



Productivity Commission Study into the National Agreement for Skills and Workforce Development Response to the Interim Report

Submitted by Skills Impact

Date: 17 July 2020



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Overview

Skills Impact appreciates the work of the Productivity Commission in the production of this detailed and important interim report. The Interim Report is a welcome addition to the work taking place in the reform of the VET sector and provides an evidence-based, independent approach of great benefit to the process of improving the value of VET for Australia.

A key component of the Interim Report is recognising the overall value the VET system provides to Australia, including in relation to productivity, employment and training delivery, both in the formal and informal training environments. It is clear from the report that, while improvements may be made through reform processes and greater value added, the system is already a substantial and important contributor to the Australian economy, businesses and culture.

Skills Impact supports the Productivity Commission's recommendations for reviewing the whole of the training package reform process, including the clear need to re-examine the vetting procedures that add extensive time to product development. Further information, including additional proposals for specific reform, are included in this response.

The Interim Report is a stepping-stone towards final recommendations and options, and Skills Impact looks forward to additional findings in the final report, especially relating to:

- The need to find additional revenue support for the system, particularly:
 - increased funding from governments in recognition of the benefits gained by government-driven investment in VET^{1, 2, 3}
 - elaboration of the rationale for neutrality, not equivalency, between VET and University funding, as we note the much higher level of funding for university courses vs VET courses
- Greater focus on the issues relating to skills availability and training delivery in Regional, Rural and Remote (RRR) Australia, and for disadvantaged learners, especially:

¹ Department of Agriculture, Water and the Environment (2020); *National Agricultural Workforce Strategy literature review*; Canberra, February.

² Productivity Commission (2012); *Impacts of COAG reforms: business regulation and VET*; Productivity Commission Research Report, Volume 3 – VET; <https://www.pc.gov.au/inquiries/completed/coag-reporting-busines-vet/report/coag-reform-vet.pdf>; accessed 13/07/2020

³ Griffin, T. (2016); *Costs and benefits of education and training for the economy, business and individuals*; NCVET, Adelaide.

- Delivery of culturally appropriate skills development in Indigenous communities that leads to employment outcomes and income streams^{4, 5}
- Accurately and appropriately recognising the true costs of delivery in these situations which are far in excess of the reported loadings currently in place^{6, 7}
- Framing consideration of these issues on harnessing the power, opportunities and advantages of diversity to improve national productivity
- Improved support for apprenticeships and traineeships, including recognition that funding and traditional models are contributing to underutilisation^{8, 9}

Responses to Information Requests

Information Request – Flexibility Allowed by Training Packages

How could the approach to developing training packages more effectively manage the trade-offs between consistency and flexibility?

A key problem when considering the flexibility of training packages is the very term “training packages”, which relegates these valuable instruments to the role of tools for Registered Training Organisations (RTOs) and the VET regulator. Training packages are, in fact, a collection of *industry work skill standards*, which describe work outcomes and the knowledge required to deliver them.

Describing them as ‘training packages’ is confusing to industry because it creates the impression that *they* would be responsible for developing training programs and delivery methods and obfuscates the many uses to which they can be put. The Interim Report does acknowledge that training packages can be used by industry in informal training, in recruitment and role definition, and in assisting the design of industrial awards. However, as the true potential value of industry work skill standards currently called training packages is as yet unrealised, Skills Impact reiterates the imperative of renaming – and, in so doing, accurately describing and promoting the broader utility of – training packages.

The Interim Report correctly identifies the need to continue with the work being undertaken as part of the VET Reform Roadmap, as well as extending that work to include the various approval and oversight processes from multiple federal, state and territory agencies and ministers. Skills Impact supports devolving greater authority to Industry Reference Committees. Skills Impact also notes that the Productivity Commission has been able to correctly identify that the current system appears to be on the right track and is on the cusp of being recognised for producing improved results.

The Productivity Commission has requested further input on problems caused by the approach to training package design and how these could be addressed. The necessary approval processes cause significant delays and we recommend a review of the multilayered approval processes to examine what

⁴ Commonwealth of Australia (2019); *National Regional, Rural and Remote Tertiary Education Strategy*

⁵ Guenther, J., Lowe, K., Burgess, C., Vass, G. & Moodie, N. (2019); Factors contributing to educational outcomes for First Nations students from remote communities: A systematic review; *Aust. Educ. Res.* 46, 319–340.

