

Chapter 1

Introduction

Referral of the bill

1.1 On 15 May 2014 the Senate passed the following resolution:

To ensure appropriate consideration of time critical bills by Senate committees, the provisions of all bills introduced into the House of Representatives after 15 May 2014 and up to and including 5 June 2014 that contain substantive provisions commencing on or before 1 July 2014 (together with the provisions of any related bill) are referred to committees for inquiry and report by 16 June 2014.¹

1.2 On 4 June 2014 the Australian Workforce and Productivity Agency Repeal Bill 2014 (the bill) was introduced into the House of Representatives by the Hon Ian MacFarlane, Minister for Industry.²

1.3 Accordingly, once introduced, the provisions of the bill stood referred to the Senate Economics Legislation Committee for inquiry and report by the 16 June 2014.

Purpose of the bill

1.4 The purpose of the bill is to abolish the Australian Workforce and Productivity Agency (AWPA) by repealing the *Australian Workforce and Productivity Agency Act 2008* in its entirety.³

Conduct of the inquiry

1.5 The committee advertised the inquiry on its website and invited a number of stakeholders to make submissions by 12 June 2014. The committee received nine submissions, all of which are available on the committee's website.⁴ The committee received three late submissions but was unable to incorporate fully their views in the report. A list of all submissions can be found in the Appendix.

Background

The government's Smaller Government Reform Agenda

1.6 The government has committed to a *Smaller Government Reform Agenda* to drive efficiency and budget savings for the Commonwealth by reducing the number of

1 *Journals of the Senate*, No. 29—Thursday, 15 May 2014, p. 821.

2 *House of Representatives Hansard*, Wednesday 4 June 2014, p. 1; *Proof House of Representatives Votes and Proceedings* No 44, Wednesday 4 June 2014, p. P533.

3 *Explanatory Memorandum*, p. 5; See also Schedule 1, Australian Workforce and Productivity Agency Repeal Bill 2014.

4 See www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics

government agencies. Soon after the 2013 election, the government implemented the first phase of this agenda by reducing the number of government bodies by 40.⁵

1.7 Following the election, the government also set up the National Commission of Audit (the commission) to review all Commonwealth expenditure. The commission's report advised government to 'Reduce the number of non-principal government bodies.'⁶ Based on information provided by departments and through other research undertaken, the commission identified 696 non-principal bodies that existed at the Commonwealth level (including councils, boards and committees). In examining the potential for rationalisation of these non-principal bodies, the Principles of Good Government guided the commission along with the propositions that:

- the Commonwealth should consider withdrawing from activities outside its areas of core responsibilities;
- portfolio departments should undertake policy work, while agencies should deliver programmes and services;
- as far as practicable, bodies should be incorporated into the portfolio department;
- organisations and bodies should have clear accountability and focus, with defined roles and performance management measures; and
- the need for independence alone does not justify the establishment of a new operational body.

1.8 With regard to advisory bodies, such as AWPA, the commission recognised that it was appropriate for the government to seek the views and obtain advice from experts outside of government. It stated further, however:

harnessing expertise and advice should be core business for departments which does not necessitate dedicated bodies.

The existence of an advisory body adds an additional layer of participation and administrative overhead, which needs to be balanced against the efficiency and effectiveness of obtaining this advice and guidance.⁷

1.9 The commission recommended that AWPA be consolidated into the Department of Industry.⁸

5 A list of many of these is included in Senator the Hon Mathias Cormann, Minister for Finance, *Delivering A Smaller, More Rational Government*, Press Release 13 May 2014.

6 Recommendation 14, National Commission of Audit, *Towards Responsible Government, The Report of the National Commission of Audit, Phase Two* (March 2014), p. xxvi.

7 National Commission of Audit, *Towards Responsible Government, The Report of the National Commission of Audit, Phase Two* (March 2014), p. 88.

8 National Commission of Audit, *Towards Responsible Government, The Report of the National Commission of Audit, Phase Two* (March 2014), p. 137.

