skills Development Agency (Stone and Braidford, 2008)<sup>43</sup> provided a wide ranging review of international policies and incentives that encouraged the engagement of small employers in continuing training. It found that the proportion of relevant policy measure specifically focussed on small firms was limited and that some of the better performing countries make little effort to target SMEs. They considered that the policy context, including the degree of involvement of the social partners and political support from relevant ministries was important. The involvement of agents and brokers played an important role in engaging small firms in training. Flexible delivery systems were also found to be important.

With regard to incentives, Stone and Braidford reported that evidence from Belgium and France showed that carefully designed schemes can be effective. They noted that international comparisons of measures of the training participation rate consistently show that engagement in training falls as firm size diminishes. They cite a number of sources as evidence that SMEs face special challenges in relation to investing in workplace training.

Stone (2012)<sup>44</sup> identified key areas for action for an OECD workshop on skills development for SMEs and Entrepreneurship, namely:

1. Present the business case for investment in training to small firms, as part of process of changing the prevailing perceptions/culture.
2. Organise effective sectoral/local outreach mechanisms for directly dealing with small business owner-managers, providing them with information and identifying training appropriate to their business needs.

<sup>41</sup> Green AE, and Martinez-Solano LE, 2011, Leveraging

<sup>42</sup> OECD 2013, *Skills development and training in SMEs*, Local Economic and Employment Development (LEED), OECD publishing

<sup>43</sup> Stone I and Braidford P, 2008, *Engaging small employers in continuing training: An international review of policies and initiatives*, report for the Sector Skills Development Agency.

<sup>44</sup> Stone I 2012, *Upgrading workforce skills in small businesses: Reviewing international policy and experience*, workshop report for OECD's LEED Program.

3. Ensure there is flexible provision where training information, content and delivery are matched more closely to the needs of the small business.
4. Integrate formal training and learning with informal learning processes in the workplace.
5. Ensure that facilitators and trainers have the appropriate networks, motivation and experience to enable them to be trusted and respected by all business participants.
6. Provide financial incentives for training, especially by measures that reduce training costs e.g. via public subsidies and tax concessions, targeted on small firms and existing employees.
7. Collaboration between small businesses through pooling resources and networking and providing opportunities for small businesses to share skills, knowledge and experience with others.
8. Develop training partnerships between larger firms and small businesses, utilising large firm resources (e.g. training facilities) and mutual cluster advantages.

Stone also reviewed intervention measures for the OECD workshop, updating the earlier paper by Stone and Bradford. In particular he described training subsidies in Belgium, France and the UK.

Identifying training needs at firm level can be difficult, especially for SMEs. These particular enterprises are time poor and are generally not able to shop around for courses or to influence course content. Some commentators have suggested that one factor contributing to schemes that are successful is the creation of system integrator roles with the task of working with education providers and employers to develop skills solutions, gather data and identify and disseminate positive examples (Mourshed *et. al.* 2013).<sup>45</sup> Such integrators could be defined by sector, region or target.

#### **A.4.2 The needs of youth**

The transition of young people from education to work has been the subject of a number of reports. In April 2014, ACCI released a major policy document entitled *Learning to Work* (ACCI 2014)<sup>46</sup> which highlighted industries' growing concerns in relation to the deteriorating economic situation for young people. It identified five key strategies to address the concerning increase in unemployment for young Australians. They were:

1. Industry Career development - Young people need professional career guidance informed by industry needs.
2. Work ready graduates - School leavers and graduates of other educational institutions need to be equipped with the right tools to adapt to the workplace. A stronger partnership between education and industry is needed, and all school leavers should meet minimum literacy and numeracy requirements.
3. Apprenticeships and traineeships - Restore funding support and employer incentives in a targeted way to those entry level apprenticeships that give young people a good start.
4. Employment Services - Ensure that services are equally focused on the job seeker and the employer. The journey for our young people doesn't end after education; finding the right job is just as hard as learning the skills.
5. Workplace regulation that encourages employers to give young people a job.

Consistent with these views, ACCI 's response to the ISF Youth Pilot Programs Discussion Paper (ACCI 2014)<sup>47</sup> recognised that while the Programs were only pilots, with limited reach, they were a step towards a more holistic approach to youth unemployment.

<sup>45</sup> Mourshed M, Farrell D and Barton D, 2013, *Education to employment: Designing a system that works*, McKinsey Center for Government.

<sup>46</sup> ACCI 2014, *Learning to work*,

<sup>47</sup> ACCI 2014, *Comments on Industry Skills Fund Youth Pilot Programs Discussion Paper*, November 2014.

A recent report from McKinsey (Mourshed *et al* 2013) focuses on youth unemployment and the need for skills development and job creation. The McKinsey team studied more than 100 approaches in 25 countries to develop a view of what characterises successful skills training systems. They found that the education-to-employment system needs to operate differently, in three important ways, namely:

1. Stakeholders need better data to make informed choices and manage performance.
2. The most transformative solutions are those that involve multiple providers and employers working within a particular industry or function. These collaborations solve the skill gap at a sector level; by splitting costs among multiple stakeholders (educators, employers, and trainees), investment is reduced for everyone—an incentive for increased participation.
3. Countries need system integrators responsible for taking a high-level view of the entire heterogeneous and fragmented education-to-employment system. The role of the system integrator is to work with education providers and employers to develop skill solutions, gather data, and identify and disseminate positive examples.

