



## **Industry Skills Fund**

# **Submission of the National Farmers' Federation**

7 September 2014

NFF Members



## Introduction

The National Farmers' Federation (NFF) was established in 1979 as the peak national body representing Australian farmers. The NFF now represents a broad cross section of the agriculture sector across Australia, encompassing the breadth and the length of today's supply chain. The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

For 35 years, the NFF has engaged in the identification, development and achievement of policy outcomes affecting Australian agriculture. The NFF exists as the single, united voice for the agricultural sector, providing high level advice and guidance on issues of critical importance to the sector. These policy priority areas include, but are not limited to, workplace relations, farm business and productivity, market access and trade, natural resource management and education.

The Australian agriculture sector is a critical contributor to the Australian economy. There are approximately 130,000 farm businesses in Australia, 99 percent of which are family owned and operated. In 2013, Australian farms exported almost two-thirds of their food and fibre to the world. Recent data from the Australian Bureau of Statistics indicates that farm and fisheries production and processing accounts for approximately two percent of Australia's GDP and 16 percent of the total value of merchandise trade exports. The value of Australian agricultural exports has grown from \$8.2 to \$32.5 billion, and is today sitting at approximately \$38 billion.

The majority of people employed in the agriculture, forestry and fishing industry have a relatively low level of educational attainment; with 64.3 per cent of the workforce having achieved a qualification no higher than Year 12 or equivalent compared with 42.0 per cent across all industries. Less than 10 percent of farm managers are degree qualified, compared to a quarter of Australian managers overall. Farm managers (compared to other agricultural workers) were most likely to have completed longer-term formal training and qualifications. Most workers acquire their skills through practice and on-site learning, with the addition of some targeted short courses of study.<sup>1</sup>

The Australian agriculture sector needs a collaborative whole-of-government approach to policies and programmes that drive growth and contribute to on-farm profitability and competitiveness. As outlined in the NFF's submission to the Agriculture Competitiveness Issues Paper, a strategic approach is required to ensure that public policies deliver positive outcomes for the agriculture sector. As part of this, support for industry training must be simple and easy to access, preferably in a one stop shop format and without undue red tape.

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<sup>1</sup> NFF, National Agriculture Workforce Development Plan, June 2014

## The Industry Skills Fund

According to the Department of Industry, “the Industry Skills Fund will address workforce capability issues impacting on the ability of Australian small to medium enterprises (SMEs) to respond quickly to new and changing opportunities and improve their productivity and competitiveness in a global market.

“The \$476 million Fund will provide access to training that better positions Australian industry to succeed in a rapidly changing economy. The Fund will commence on 1 January 2015 and will deliver 200,000 targeted training places and training support services over four years. It will operate on a co-contribution basis with streamlined administration.”<sup>2</sup>

The Fund aims to:

- prioritize assistance to SMEs to take advantage of new technology, innovative work practices, new and emerging opportunities, opening export markets and emerging economies;
- incentivise industry investment in vocational education and training to take advantage of new economic opportunities;
- motivate employers to maximise outcomes and implement sustainable ongoing skills training; and
- deliver targeted and streamlined training and support to micro, small and medium Australian businesses, with minimum red tape.

## Funding priorities

The NFF supports the focus of the Industry Skills Fund on small and medium enterprises in the priority industries described broadly as “food and agribusiness”.

The majority of Australia’s farms are comparatively small. In 2010-11, just over half (55%) had an estimated value of agricultural operations of less than \$100,000. Only 6% of Australian farms had an estimated value of agricultural operations in excess of \$1 million.<sup>3</sup>

Despite their size, Australian farms are consistently productive. Farmers are doing more with less. Average productivity growth across all broadacre agriculture has been around 1 per cent a year for more than three decades.<sup>4</sup>

There is a strong business case for prioritising an industry that will drive the competitiveness of the Australian economy. In July 2014, a report by McKinsey Australia<sup>5</sup> ranked Australian agriculture as “strongly competitive” with “plenty of untapped potential”.

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<sup>2</sup> Department of Industry, *Establishment of the Industry Skills Fund Discussion Paper*  
<http://www.business.gov.au/skills-and-training/Pages/Industry-Skills-Fund.aspx>

<sup>3</sup> Australian Bureau of Statistics, “Australian farming and farmers” *Australian Social Trends*, Dec 2012

<sup>4</sup> Gray, Oss-Emer and Sheng, *Australian agricultural productivity growth Past reforms and future opportunities* ABARES February 2014.

<sup>5</sup> McKinsey Australia, *Compete to Prosper: Improving Australia’s global competitiveness*, July 2014

In September 2013, a report by Deloitte Australia<sup>6</sup> labelled Australian agribusiness as Australia's "forgotten hero" and one of the "fantastic five" growth sectors of the Australian economy. The prospect of rapid increases in global demand for agricultural products together with Australia's domestic comparative advantage in primary production was predicted to make Australia "a long-term winner in this sector, particularly in grains, beef and dairy, wine, oil seeds and emerging areas like aquaculture".