1.10 In May 2014, Senator the Hon Mathias Cormann, Minister for Finance (the Minister), released a Ministerial Paper, *Smaller and More Rational Government 2014–15*. This outlined further initiatives announced as part of the 2014–15 Budget:

The Smaller Government initiatives announced in the 2014–15 Federal Budget are part of a methodical ongoing effort to reduce the total number of Australian Government bodies. These decisions build on steps taken shortly after the 2013 election to abolish unnecessary advisory bodies and boards, take steps towards our first major privatisation and abolish a number of agencies including statutory authorities.⁹

1.11 The Media Release for the launch of this Ministerial Paper stated these initiatives would:

...eliminate duplication, remove waste, streamline Government services and reduce the cost of government administration for taxpayers...[and] deliver net savings of about \$500 million over the forward estimates.¹⁰

1.12 AWPAs are not explicitly mentioned by name in this Ministerial Paper or Media Release. However, the Explanatory Memorandum for the bill states its proposed abolition is 'part of the Government's commitment to streamline its advisory arrangements and to rationalise the number of portfolio bodies across government'.¹¹

The Australian Workforce and Productivity Agency

Primary functions

1.13 The primary function of AWPAs is to provide expert advice to the Minister for Industry on:

- Australia's current, emerging and future workforce development needs;
- Australia's current, emerging and future workforce skills needs;
- improving the productivity of the Australian workforce; [and]
- the allocation of Commonwealth funding [to address these issues] (including through the National Workforce Development Fund).¹²

1.14 To achieve this function, AWPAs engage directly with many stakeholders across different sectors, including government, industry, education and training, and unions.¹³

9 Senator the Hon Mathias Cormann, Minister for Finance, *Smaller and More Rational Government 2014–15*, Ministerial Paper, May 2014, p. 5.

10 Senator the Hon Mathias Cormann, Minister for Finance, *Delivering A Smaller, More Rational Government*, Press Release 13 May 2014.

11 *Explanatory Memorandum*, p. 2.

12 Section 6, Australian Workforce and Productivity Agency Act 2008.

13 AWPAs, 'About us' at www.awpa.gov.au/about-us/Pages/default.aspx (accessed 10 June 2014).

Establishment and history

1.15 AWPAs was established as an independent statutory body on 1 July 2012 by the *Australian Workforce and Productivity Agency Act 2008*, by which Skills Australia was transformed into AWPAs, a new organisation with new membership and some added functions.¹⁴

1.16 AWPAs maintained the primary function of Skills Australia, providing expert advice to the Minister on Australia's current, emerging and future workforce development and workforce skills needs.¹⁵

1.17 However, AWPAs's board was given three extra members, and a new provision that stipulated this must include union representation. Moreover, AWPAs was also endowed with some new functions. These changes included:

- three additional board members (for a total of nine members in addition to the Chair);
- the provision that the Board must contain member(s) who have experience in the 'representation of employees' (i.e. unions)—alongside the provisions for Skills Australia's board to include representatives of academia, education and training providers, economics, and industry;
- provision for the existing Skills Australia appointments to committees to be terminated upon the enacting of the *Australian Workforce and Productivity Agency Act 2008*; and
- two additional primary functions:
 - advising the Minister on improving the productivity of the Australian workforce; and
 - a responsibility to advise the Minister on the allocation of Commonwealth funding, including through the National Workforce Development Fund, also established in 2012.¹⁶

Financial savings, regulatory impact and human rights issues

1.18 The bill will result in a small amount of financial savings, primarily from the abolition of AWPAs's board.¹⁷

1.19 The Office of Best Practice Regulation has confirmed that the repeal of the bill will not require a regulatory impact statement, as it will not have more than a minor regulatory impact on business, community organisations or individuals.¹⁸

14 AWPAs, 'About us' at www.awpa.gov.au/about-us/Pages/default.aspx (accessed 10 June 2014).

15 Leonie Doyle, *Skills Australia Amendment (Australian Workforce and Productivity Agency) Bill 2012*, Parliamentary Library Bills Digest no. 128, 2011–12 (8 May 2012), p. 6.

16 Leonie Doyle, *Skills Australia Amendment (Australian Workforce and Productivity Agency) Bill 2012*, Parliamentary Library Bills Digest no. 128, 2011–12 (8 May 2012), pp. 6–7.

17 *Explanatory Memorandum*, p. 2.

18 *Explanatory Memorandum*, p. 2.

1.20 The bill does not raise any human rights or freedom issues, and is compatible with Australia's international obligations.¹⁹

Structure of this report

1.21 The report is structured in two chapters—this introductory chapter, which has provided background on the AWPA and the context for its abolition; and chapter 2, which looks at the provisions of the bill and discusses the issues raised by submissions.

Acknowledgements

1.22 The committee would like to thank all individuals and organisations that participated in the inquiry, particularly given the tight timeframes requested for submissions.

19 *Explanatory Memorandum*, p. 3.