In the USA the National Fund for Workforce Solution, in partnership with Jobs for the Future, and with support from the Rockefeller Foundation launched the Youth/Industry Partnership Initiative (YIPI), designed to learn how employer-led industry partnerships, such as those in the National Fund communities, could contribute to addressing the problem of youth that are neither working or studying as well as generating improved outcomes for older youth and benefits to participating employers. It reviewed emerging models and analysed learnings from the YIPI initiative. While the study is oriented to the US situation, some of the findings are common to other studies—in particular, the time that it takes to build employer-connected training options and change attitudes.<sup>48</sup>

A paper on lessons from Europe for UK youth unemployment (Lanning and Rudiger, 2012)<sup>49</sup> argues that the UK debate has focused too heavily on the failings of young people, often with policy initiatives targeted at the most disadvantaged. The authors compare the broad institutional framework in the UK with other northern European countries to examine how the system as a whole works for young people. In their view lots of very capable young people in the UK are failed by the system because of lack of support for the school-to-work transition. This is exacerbated by the increasing tendency for employers to see themselves as customers of the state education system.

The Manpower Group and OECD/ILO references in **Table A.1** are also relevant to the issue of youth unemployment.

### A.4.3 Skills training and productivity

While there is general agreement that investment in skills training can improve the productivity of firms, the availability of appropriate skills is only one of a number of factors impacting on firm productivity. Productivity is a complex issue and attributing productivity gains to investment in training, research and development, or capital equipment is difficult (Bell *et al* 2014).<sup>50</sup>

Some studies have suggested that skills might, on average, account for about 20 per cent of productivity gains (Leitch 2005)<sup>51</sup> but this estimate is subject to a significant margin of possible error. Further, productivity gains from investment in skills training are dependent on how well the training matches the needs of the firm and on whether jobs have been redesigned to take full advantage of the newly acquired skills (Keep *et al* 2006).<sup>52</sup>

<sup>48</sup> Grobe T, Martin N and Steinberg A 2015, *Creating Pathways to employment: The role of industry partnerships in preparing low-income youth and young adults for careers in high-demand industries*, National Fund for Workforce Solutions and Jobs for the Future.

<sup>49</sup> Lanning T and Rudiger K 2012, *Youth unemployment in Europe: Lessons for the UK*, accessed on 7 June 2016 at <https://www.researchonline.org.uk/sds/search/download.do%3Bjsessionid=8EB0BC2ACB09A1B9DD9ED6AA24C78047?ref=B27130>

<sup>50</sup> Bell J, Frater B, Butterfield L, Cunningham S, Dodgson M, Fox K, Spurling T and Webster E, 2014, *The role of science, research and technology in lifting Australian productivity*, report for Australian Council of Learned Academies (ACOLA).

<sup>51</sup> Leitch Review of Skills, 2006, *Prosperity for all in the global economy: World class skills*, Final Report to HM Treasury, London.

<sup>52</sup> Keep E, Mayhew K and Payne J, 2006, *From skills revolution to productivity miracle – not as easy as it sounds?* Oxford Review of Economic Policy, 22, 539.

## A.5 Assessment of subsidies to employers to support industry training

The literature indicates that relatively few subsidies for employers have been evaluated (for example, see Muller and Behringer 2012)<sup>53</sup>. One of the key concerns about training subsidies provided to employers has been the issue of additionality. The question is: do training subsidies induce increased spending on the part of employers? The answer is not clear. Görg and Strobl (2005)<sup>54</sup> used econometric techniques to conclude that, in Ireland, these kinds of subsidies did stimulate spending on training by domestic firms, but do not have this impact on foreign owned companies. Foreign-owned companies accounted for around half of Irish manufacturing firms, so a generally available subsidy may have limited impact. The level of manufacturing employer expenditure on training as a percentage of wages is relatively low in Ireland.

## A.6 Surveys of employers in relation to training

### A.6.1 Australian surveys

The Allen Consulting Group (2006)<sup>55</sup> drew on a survey of 526 employers in Australia and, in the view of some commentators, provided a thorough analysis (e.g. Stanwick 2009).<sup>56</sup> NCVER undertakes a bi-annual survey of how employers meet their skills needs and how they engage with the VET sector. The most recent NCVER survey was undertaken in 2015 (NCVER 2015)<sup>57</sup>. The Australian Bureau of Statistics survey of employer training expenditure and practices (ABS 2002)<sup>58</sup> has been discontinued.

The Australian Chamber of Commerce and Industry, (ACCI) has taken a strong interest in industry training and surveyed Australian employers in 2010 (ACCI 2011).<sup>59</sup> The survey comprised a total of 133 questions covering all industry sectors. Responses were received from 669 employers. It explored the ways Australian employers were involved in the training of their employees including expenditure per employee, time off for study and contribution to course fees. The key findings included:

- Employers reporting expenditure per employee in the previous year were: 44 per cent spent \$500 or more, 22 per cent spent \$500-\$999, 22 per cent spent more than \$1,000. Some 9 per cent reported no expenditure.
- Employer expenditure was likely to increase or stay the same in the following year.
- Some 53 per cent were employing and / or subsidising apprentices.
- Some 36 per cent of respondents employing apprentices/trainees pay or subsidise fees.
- Respondents rated their training providers with public providers rated higher than private providers.
- Training decisions are grounded in the immediacy of current business needs.
- Government incentives are of lesser influence.