⁶ Food, Fibre and Timber Industries Training Council (WA) Inc. (2015); *Thin Markets*; http://media.wix.com/ugd/839a87_babeef79f6be451d9727183a6c51483e.pdf; accessed 13/07/2020

⁷ Zoellner, D. & Stephens, A. (2019); The changing balances of equity, control and market choice in the Indigenous vocational education and training sector; *Learning Communities: International Journal of Learning in Social Contexts*, 24, 4–20.

⁸ Victorian Skills Commissioner (2017); *Rebalance and Relaunch*; <http://www.vsc.vic.gov.au/wp-content/uploads/2017/11/Victorian-Apprenticeship-and-Traineeship-Taskforce-Report.pdf>; accessed 13/07/2020

⁹ Training and Skills Commission (2018); *Future-proofing the South Australian apprenticeship and traineeship system*; Skills for Future Jobs 2020 Series; <http://www.tasc.sa.gov.au/About-us/TaSC-2020-Series/Skills-for-Future-Jobs-2020/Future-proofing-the-South-Australian-apprenticeship-and-traineeship-system>; accessed 13/07/2020

processes could be streamlined to ensure that approvals are carried out as part of the development process, rather than at the end as is the current approach.

There are a number of different reasons for training package product development work, including;

- Responding to an urgent workforce need, which may be driven by market demand changes or government policy
- Developing descriptions in units for new ways of working (often driven by technological change)
- Describing work standards and skills in new and emerging industries or markets
- Reviewing major segments of existing industry work and skill standards in training packages to ensure they describe current work process, knowledge and skills and remain up to date
- Adjustments to recently implemented changes in response to employers', trainers' and learners' issues and experiences
- Responses to emergency situations, such as those being experienced currently as a result of COVID-19, Bushfires and drought

Given that there are differing rationales and requirements for projects to improve industry work and skills standards, it also makes sense to ensure that there is a framework flexible enough to allow project methodologies that are contextually appropriate and adaptable to contingencies that arise. Skills Impact believes that our five-point plan would go some way towards meeting these flexibility requirements. In line with the principles of agile development, there should also be a period allowing for adjustments to be made based on early implementation experiences.

Skills impact notes the Productivity Commission's (p.214) reference to Fowler¹⁰, who contends that the Joyce Review's recommendations for speeding up training package development and approval timeframes "*risks funders and educators having insufficient input*". These risks would be minimised if there was appropriate distinction between the requirements of setting the standards through training package product development to meet industry needs, and the additional administrative, communication and training related activities of federal, state and territory bodies and RTOs. Many of the issues currently being raised that result in delays are not connected to skills and knowledge descriptions based on the needs of industry; for example, a State Training Authority has recently raised concerns over how RTOs are notified of changes made via training.gov.au. While these issues may be important for the system, they do not relate to training package design, are not under the remit of Industry Reference Committees, and appear to be the types of issues that government bodies are established to address and resolve.

¹⁰ Fowler, C. (2019); *The Joyce Review of VET: good summary, incomplete analysis, solutions need a rework*; Campus Review; <https://www.campusreview.com.au/2019/10/the-joyce-review-of-vet-good-summary-incomplete-analysis-solutions-need-a-rework/>; accessed 13/07/2020

Information Request – Designing a New Intergovernmental Agreement

If a new principles-based agreement was negotiated in line with interim recommendation 2.2:

- ***how should it consider other educational sectors, informal training and non-government funded training?***
- ***what other mechanisms to facilitate reform and improve accountability would best complement an agreement?***

Skills Impact supports the concept of a principles-based agreement to replace the current approach. The principles need to be carefully considered and constructed, as well as lending themselves to reasonable accountability processes.