The Industry Skills Fund is targeted at offering training where training is not already publicly funded or where current training offerings are not sufficiently targeted or responsive. While these are relevant factors affecting skills demand within industry, the other issue is skills retention. For example, in the pork industry, there is a chronic and long-term shortage of suitably qualified stockpersons. Training to become a Stockperson is available including through the Certificate III in Agriculture. However, the low number of persons completing these courses, and attrition from industry to other sectors such as mining, means that training alone will not deliver on the skills needs of employers.

## Eligibility

The NFF supports the shift in focus away from funding of 'training deliverers' to funding directly to industry, to meet the needs of industry. In our view this will reduce the incidence of 'training for training's sake' and improve the return on taxpayer funded investment in skills, training and workforce development.

The eligibility criteria specifically excludes training or support services and state and territory government bodies from applying for funding. It would be useful to clarify the capacity of industry organisations and commodity groups to apply for funding on behalf of their members, either individually or as members of a consortia. Industry organisations such as the NFF provide the crucial link between industry and government and will often be best placed to provide advice to members about eligibility for funding assistance. However, as a not-for-profit organisation, the NFF would not currently be eligible to apply in its own right for funding assistance for members.

One of the key issues for agriculture is that State and Territory and federal workforce programs can overlap and duplicate. In our view, it would be valuable for the Department of Industry to work with its State and territory counterparts to leverage funding and training opportunities alongside industry initiatives through the Industry Skills Fund.

The NFF notes the prospect of changes to the current vocational education and training funding model in connection with renegotiation of the National Partnership Agreement on Skills Reform. Consideration should be given to whether these changes do, or should, affect eligibility for funded training under the Industry Skills Fund once those changes become known.

## Activities to be funded

The NFF strongly supports the capacity for effective tailored training to be funded through the Industry Skills Fund without the requirement that it lead to nationally recognized formal qualifications. Farm employers need access to a pool of work ready people. They must have

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<sup>6</sup> Deloitte Australia, *Positioning for prosperity? Catching the next wave*, September 2013.

an attitude that helps them to understand manual work. Training that will help them in this attitude is imperative for them to be successful. Training then needs to give them basic skills, including in relation to safety, fencing, stock handling, tractor and machinery operation, chemical application, irrigation and chainsaw operations, so that workers can become part of a team and contribute to efficient production of agricultural products. All of these skills are used on most farms. An employee with these skills and willing to apply them on the job will be attractive to most farm businesses. Most employers are willing to give on the job training to fine tune these skills in their employees.

In agriculture, learning is typically incremental, socially embedded and occurs over a lifetime. Job pathways can be horizontal or tangential and involve a ‘building block’ approach to gaining a portfolio of skills. Although there are established training programs and providers in agriculture, including in the pork and dairy industries, many farmers say they are unable to participate either because they cannot afford to leave the farm to undertake training or because the cost of training itself is high. Costs associated with training include the cost of hiring relief workers while persons undertaking training are off farm.

Often, tailored training courses are shorter and less expensive. For farm businesses who operate in a low cash flow environment, relevant, affordable and quick training courses are much more likely to be taken up than courses covering a wide range of subjects that may or may not be relevant to the business.

Consistent with the philosophy of ‘lifelong’ learning, skill sets offer a practical solution with potentially large benefits. Skill sets can fill the gap for workers who are unlikely to obtain formal qualifications and over time, lead to the development of a skilled workforce through incremental growth. Building skills one at a time enables qualified workers to maintain currency of skills and progress to other job roles. Greater access to training through skill sets was one of the key priorities listed in the National Agriculture Workforce Development Plan<sup>7</sup> and also integral to industry priorities identified in the Agrifood Skills Australia 2014 Environmental Scan.<sup>8</sup>

Opportunities for the fund to deliver training for the agriculture sector include targeted best management practice training for human resources and work health and safety as well as business skills for agricultural business across all commodities. Tailored training, for example in the cotton industry, could be delivered outside peak planting, irrigating and harvesting periods. A ‘farm job ready’ training package could be developed to deliver training in basic farm skills such as quad bike use, tractor use, forklift driving and communications. This could be made available to new entrants to agriculture, including unemployed persons, migrants and others who might otherwise find it hard to secure work on farms. Farm businesses could have confidence in hiring inexperienced but competent workers.