The survey also provided details of the profile of the respondents, and findings about skills gaps and recruitment.

### A.6.2 Overseas surveys

A UK study, *Employer routed funding*, commissioned by the Department for Business Innovation and Skills (Hogarth *et al* 2014)<sup>60</sup> following the Richard Review (2012)<sup>61</sup> sought to establish employers' willingness to pay for training. It examined:

<sup>53</sup> Muller N and Behringer F 2012, *Subsidies and levies as policy instruments to encourage employer-provided training*, OECD Education Working Paper No. 80, OECD Paris.

<sup>54</sup> Görg H and Strobl E, 2005, *Do government subsidies stimulate training expenditure? Microeconomic evidence from plant level data*, Discussion paper No 1606, IZA, Bonn.

<sup>55</sup> Allen Consulting Group 2006, *World class skills for world class industries: Employers' perspectives on skilling in Australia*, report for AiG

<sup>56</sup> Stanwick J, 2009, *Employer engagement with the vocational education and training system in Australia*, report to NCVER.

<sup>57</sup> NCVER 2015, *Employers' use and views of the VET system 2015*, report for the Department of Education and Training

<sup>58</sup> ABS 2003, 6362.0 - *Employer Training Expenditure and Practices, Australia, 2001-02*

<sup>59</sup> ACCI 2011, *Employers' commitment to training: Key findings from the ACCI National Workplace Skills Survey 2010*, ACCI Sydney.

<sup>60</sup> Hogarth T, Adams L, Gambin L, Garnett E and Wintherbotham M, 2014, *Employer routed funding: Employer responses to funding reform*, report to the Department of Business Innovation and Skills

<sup>61</sup> Richard D 2012, *The Richard Review of Apprenticeships*, report to the UK Department for Business, Innovation and Skills.



- Employer views of the training on offer including their level of satisfaction with it and their views about the value apprenticeships confer on their businesses.
- The impact on learner numbers of asking employers to make greater direct financial contributions to the cost of learning.
- Employer reactions to different levels of Government co-investment.
- Employer attitudes towards the routing of Government funding via employers.

Employers gave the main reasons for being involved in apprenticeships and training as:

- Improving skills supply for:
  - meeting current and future skill demand
  - improving the quality of recruits capable of acquiring the skills the business needs
  - provision of relatively high quality training.
- Minimising the risk attached to investing in training such that employers obtained the skills they wanted and were able to appropriate the benefits of the training they provided through:
  - a preference for developing skills in-house (because in this way there is a degree of control over the delivery and content of training)
  - a means of improving labour retention (a perception that employees are more likely to stay with the employer which trained them)
  - a relatively cost effective means of training (the costs associated with training through apprenticeships are considered to be lower than those associated with any alternatives).

Routing apprenticeship payments through employers was seen to have both positive and negative aspects. Employers welcomed more say over the delivery of training, including the choice of providers, but were concerned about administrative and compliance costs.

The study analysed employer willingness to pay by sector and business maturity. Overall, most employers could accept paying 20 per cent of costs, but a 50 per cent contribution rate would result in many employers withdrawing from apprenticeships.

The National Employer Skills Survey for England 2009 (Shury *et al* 2010)<sup>62</sup> undertaken for the UKCES was broad ranging. It was based on 79,152 respondents. It examined government training incentives, finding that eight per cent of employers offered apprenticeships but only four per cent had staff undertaking apprenticeships at the time of the survey. Around 60 per cent of employers were aware of the UK's Train to Gain Program and 11 per cent had had some involvement with this Program.

Additional reference material not already cited in the footnotes in this Appendix or in Chapter 2 is listed in **Table A.1**.

<sup>62</sup> Shury J, Winterbotham M, Davies B and Oldfield K, *National Employer Skills Survey for England 2009: Main report Evidence Report 23*, IFF Research report for UKCES.

