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Mr Stephen Palethorpe
Committee Secretary
Senate Education and Employment Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Palethorpe

Thank you for inviting the Business Council to make a submission on two Bills before the Senate Education and Employment Legislation Committee:

1. the *Migration Amendment (Skilling Australians Fund) Bill 2017*, and
2. the *Migration (Skilling Australians Fund) Charges Bill 2017 [provisions]*.

This draft legislation will implement changes to the Commonwealth's funding arrangements for vocational education and training (VET) that were announced in the 2017 Budget. The legislation also relates to a broader package of changes to the skilled migration program, which seek to prioritise Australian workers over skilled migrants and increase public confidence in the skilled migration program.

Specifically, the legislation will:

- establish a levy on businesses who use the skilled migration system to fill a vacancy
- enable the government to use the revenue from that levy to offset the establishment of the Skilling Australians Fund. The Fund will be allocated to the states and territories to fund up to 300,000 new apprenticeships and traineeships in identified priority areas.

Taken together, these changes mean that industry will play a much bigger role in funding VET, in place of the Commonwealth Government, but industry will have limited capacity to influence how the funding will be used. The Business Council believes this is likely to impact VET funding levels and limit the Fund's ability to respond to address skills shortages.

In this context, the Business Council believes it is vital that industry plays a key role in the Fund's decision-making processes. We would welcome the opportunity to work with the government on the Fund.

Our key concerns are outlined in more detail below.

Reduction in Commonwealth Government VET funding

The establishment of the Skilling Australians Fund replaces the National Partnership Agreement on Skills Reform, which concluded in June 2017 and represented \$1.75 billion of Commonwealth Government investment in VET.

The Skilling Australians Fund significantly alters the Commonwealth–state funding arrangements for VET.

Beyond an initial direct contribution from the Commonwealth Government of \$261.2 million in 2017-18, the Commonwealth Government's contribution to the Fund, and therefore the National Partnership, will be contributed by industry.

A training levy will be imposed on businesses that nominate workers under the temporary and permanent employer sponsored migration programs, and the Commonwealth will rely solely on this revenue to make its contribution to the Fund.

The government estimates that the training levy will generate revenue of \$1.2 billion over the forward estimates and expected expenditure from the Skilling Australians Fund over the forward estimates is \$1.47 billion. However, it is unclear whether there is sufficient demand in the identified visa categories to generate this level of revenue.

Further, while there is a requirement for states and territory governments to co-contribute to the Fund, the Business Council believes it is likely the co-contribution will be the reallocation of current funding.

In this context, the Business Council believes the VET sector will see a significant cut in government funding.

Addressing skills shortages

The Business Council believes the Fund is not the best solution for solving the persistence of skill shortages, nor is it likely to lead to better skills outcomes than under the present system.

Currently, companies decide how their training expenditure is allocated and can do so to prevent future skills shortages or to improve their competitiveness.

Under the Fund, employers have an additional cost imposed from the levy, but the funds will not be allocated towards training that directly addresses skill shortages faced by the payer of the levy. Rather, expenditure decisions will be made by government and will be targeted to meet a broad range of objectives.

Feedback from Business Council members is that it will be difficult for businesses to meet their levy requirements without some impact on the amount of funding already internally allocated for learning and development. Further, if there is to be mandated spending on training associated with the sponsorship of skilled migration visas, then they would prefer to retain control over deciding how that spending is allocated.

If companies are to relinquish control, it is important that the government is spending the training funds for the same purpose and at least as effectively, and that the skill shortage that relates to the initial need for the skilled migration visas is being addressed. The Fund does not give that assurance.

Industry's role in the Fund's decision-making

The Fund will be administered by the Department of Education and Training. It is unclear to what extent the department will consult industry about what qualifications should be priority areas for funding.

As the revenue in the Fund is primarily provided by employers, the Business Council believes industry should play a key decision-making role in the Fund. This will help address employers' concerns about

the use of the funding gained through the levy. It will also help ensure the Fund is able to identify and respond to areas of emerging skills shortages.

Yours sincerely

Megan Kirchner
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