Skills Impact notes that, in defining the principle of ‘consumer focus’ (Interim Report, p.108), the Commission identifies that students and employers are the ultimate consumers; yet, in Box 2.10, the Commission describes the support for this principle with reference to students only. One of the fundamental underlying issues that continues to beset the VET system is the failure to recognise that there may be conflict between the needs of students and employers, as well as the needs of the funders. I.e. the state may want to ensure that all school levels hold certificate qualifications, but students and employers only want enough skills, delivered quickly, to get the job done (this often represents the easiest and quickest ways for students to move into employment or to change employment). In addition, the nature of the consumer groups is not unified. The needs of current employers to meet immediate skills gaps are likely very different to those of potential future employers looking for a broader range of skills. Learners, meanwhile, participate in the system at different life and career stages, and for a range of reasons: they may be school leavers, unemployed, career developers or career changers; they may be pursuing skills that are foundation-level, apprentice-level, industry entry-level, or upskilling within their industry of employment. Reducing the heterogeneity of customers and their motivations is presumably to make what is complex more manageable; however, in this case, reductionism may be counter-productive to finding solutions that are for the benefit of *all* customers and make the system more efficient and effective for all beneficiary’s.

Another area where there is vitally missed nuance is in the articulation of the principle of ‘equitable access’ (p.107). This is defined in terms of overcoming disadvantage and providing opportunities for students to develop consistent and shared foundational skills, rather than in terms of creating appropriate job outcomes and harnessing the power, opportunities and advantages of a diversity of providers and customers. Critical to offering equitable access are the operational environments and viability of RTOs: none of the equitable access policies created will have an impact if students and employers are unable to find RTOs willing to deliver appropriate programs in appropriate areas. Please [see our attachment](#) on RTO viability and its impact on what gets delivered and importantly what does not get delivered and our short video on our website describing this issue.

The Interim Report further recommends a principle concerned with designing incentives to increase the likelihood of eliciting training. If this principle was re-cast to include incentives relating to job outcomes that include the utilisation of training, experiential, mentored and peer learning, the system would be more likely to incorporate the flexibility to allow RTOs, employers, industry and member associations and governments to each do what they do best. This would also assist in driving improvements in the apprentice and trainee systems and the design of blended learning.

Information Request – Role of Competition in the VET Market

- **What role should competition play in meeting users' needs, including the quantity, type and quality, and regional accessibility of VET services?**
- **How should the efficiency of the VET market be measured?**
- **What is the appropriate (and exclusive) role of public providers, and why?**
- **Are additional consumer protection arrangements required to support a well-functioning VET market? What are the costs and benefits of different models of consumer protection established by governments, including ombudsman's' offices?**

The Productivity Commission Interim Report's discussion of the competitive VET market assumes that market forces can deal with extreme degrees of complexity and, in particular, that competition stimulates delivery everywhere it is needed.

Skills Impact notes that, in relation to thin markets, the Interim Report states that “existing course subsidies already provide additional payments for particular student groups and allow for regional variation in costs” (p.31). This has been the situation for a very, very long time, yet access to the VET system continues to be extremely limited in regional areas, and in fact in any areas where student numbers do not support sufficient income for an RTO to cover costs. It should be reasonably clear by this time that the status quo is not the answer to an effective and efficient VET market. The market fails to operate as an efficient market as the purchasers do not necessarily understand the product or its outcomes. In addition, the costs are unclear to say the least: courses taking many months often are cheaper than courses taking days, and courses delivering the same claimed outcomes often vary in delivery times and costs. Students and employers often choose the cheapest and quickest offering, and only find out after the product is purchased and consumed that it was not what was needed.

‘Efficiency’, when applied as a market measure in the Interim Report, seems to relate only to economic prudence within the VET system, not social or industry outcomes (which have not systematically been ‘measured’) or quality of delivery. The Interim National Skills Commissioner, Adam Boyton, in his keynote speech at the 2020 NCVER ‘No Frills’ conference, asserted that a key task of the National Skills Commission is to:

“examine the cost drivers for courses, the different public and private returns and develop a list of efficient prices for courses. Core to this is a consideration of quality – efficient price does not mean the lowest price; rather, it means the price that needs to be paid to secure training that delivers students with the skills employers needs and set students up for a valuable career. I really want to focus on that last point – an efficient price is not the lowest price. It's the price that provides the quality outcome we're after.”¹¹

The Interim Report illustrates a complex and challenging the VET environment, especially in its attempts to deal with diverse issues such as the incredible difficulty of skills forecasting, the capriciousness of anticipating future markets when the future is unpredictable (not least in the context of drought, bushfires and COVID-19), and the important policy and social outcomes desired by governments, which themselves are subject to continual change and adjustment in our democratic system.