TABLE A.1 SUMMARY OF OTHER REFERENCES

Title	Authors, year, journal	Content
<b>Australia</b>		
Mechanisms for increasing employer contributions to training: An international comparison	Smith, A and Billett, S, 2004 report to NCVET	Government measures to encourage enterprise investment in training range from low-level intervention to compulsion and regulation, and range from approaches which attempt to secure voluntary commitment through to legislating enterprise expenditure on training. Voluntary commitment is often seen as the most desirable and self-sustaining approach, but is difficult to secure from enterprises. In Australia (at that time) the prevailing view was that the level of enterprise training depends on a business case. Decisions about expenditure on training depend on individual employer's interests, values and commitments. Improving and enhancing employers' perceptions of the value of training are vital to increasing the levels of expenditure.
Enhancing enterprise expenditure on VET: policy goals and mechanisms	Billett, S and Smith, A, 2005, Journal of Vocational Education and Training, 57	This paper discusses the shift of Australian VET expenditure from the public to the private sector up to 2005. It discusses the need to change enterprises' perceptions from VET being a cost to being a necessary and strategic investment for the future. It also notes that the Australian VET sector does not serve all industry sectors.
Employers' contribution to training	Richardson, S, report for NCVET	An analysis which includes an attempt to estimate employer investment in training. The estimate is significantly higher than previously reported figures.
Annual national report of the Australian Vocational Education and Training System 2012	Department of Industry, 2012	Reports expenditure by federal, state and territory governments and performance data for the VET system. This series appears to have been discontinued.
<b>United Kingdom</b>		
Growth through People	UK Commission for Employment and Skills (UKCES), (undated)	This document sets out the current view of the UK Government on training and the importance of employer leadership. Accessed on 7 June 2016 at <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378810/14.11.26_GTP_V18.3_FINAL_FOR_WEB.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378810/14.11.26_GTP_V18.3_FINAL_FOR_WEB.pdf</a>
From provider-led to an employer-led system: implications of apprenticeship reform on the private training market	Chankseliani, M and Relly SJ, 2015, Journal of Vocational Education & Training, August 2015.	A review of the proposed shift from the provider-led to an employer-led system suggests that the government was overestimating the readiness of industry to lead apprenticeships in England and would still rely heavily on private training provision. The paper suggests that a high-quality system of apprenticeships requires refocusing from a single-actor-led to a multiple-actor-led system based on good relationships between 'strong' actors with shared cost and responsibilities. Employer demand for apprenticeships remains low. The government may be overestimating the eagerness of employers to drive apprenticeship training. Only 10 per cent of English businesses have staff undertaking apprenticeships. The extent of employer engagement is expected to depend on the proportion of co-investment required from business (currently 33 per cent for Trailblazer). There is also an administrative cost for businesses organising training.
From the provider-led to an employer-led system: implications for apprenticeship reform on the private training market	Chankseliani M and Relly SJ 2015, Journal of vocational Education and Training, 25 August 2015.	A useful analysis of the recent history of apprenticeships in the UK which concluded that the UK government may have overestimated the readiness of industry to lead apprenticeships in England. It notes that up till recently the government covered the full cost of the training of apprentices between the ages of 16 and 18 and 50 per cent of costs for those 19 years and over. It also draws attention to UKCES data which shows that only 10 per cent of English businesses have staff undertaking apprenticeships.

Title	Authors, year, journal	Content
Growth through People	Commission for Employment and Skills, 2014	This statement sets out the long-term principles that underpin “a shared ambition for growth through people”. The statement is supported by business and unions.
Reforming the Skills System: Lessons Learned the Hard Way	Brown, D, Harris M and Fletcher T, 2011, London: Institute of Directors/Centre for Enterprise.	<p>A critical analysis of UK skills policy from the viewpoint of employers. It discusses each of the priorities listed in <b>Box A.1</b>. A chart on page 35 documents the frequent changes in the UK VET system. The report provide five principles to aid successful implementation of the UK’s <i>Skills for sustainable growth</i> policies:</p> <ul style="list-style-type: none"> <li>– Forget about organisational boundaries.</li> <li>– Intervention works best when it works with the grain of employers’ choices.</li> <li>– Intervention works best when it can follow innovative supply, checked by competitive pressure.</li> <li>– Intervention should not be ‘demand led’ but ‘customer-driven’.</li> <li>– Government should be clear that it is not responsible for the skills of the nation.</li> </ul>
Employer Ownership of Skills: Securing a sustainable partnership for the long term	Commission for Employment and Skills, 2011	A proposal for a £250 million pilot over two years to test employer-led training partnerships. The five underlying principles are: employers should have the space to own the skills agenda; there should be a single market for skills development; skills solutions should be designed by employer-led partnerships to reach more people and businesses; public contributions for vocational training should move to employer incentives and investments; and transactions should be transparent.
Good practice in involving employers in work-related education and training	Office of Standards in Education, Children’s Services and Skills (Ofsted), 2010	This report is based on a survey of 30 providers of work-related education identified as having key strengths in involving employers in planning, delivering or renewing the provision of training. Some 22 of these training providers helped employers to access public funding for training. The report notes that employers rarely initiate a relationship with a training provider. Regular meetings of training providers with employers and visits to premises were identified as a key feature of good practice.
Measuring the Net Present Value of Further Education in England	Department of Business Innovation & Skills, 2015, BIS Research Paper No 228	Updates previous work by Cambridge Econometric and the Warwick Institute for Employment Research to show that the total NPV for all publicly funded Further Education qualifications started in 2013-14 was around £70 billion over the years that successful learners remain in the workforce. The average return for each qualification was estimated to be £34,000.
International evidence review on co-funding for training	Marsden J and Dickinson P, 2013, ICF GHK report to the Department of Business Innovation & Skills	The report discusses the balance in sharing costs between government, employers and individuals, informed by review of international practices. It concludes that the relationship between different models of co-funding and training outcomes is extremely complex and dynamic. Co-funding needs to be considered in the wider context in which it operates: the behavioural context, the wider policy context and employer buy-in. The report discusses the need for clear aims and objectives, the difficulty of targeting incentives, the need to take employer administrative costs into account, monitoring and financial controls, and balancing trade-offs. It examined VET in Australia, Ireland and the Netherlands.
Employer Training Pilots: Final evaluation report	Hillage J, Loukas G, Newton B and Tamkin P, 2006, an Institute for Employment Studies report for the Department of Education and Skills	Employer Training Pilots were established in 2002 to test the effectiveness of free or subsidised training to employees without a Certificate 2 qualification, wage compensation to their employers for training time off, plus access to information, advice and guidance. The Pilots involved 23,000 employers and almost 200,000 employees in the first three years. The report was generally positive about progress to date, with evidence of additionality and good completion rates.