A focus on online training would be of significant value to the agriculture sector, through the use of webinars that can be accessed in a self-paced environment. The development of online training resources, which can then be made widely available to training deliverers, would

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<sup>7</sup> NFF, National Agriculture Workforce Development Plan, June 2014

<sup>8</sup> Agrifood Skills Australia, *Environmental Scan*, 2014

help ensure a minimum standard of course delivery across Australia (which is particularly important in areas such as work health and safety).

Access to support services for businesses seeking to expand into export markets has the potential to be of significant value to the agriculture sector. Approximately two-thirds of Australian agricultural production is exported.<sup>9</sup> Many of our members are already leading the way – but as the McKinsey Australia report noted, this is an area full of untapped potential. Farm businesses who do not currently have the expertise or workforce capacity to become exporters need help to understand how export markets operate and to upskill their workforce to take advantage of the opportunities presented by increasing global demand for food and fibre.

## Merit criteria

The NFF strongly supports programs that aim to drive growth and productivity in Australian agriculture. The Industry Skills Fund appears well targeted to meet the skills and training needs of the agriculture sector, for the reasons described above.

The phrase ‘critical skills gaps’ is not defined. It would be important for assessment of this criteria to be made against the circumstances of the employer seeking assistance. Requiring a broader sectoral analysis of critical skills gaps in support of an application for funding would place too heavy a burden on farm businesses.

## Funding arrangements

The NFF supports the co-contribution model, recognising the importance of shared responsibility for growth and productivity in important sectors of the Australian economy. While we welcome the capacity to select providers best suited to meet industry training needs, a key issue for our members is being able to access relevant and affordable training in rural and regional areas. In some cases, this may mean that additional funding is needed to ensure that employers can meet the costs of ‘bringing the right provider to the bush’.

In terms of the options for business co-contribution rates, the NFF supports the sliding scale based on turnover rather than workforce size or labour productivity. Workforce size is not a reliable basis on which to estimate capacity to self-fund training and workforce development. Farm businesses are commonly run by family members and many have no employees at all. ‘Dollar for dollar’ contributions would unfairly disadvantage SMEs by setting the co-contribution rate at 50 per cent for all funding applicants. A sliding scale based on labour productivity would be difficult to assess accurately for farm businesses, as farm finances are often spread over more than one year and may not be readily ascertainable.

In our view, in-kind expenses should be recognised, particularly for businesses with lower turnover and resources. The NFF supports flexibility to negotiate payment structures according to individual project needs. Funding on a milestone basis may discourage applications in the case of businesses with tight margins or low cash flow, because they would have to meet training costs ‘upfront’ and then seek reimbursement through the funding arrangements.

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<sup>9</sup> <http://www.daff.gov.au/market-access-trade>

## Reporting requirements

Reporting requirements should be as minimal as public accountability permits. A consistent reporting template should be developed and able to be completed either online or in hard copy. The range of data that business is required to provide should be limited to that which is directly relevant to the funded programmes and within the capacity of the business to provide. It should not be such that SMEs are required to seek external financial or accounting advice in order to comply with reporting requirements.

In some cases it will be hard to demonstrate with any hard data that projects have achieved outcomes that are sustained beyond the funding period. For example, individuals who receive the benefit of funded training may subsequently leave their employment, taking with them the skills and knowledge they have acquired.

## Complementarity of government industry programmes

The Agricultural Competitiveness White Paper, the White Paper on development of Northern Australia, the Energy White Paper and the Harper review of competition and taxation policy are important steps toward the development of an overarching strategy to deliver a competitive agriculture sector in domestic and overseas export markets. Agribusiness is one of the fastest growing sectors of the Australian economy, so it makes sense that there is a strong government focus on positioning the agriculture sector to reach its potential. Setting a level playing field in domestic markets boosts the capacity of SMEs to invest in business growth. Opening up overseas markets is important, but only if there is domestic capacity to take advantage of the opportunities that arise.

The Industry Skills Fund and the Entrepreneurs Infrastructure Programme are two critical new initiatives which support the broader strategic policy approach. The focus on targeted skills development and on developing capacity to enter export markets will support the agriculture sector to innovate and grow. Communicating with SMEs about what these programmes offer and how they can assist is the next step in ensuring take up by industry. The Entrepreneurs Infrastructure Programme is a smart initiative with significant potential, but its title and relatively new status means that there is a lack of awareness of the programme and what it covers.

On the skills front, SME's should continue to be encouraged to take on Australian Apprenticeships (including School Based) where relevant to their business. Regional projects must be flexible and align industry priorities with regional needs. Digital capability should be a priority where the digital infrastructure is available to support it, and where it is not, the National Broadband Network should be fast-tracked to ensure that rural and remote regions have access to high-speed services.

Consideration should also be given as to how work for the dole and indigenous engagement strategies can be supported through the Industry Skills Fund to improve Australia's participation rate and provide new solutions to fill current gaps in the labour market, for example through partnerships with industry to deliver funded job ready' training.