Adding to this, we reiterate another level of complexity which appears to have been overlooked: defining what the VET market truly is. At the very least, the VET system works at the intersection of several competing markets, including:

- The Skills and Labour market – employers compete for workers with appropriate skills
- The Education market – public and private formal education providers (Universities and RTOs) compete to provide formal qualifications, accessing the best funding available to support their business delivery options

¹¹ National Skills Commission (2020); *Keynote: Labour market analysis and skills needs over the recovery phase*; <https://www.nationalskillscommission.gov.au/news-centre/keynote-labour-market-analysis-and-skills-needs-over-recovery-phase>; accessed 13/07/2020

- The Training market – formal and informal training providers, including in-house, member-based association and supplier training, compete to provide training to learners
- The Job market – in which potential employees compete for jobs based on skills and qualifications
- Geographic markets – in which areas at State, Local Government and rural, regional and remote (RRR)-level compete to attract population, workers and industries
- Government led jobs support market - In which governments demonstrate their support for voters and their state economies by promoting “their” VET sector credentials, such as in recent times via free VET in subjects the government chooses to support

When considering consumer protection, the Interim Report poses more questions that add to this complexity: is the consumer the student or the employer, or a combination of both, or indeed the customer who receives services from the skilled worker whether from an electrician, motor mechanic or hairdresser; and should there be different protections relating to each consumer? If the government is paying via a subsidy that in some cases represents most of the payment for a course, is not the government the customer? How does the government (department) customer ensure it gets what it is paying for? The Interim Report analyses a number of measurements that have been, or could be, used. In a consumer-driven environment, the outcomes for consumers would be paramount, but in a government-funded and supported system, policy drivers are critical, including ensuring accountability for the effective and reasonable use of public funds to achieve policy outcomes, which themselves may in turn change following a new government being elected or as currently experienced, via an economic downturn.

Skills Impact provides services to a portfolio of industries with a predominance of RRR locations for the skills that are covered in training packages. This generally means high cost training environments with student numbers spread over a broader geographic range¹², leading to lower potential enrolment numbers for RTOs, particularly for TAFEs and other RTOs constrained by on site delivery costs, travel or even by catchment areas, common in state border towns. In high unit cost training environments, RTOs cannot cover their costs under the current system settings. This means they cannot offer the qualifications or, if they do, quality may necessarily be compromised¹³. The issue is not with the quality of the training packages or the number of units – *it is with the dynamics and costs of training delivery*. Those Australians living in RRR locations are significantly disadvantaged through the lack of delivery being offered due to the viability issues associated with delivery into thin and/or high unit costs markets¹⁴.

The competitive model is not addressing this issue and funding does not reflect the *real* costs associated with high-quality delivery in RRR areas, costs that we estimate are many times higher than delivery costs in urban environments particularly when the delivery is made by urban based RTOs traveling to regions to deliver the training face to face to small participant numbers spread across large geographical areas. Skills Impact would welcome any additional focus on the extensive issues facing RRR Australia, including consideration of the important *National Regional, Rural and Remote Tertiary Education Study* (‘the Napthine Report’), which demonstrated that RRR have issues that are significantly different from those in urban Australia, in substance, range and impact.

Skills Impact would welcome data collection relating to the under-researched value of the wider use of training packages. This would require engaging public and private VET and university providers, employers, industry and member associations and unions concerning their multiple uses of training package content. The value of training packages (i.e. national work and skill standards) may even turn out to be greater than the value of ISO/ANZSCO Standards routinely used in many industries and businesses.

¹² Australian Clearinghouse for Youth Studies (2015); *Engaging Young People in Regional, Rural and Remote Australia*; https://docs.education.gov.au/system/files/doc/other/young_people_in_regional_rural_and_remote_australia.pdf; accessed 13/07/2020

¹³ Commonwealth of Australia (2019); *National Regional, Rural and Remote Tertiary Education Strategy*

¹⁴ Commonwealth of Australia (2018); *National Regional, Rural and Remote Tertiary Education Strategy Framing Paper*; Regional Education Expert Advisory Group

Information Request – Identifying and Acting on Skills Shortages

- ***What are useful ways of defining and measuring the skills shortages (and surpluses) relevant to the VET sector?***
- ***What factors are causing an apparently persistent shortage of skilled workers in some occupations, despite these occupations being a priority for government support?***
- ***To what extent are skills forecasts based on future industry growth a useful and reliable basis for providing course subsidies?***
- ***In what circumstances do skills shortages justify course and employer subsidies and at what level of granularity?***