Title	Authors, year, journal	Content
<b>Canada</b>		
Moving forward together: An employer perspective on the design of skills training programs in Ontario	Holmes A and Hjartarson J 2014, report for the Ontario Chamber of Commerce and Essential Skills Ontario	<p>The authors found that employers were not investing in training because of cost, risk of turnover and 'poaching', and a lack of human resource capacity. It recommended:</p> <ul style="list-style-type: none"> <li>– Striking a balance between program integrity and employer usability.</li> <li>– Facilitating efficiency and effectiveness in the provider market.</li> <li>– Allowing flexibility in how training is delivered.</li> <li>– Encouraging sector-based approaches.</li> <li>– Driving awareness of training programs within the business community.</li> </ul>
Employer investment in workplace learning in Canada	Goldenberg M 2006, CPRN discussion paper, Ottawa.	<p>Employer-sponsored training is highly concentrated in Canada among younger workers, those with higher education and skill levels, and workers in larger firms. Barriers to additional training include:</p> <ul style="list-style-type: none"> <li>– Cost: the costs of training and of lost working time.</li> <li>– Lack of information about where to get training, how to organize and provide it, and what training is effective.</li> <li>– Employer scepticism about the return-on-investment of training.</li> <li>– Concerns about the "poaching" of workers in whom the employer has invested.</li> </ul> <p>These barriers to training are greater for small- and medium-sized firms, although they tend to do more informal training.</p>
Lesson from other countries regarding incentives for employer-sponsored training	Brisbois R, Pollack N and Saunders R 2009, CPRN research report, Ottawa.	<p>Report found that a variety of financial incentives are used in the target countries to stimulate employer investment in training, but there is limited evidence about the effectiveness of different approaches. Most countries examined provide some incentives that are targeted at the less skilled, in addition to more general subsidies or tax credits. There is some evidence of effectiveness of the more targeted approaches adopted in the UK.</p>
Declining versus participating in employer-supported training in Canada	Cooke GB, Chowhan J and Brown T 2011, International Journal of Training and Development, <u>15</u>	<p>This study used Statistics Canada's 2005 Workplace and employee Survey data to analyse participation of employees in employer-supported training. Some 9 per cent of Canadian workers were reported to decline training opportunities.</p>
<b>Denmark</b>		
Apprenticeship training in Denmark – the impact of subsidies	Westergård-Nielsen N and Rasmussen AR, 1997, Working paper for the Centre for Labour Market and Social Research	<p>An older, often-cited study. Denmark's training system is similar to that of Germany. The report analyses a longitudinal data set to draw conclusions about subsidies in a Danish context. The report concludes that the total cost per additional apprenticeship was about DKK 54,000 in 1997.</p>

Title	Authors, year, journal	Content
<b>Netherlands</b>		
Vocational education and training and employer engagement: An industry-led sectoral system in the Netherlands	Sung, J 2010, International Journal of Training and Development 14	Examines key features of the approach to VET in the Netherlands. Concludes that employer 'buy in' is crucial to the success of the approach; simply establishing a system of sector based training bodies does not guarantee effective employer engagement; and in making sectoral training work, especially in 'supply-led' systems, fundamental reforms are required in areas such as funding, qualification structure, leadership and system support.
<b>Germany</b>		
Challenges and change: Apprenticeships in German-speaking Europe	Steedman, H, 2011, in Rethinking apprenticeships, Dolphin R and Lanning T (Eds), 2011, Institute for Public Policy Research	Steedman's chapter discusses the 'dual-system' label used to describe apprenticeships in Germany and in Austria, Denmark and Switzerland, which reflects the two distinct learning locations – the school (general education and occupational knowledge) and the workplace (occupational skills and personal development). A 1969 Act of the German Parliament – Vocational Training Act (VTA) – recognises this duality. In this Act, the federal government defines the parameters within which firms and chambers of commerce may legitimately operate apprenticeship contracts. Stedman reports that the Austrian government has used subsidies to employers who offer additional apprentice places to close the gap between supply and demand for apprenticeships.
<b>New Zealand</b>		
Industry Training Review: Results of the employer interviews & survey	Ministry of Education	Reported types of training, motivations and barriers, strengths of the system and how the system might be improved. Interviewed 18 significant employers and surveyed 960 firms. The survey is similar to that conducted by NCVET in Australia.
The economic costs and benefits of industry training: Report to: Industry Training Federation	Nana G, Sanderson K, Stokes F, Dixon H, Molano W and Dustow K, 2011	Report by BERL that used CGE modelling to estimate benefits from training investment scenarios. Draws on employer expenditure data from the NZ Tertiary Education Commission.
<b>USA</b>		
Vocational Education 2.0: Employers hold the key to better career training	Jacoby T 2013, Civic Report No 83, published by the Manhattan Institute	This recent report provides an insight into the current VET situation in the USA (Vet is Career and technical Education – CTE). The report discusses the payoff to CTE, obstacles to training, the role of employers and what it sees as the gold standard – the German system.
Pathways to Prosperity: Meeting the challenge of preparing young Americans for the 21 <sup>st</sup> century	Schwartz Ferguson Symonds 2011, Pathways to Prosperity Project, Harvard University Graduate School of Education, Cambridge, MA.	This much-cited report addresses education and training needs to fill skills shortages and address opportunity gaps. It sees an expanded role for US employers as part of the solution. It presents US models of 21 <sup>st</sup> century career and technical education (CTE).
<b>OECD</b>		
OECD Employment Outlook 2007	OECD 2007, OECD Paris.	Chapter 2, <i>More jobs but less productive? The impact of labour market policies on productivity</i> , found that pro-employment policies can depress productivity by for example increasing the proportion of low-skilled workers employed.