Skills Impact agrees that the work of skills forecasting is problematic and relies upon various complex tools that are now outdated and have features inaccessible to their users. One example of this are ANZSCO Codes and the Australian Bureau of Statistics (ABS) data upon which they are based, which consist of outdated classifications ('599599 Dog Catcher' is still questionably classified as an occupation, but there is no recognition of what the current role is, which is animal protection/animal welfare workers) and amalgamate groups of occupations that are so broad as to prevent meaningful insights through the data (it is not possible to check on whether there are people whose occupation is 'Dog Catcher' because data for ANZSCO code 599599 includes people whose job is 'Technician Preventative Medicine (Army)', 'Trade Mark Examiner' and 'Weights and Measures Inspector'). As such, substantive data is inaccessible at the levels needed to be useful on an industry or regional basis.

Industry Reference Committees are required to regularly create and submit Industry Skills Forecasts, work supported by Skills Impact. This requires extensive work and resources, as well as access to established national data sources, such as ABS, IBISWorld and NCVER. Yet many industry issues relate to regional concerns and emerging industries or skills, none of which is captured by these data collectors and collections.

Another question arises as to the usefulness of this information, given:

- The new Industry Skills Forecast Annual Update format primarily concentrates on VET delivery issues (low enrolment, non-completions, provision of informal training and the use of cross-sector training units) which are often only marginally relevant to the goals, skills and focus of the Industry Reference Committees and not relevant to skills forecasting
 - The Industry Reference Committees are continually being driven towards addressing the problems of training delivery, yet are given no leadership or other role in this area and, as there is no equivalent network of RTOs based on training packages equivalent to the Industry Reference Committees, have very limited access to training delivery information
- Decision-makers at other levels (e.g. AISC or the Federal department) will often make decisions contrary to the recommendations of the Industry Reference Committees, and these are often made without additional discussion or transparency. This is often a clash between VET system needs and needs of industry as determined by the IRCs.
 - It should also be noted that decisions made by authorities are made at the latest point in processes. For example, for three years, the Amenity Horticulture, Landscaping and Conservation & Land Management IRC has recommended that a project to address skills in Therapeutic Horticulture take place during the period 2020 – 2021, yet the project was not approved (without feedback) only at the June 2020 meeting of the AISC.

There may be some advantages to ensuring that Industry Reference Committee skills forecasting processes work to support some of the roles of the new National Skills Commission (NSC) as it could enable a greater focus on identifying skills needs and solutions rather than trying to address training delivery issues in the VET system. Skills Impact believes the coordination and collation of skills needs analyses should be an important function of the proposed NSC. The Commission could well be a central repository and commissioner of work, collating and sharing results and identifying needs gaps. This would include assuming responsibility for the review of ANZSCO and ANZSIC codes, and Skilled Occupation Lists.

Importantly, the NSC should consider skills across the economy separately from the VET Sector. It is also important that the NSC does not take a purely national approach. By focusing on the national picture, we lose sight of local issues that, when ignored, can be devastating to local economies and small and family businesses, especially in RRR areas. An unintended consequence of a nationally consistent approach may be the increasing urbancentricism of job opportunities¹⁵. An additional issue that may need to be considered is whether skills forecasting can better match training if training will not be available in the locations requiring those skills.

The NSC should look beyond investment in the VET funding system into investment in skills across the economy, including in-workplace, guided, informal and formal learning. Awareness of how all players in Australia's economy, particularly industry, are investing in developing skills is a much more important issue than just looking at VET sector funding.

Skills forecasting would seem to be an area in which great value could be obtained by mining, in addition to the information collected by Industry Reference Committees, the data and information collected at local government and Indigenous Community Corporation levels. These levels may be more useful than state-based approaches and could be coordinated by the National Skills Commission.