Title	Authors, year, journal	Content
Post-secondary vocational education and training: Pathways and partnerships	OECD 2012, OECD Publishing, Paris.	This report is part of OECD's work on higher education covering more than thirty cities and regions.
OECD Skills Outlook 2013: First results from the survey of adult skills	OECD 2013, OECD Publishing, Paris.	Reports a range of skills issues including proficiency, socio-economic distribution of skills, use of skills in the workplace, but does not provide specific commentary on employer-led initiatives.
Learning for Jobs – the OECD international Survey of VET Systems: First results and Technical report	Kuczera M, 2103, OECD Paris.	Provides background, definitions and first results of the OECD survey.
Giving Youth a better start: Policy note for the 2011 G20 Meeting of Labour and Employment Ministers	OECD/ILO 2011, OECD Paris.	Includes an analysis of youth unemployment and discussion of measures to address the issue.
<b>Other</b>		
Sharing the costs of vocational education and training : An analysis of schemes in the newer EU Member States	European Centre for the Development of Vocational Training (CEDEFOP), 2009	This report found that subsidy-based mechanisms are among the most popular VET cost-sharing mechanisms in the 12 newer EU Member States. Grant schemes are the dominant type applied in all countries except for Latvia and Slovenia. Only one country, Malta, uses vouchers. Subsidy-based mechanisms and training funds were found to score the highest on most of the qualities reviewed also had the best guidance and information support, and the most elaborate monitoring and evaluation arrangements.
Youth unemployment challenge and solutions: What business can do now	Manpower Group, 2012	A review of measures to address youth unemployment accessed on 7 June at <a href="http://www3.weforum.org/docs/Manpower_YouthEmploymentChallengeSolutions_2012.pdf">http://www3.weforum.org/docs/Manpower_YouthEmploymentChallengeSolutions_2012.pdf</a> See also <a href="http://www.manpowergroup.com/wps/wcm/connect/d2ef580f-8cea-4e22-afcb-495998121435/How_Policymakers_Can_Boost_Youth_Employment_FINAL_09-18-12.pdf?MOD=AJPERES">http://www.manpowergroup.com/wps/wcm/connect/d2ef580f-8cea-4e22-afcb-495998121435/How_Policymakers_Can_Boost_Youth_Employment_FINAL_09-18-12.pdf?MOD=AJPERES</a>
Rethinking apprenticeships	Dolphin R and Lanning T (Eds), 2011, Institute for Public Policy Research	A UK-based review which concludes that targets and subsidies “are not, and never will be, enough to increase the demand for skills that underpins employers demand for apprenticeships.”



**Table B.1** shows the numbers of stakeholders consulted by stakeholder category (i.e. State or Territory offices, Community Service Organisations, Skills Advisers) and the jurisdiction the stakeholders were located in. Consultations were done by a mix of face to face or by telephone conversations.

**TABLE B.1** CONSULTATIONS UNDERTAKEN

Jurisdiction	State/Territory Offices	Skills Advisers (ISF)	Community Service Organisations (YEP)
NSW	1	10	2
VIC	1	7	2
QLD	3	12	3
WA	1	7	4
SA	3	3	5
ACT	n/a	3	0
NT	0	2	n/a
TAS	0	2	0
<b>Totals</b>	<b>9</b>	<b>46</b>	<b>16</b>

Note: ACIL Allen also consulted 10 of the businesses who had accessed the TES Youth Pilot. The figures are based on the number of stakeholders who confirmed that they would participate in the consultation.

SOURCE: ACIL ALLEN

ACIL Allen also spoke with ten of the 23 businesses who had participated in the TES program. Two major Network Providers were also interviewed.



## C.1 Introduction

This Appendix provides the results of the online survey of businesses that participated in the ISF.

## C.2 Details of respondents

**Table C.1** shows the number of businesses surveyed both by jurisdiction and by size of firm. The results are shown for the three different cohorts of businesses survey. It is important to note that a relatively large number of businesses did not answer the question seeking information of the region in which they were located. This is the reason for different totals shown.