Information Request – Implementing New Support Arrangements for Trade Apprenticeships

In assessing the merits of option 6.5:

- ***does the nature and size of the 'apprenticeship problem' merit new policy measures?***
- ***how significant is 'poaching' as a problem that would justify industry levies?***
- ***how effective are levies in increasing apprenticeships?***
- ***are there other reasons for using industry levies?***
- ***how would the problems of administrative complexity for some existing levies be addressed?***

The Interim Report tends to treat traditional apprenticeships, often embedded in industry award mechanisms, separately to non-traditional apprenticeships and traineeships and illustrates differences in results. While the figures make for interesting reading, the overall picture being presented is one of the decreasing usage of workplace-based training models and diminishing provision of funding, which should be extending into any number of new industries.

It would appear that a by-product of government policies to stimulate participation in formal education, including the achievement of qualifications, has been the diminishment of experiential learning in favour of formal education settings. In consequence, employers continually report disillusionment with the levels of competency demonstrated by graduates of non-experiential systems.

The current lack of incentives to employers to engage staff as part of VET programs has created the equivalent of disincentives to formally train staff. Training new employees takes time and resources costing business in ways that detract from their main objectives. Businesses that do formally train staff are at risk of having staff, with qualifications, leave to pursue other opportunities. Businesses that train on the job in ways that do not generate qualified workers are not exposed to this risk. Business that save time and money by not training staff are able to offer better salaries and are effectively supported in their efforts to "poach" staff that have been trained by other employers. Interventions in this space would be welcomed by many employers that we interact with, such as the arrangements that were in place prior to 2013, which supported employers with traineeship incentives. We note a significant decline in use of traineeships from this point onwards, as much as 30 plus % over this period. Training costs, and who pays is a significant unaddressed issue when it comes to employer commitments our

¹⁵ Houghton K. (2019); *The future of regional jobs*; The Regional Australia Institute, Canberra.

Australia's formal training system. A levy that is not paid when employers shoulder their responsibility for training and paid when employers don't should be investigated.

Skills Impact notes the reporting by the Productivity Commission (p.63) that *"over the past decade, on average less than 5 per cent of employers nominated financial incentives as a main reason for their decision to hire an apprentice — the lowest of the ten categories of reasons they could give"*. Skills Impact expect that a much different picture would form if the question was posed to employers from a different angle: "when seeking new staff, why would you elect *not* to hire an apprentice?" Put simply, meagre financial incentives are not a main reason why some employers *do* take on apprentices, but that meagreness is very likely a prominent reason for many others *not* taking on apprentices. Industry feedback indicates that employers decide to take on staff based upon their experience and expected productivity rather than a financial incentive that only covers part of their additional cost of employment.

Many skills are best learnt on the job due to the nature of the specific skills formation and the needs of learners in employment. The current system *could* focus on workers and on the job learning, but instead focuses on RTO delivery. The AQF has led to greater emphasis on formal education and training at the expense of formal competency assessment and certification, including industry, informal and non-formal training and learning.

This is a systemic issue and requires that relevant bodies support a different way of thinking about apprenticeships and traineeships. It is increasingly important as workplace models designed for major cities continue to fail in RRR areas and approaches similar to the "gig economy" and fee-for-service models are evolving and proving to be relevant in these areas. Addressing this requires greater flexibility in concepts of supervision, workplace learning, self-directed learning and the nature of pathways to apprenticeships and traineeships. In addition, new models of funding need to be developed to provide support to learners to be distributed using a "crowd-share" approach to the entities providing "supervision" under the expanded model.

Information Request – The Challenges of Online Delivery

- ***What is the scope to increase the use of fully online delivery of VET, with what advantages, risks and policy challenges?***
- ***How should subsidy arrangements be configured for payments across jurisdictions for online delivery of services?***
- ***What subsidy, pricing and costing approaches are appropriate for services that have high fixed costs and low incremental costs?***
- ***To what degree could accreditation be separated from training?***
- ***What types of training are most suited to innovative models of training?***
- ***What actions would governments need to take to maximise the potential for the adoption of innovative delivery of training or new types of training?***

The key defining and differentiating characteristic of VET is that it is designed to provide workplace competency on the journey to workforce proficiency. Skills Impact has argued that workplace competency, as defined by ASQA, is not achievable by RTO delivery alone. From this, it would follow that *"fully online delivery"* of VET may only be possible in fully online workplace environments.

Almost all the training products overseen by the Industry Reference Committees that work with Skills Impact are directly connected to skills used when dealing with living fauna and flora. These are industries that need to deal with high levels of biosecurity and quality control, as well as animal, plant and environmental sustainability and welfare, in addition to the usual work health and safety requirements. While many knowledge elements are and can be delivered online, the journey towards competence requires hands-on experience.