**TABLE C.1** NUMBER OF BUSINESSES SURVEYED BY JURISDICTION AND SIZE OF FIRM

Jurisdiction	Businesses who received skills advice	Businesses who did not receive skills advice	Businesses that enquired about the ISF but did not apply	All survey respondents
Australian Capital Territory	1	0	0	1
New South Wales	14	16	16	46
Northern Territory	1	1	0	2
Queensland	16	38	6	60
South Australia	13	13	5	31
Tasmania	8	2	5	15
Victoria	17	7	10	34
Western Australia	12	12	9	33
<b>Total Australia</b>	<b>82</b>	<b>89</b>	<b>51</b>	<b>222</b>
a) 0-4 FTE employees	49	74	52	175
b) 5-19 FTE employees	45	48	30	123
c) 20-199 FTE employees	46	30	33	109
d) 200+ FTE employees	4	3	8	15
<b>All business sizes</b>	<b>144</b>	<b>155</b>	<b>123</b>	<b>422</b>

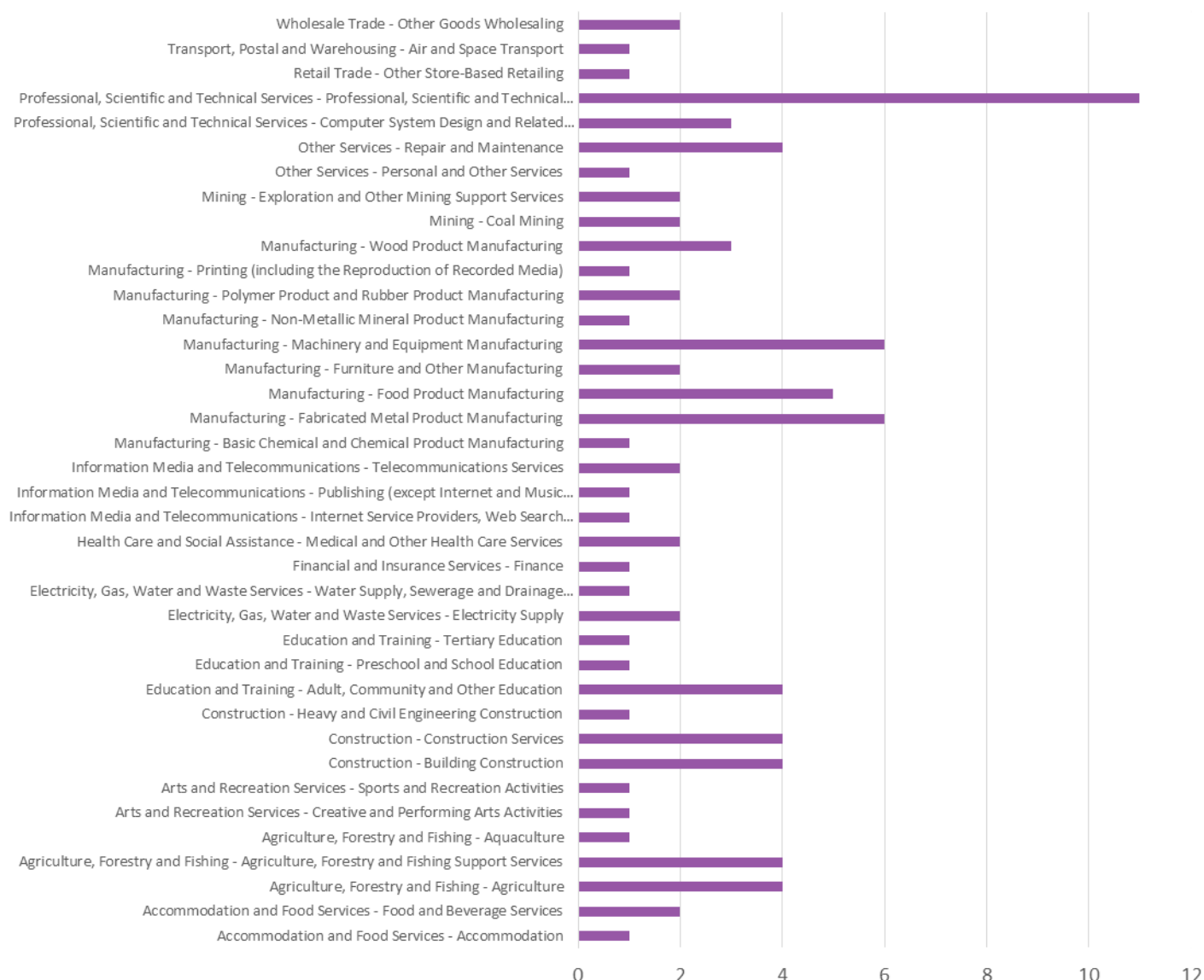
SOURCE: ACIL ALLEN.



The response rates for the firms that received ISF grants with skills advice was 48 per cent. The response rate for firms who did not receive skills advice was 39 per cent. ACIL Allen regards these response rates as very good for a survey of this kind. The response rate for the third cohort, namely those firms who did not proceed to apply for an ISF grant, was only 16 percent. While this response was significantly lower this is not unexpected since that survey was targeting firms that did not proceed to seek any ISF grants and they are therefore less likely to feel any obligation to respond to a survey about the program.

**Figure C.1, Figure C.2 and Figure C.3** show which sectors firms operated in for the cases where they received skills advice, did not receive skills advice and did not execute a funding agreement respectively.

**FIGURE C.1** WHICH SECTOR DOES THE BUSINESS OPERATE IN? (FIRMS THAT RECEIVED SKILLS ADVICE)



Note: Responses to Question: 4. Which industry sector does your business operate in?  
 SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT RECEIVED SKILLS ADVICE.

**FIGURE C.2** WHICH SECTOR DOES THE BUSINESS OPERATE IN? (FIRMS THAT DID NOT RECEIVE SKILLS ADVICE)



Note: Responses to Question: 4. Which industry sector does your business operate in?  
 SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT DID NOT RECEIVE SKILLS ADVICE.

**FIGURE C.3** WHICH SECTOR DOES THE BUSINESS OPERATE IN? (FIRMS THAT DID NOT EXECUTE A FUNDING AGREEMENT)

Note: Responses to Question: 4. Which industry sector does your business operate in?

SOURCE: ISF SURVEY RESPONSES FROM FIRMS THAT DID NOT EXECUTE A FUNDING AGREEMENT

ACIL Allen has compared the profiles of the responses received to its survey of businesses to the Australian Bureau of Statistics survey of Australian business that was released on 26 February 2016. That comparison shows that shows that:

- The differences between the ABS distribution of businesses by jurisdiction and our survey are mostly in the single digit range.
- A comparison of the distribution of grants across jurisdictions to the distribution of firms in our survey shows that they are quite close.
- ACIL Allen's surveys have got reasonably representative samples of the various categories of businesses. The possible exceptions are in a couple of jurisdictions with low survey numbers.



The following questions were designed for businesses that had received skills advice. Several of the questions are branching questions with the response given determining what the next question will be. For example, businesses that did not receive skills advice received a subset of these questions, which excluded questions about the Skills Advisers.

1. Please provide your contact details.
2. Is your business operating in, or pursuing a growth opportunity in Northern Australia?
3. How many employees do you have in your business?
  - a) 0-4 employees
  - b) 5-19 employees
  - c) 20-199 employees
  - d) More than 200 employees
4. Which industry sector does your business operate in?
5. Where is your business located?
6. Is your business an Indigenous owned business?
7. How did you first learn about the ISF?
8. What did you know about the ISF before applying for assistance? Please rate how much you agree with the following statements:
  - a) I understood the objectives of the ISF and what it is trying to achieve
  - b) I understood what support the ISF could offer my business
9. If the ISF did not exist would you have sought similar advice/support from elsewhere?
10. Over the last two years, how many staff received external training that was NOT funded by the ISF?
11. Over the same time, how many people in your business received ISF supported training?
12. Please rate how much you agree with the following statements about ISF's application process:
  - a) The Customer Guide was clear and I understood the application process and eligibility criteria.
  - b) The Call Centre provided me with clear information about the application process and the eligibility criteria.
  - c) Application forms and online processes were user-friendly.
  - d) Any questions I asked during the application process were answered to my satisfaction.
  - e) My application was assessed and I was notified of the decision within 15 business days of submitting the application.

- f) The outcomes of my application were clearly communicated.
13. Please rate how much you agree with the following statements about the ISF's process for executing a Funding Agreement:
- The process of finalising Funding Agreement was not unduly time consuming for my business.
  - I had a clear understanding of my obligations at the time the Funding Agreement was executed with the Commonwealth Government.
  - The reporting requirements placed on my organisation by the Funding Agreement were appropriate for the level of support received.
  - The Department provided opportunities to resolve issues that arose during the Funding Agreement.
14. Please rate how much you agree with the following statements about the advice provided by a Skills Adviser:
- The skills advice was a vital part of my decision to lodge an ISF application
  - The Skills Adviser understood the industry I operate in
  - The Skills Adviser understood the employment and training market in the industry sector in which my business operates
  - The Skills Adviser provided advice that could be used for strategic business planning and workforce development planning
  - The skills advice was tailored to my business' needs
  - The Skills Adviser provided advice that could be used for other operational purposes (such as retention of existing employee incentive programs and access to other funding programs)
  - The Skills Adviser was easy to work with
  - The skills advice process was completed in an efficient manner
  - The Skills Advice Report that I received was of a high quality
  - I would recommend the Skills Advice service to other businesses
  - The skills advice contributed to a good training outcome for my business
15. Please provide comments you have about your experience with the Skills Adviser.
16. Please identify if the training supported through the ISF was accredited or non-accredited.
17. Please rate how much you agree with the following statements about training quality:
- I was satisfied with the quality of the training delivered
  - I was satisfied with the capability of the training provider(s) who delivered the training
  - The training adequately addressed the skills need(s) within my business
18. Please rate how much you agree with the following statements about the impact of the ISF on your business:
- The support improved the productivity of my business
  - The support improved my firm's ability to adopt new processes and or develop new products
  - The support received from the ISF helped to improve the quality of the products or services of my business
  - The support improved the ability of my business to meet client needs
  - The support received from the ISF helped my business to better identify skills needs and training solutions
  - The support from the ISF provided my business with a financial incentive to undertake training
  - The support received from the ISF helped my business to improve its retention of staff
  - The support received from the ISF enabled my business to access new markets or customers
  - The support received from the ISF enabled my business to employ more staff
  - The support received from the ISF enabled my business to increase its revenue
  - The training has not yet been completed or it is too early to identify impact
19. Please identify two other ways the ISF has assisted your business (and explain why).

20. Please identify how much you agree (or disagree) with the following statements:
  - a) I would like to participate in the ISF in the future
  - b) I would recommend the ISF to other businesses
21. Please identify any changes you believe would improve the operation of the ISF.

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**ABOUT ACIL ALLEN CONSULTING**

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