Any push towards greater online learning and lesser workplace learning flies in the face of years of feedback from industry participants in the VET system. There is no doubt that more elements currently

delivered in the classroom could be delivered online, however employers consistently look for more workplace experience.

Unfortunately, the focus on increasing online delivery instead of on blended delivery of learning on the journey to competence often results in micro-examination of possibilities instead of macro-design of guided learning programs that lead to workplace productivity, competence and eventual proficiency. This micro-examination is partially driven by the regulatory environment and partially driven by the culture (as evidenced by the nomenclature) which requires each Unit of Competency, Skill Set and Qualification to be treated as a program of training instead of as a description of industry work skills standards.

Information Request – Investment in Public Provision

In feedback on interim recommendation 6.3, the Commission requests information on:

- *the funding, monitoring and outcomes delivered under community service obligations*
- *any changes to funding models, or other actions, that governments should undertake to address any potential breach of competitive neutrality principles in relation to VET services*
- *the funding mechanism (for example, training subsidies or block funding) best suited to efficient and effective service delivery in ‘thin markets’*
- *how future funding arrangements to promote national consistency should incorporate any additional (non-subsidy) funding to public providers, if at all.*

Please [see our attachment paper](#) that deals with issues in relation to thin markets. In our experience, thin markets often develop over time and become self-perpetuating. Please [see section 3](#) of the attachment: VET Sector Issues and proposed improvements from an industry perspective, that deals with challenges in training delivery.

In summary, there is significant market failure around VET delivery because the system is based purely on what RTOs are incentivised to deliver and, at this point in time, most businesses are marginalised due to low levels of government funding and a lack of willingness by students to pay for anything but ‘popular’ subjects. RTOs now focus on delivering whatever will pay their bills and what will not attract the attention of the regulators. In effect, they are delivering what brings in the money and the student numbers, not what industry needs to be delivered. There is often an almost complete lack of market signals coming from employers and industry, and the market signals from government funding are muted; i.e. the additional funding (loading) applied to different industries/occupations is not significant enough to encourage RTOs to deliver in thin markets, RRR and high-cost areas, no matter how much this is needed by industry.

There is significant need to incentivise providers to deliver training where it is needed by industry, and this would normally occur via TAFE being responsive to state government priorities. However, the competitive forces that impact on TAFE’s business strategies mean that they are unable to respond to government priorities effectively. There are notable exceptions to this, including when states allocate significant funding to particular areas such as the AgSkilled program in NSW:

“AgSkilled is a new vocational training program funded by the NSW Government with industry partners Cotton Australia and Grains Research & Development Corporation. It provides the cotton and grains industries with vocational training funding to increase the skills levels of existing workers and attract new people to the industry. Over the next 3 years, \$14.7 million has been allocated for training.”¹⁶

However, these programs are relatively rare when comparing training needs across the country and what is being delivered (as reported by the NCVER¹⁷).

¹⁶ TAFE NSW (2020); *Agskilled*; <https://www.tafensw.edu.au/enterprise/industry/agskilled>; accessed 17/07/2020

¹⁷ Korb, P. & Misko, J. (2016); *Uptake and utility of VET qualifications*; NCVER, Adelaide

Analysing the distribution of enrolments across qualifications reveals a large majority of enrolments are in a small number of training packages and qualifications. Around 200 qualifications attract 85% of all enrolments (with the 14 highest-volume qualifications accounting for around 25%); the remaining 15% are spread across 1,400 qualifications. This pattern is also evident among training package enrolments, wherein 20 training packages account for 90% of all enrolments and 26 training packages had fewer than 1,000 enrolments¹⁸.

While Skills Impact appreciates NCVER's *descriptive* statistics, its policy endorsements, we contend, are completely misguided – but have been extremely influential. Consider the following passage:

“This concentration of enrolments in relatively few qualifications and training packages reinforces the need for one of the agreed reforms arising from the Industry and Skills Council review; that is, to identify and remove obsolete and superfluous qualifications, with the aim of simplifying engagement with the training system.” (p.8)

Skills Impact fundamentally disagree with this sentiment. Instead, following NCVER's descriptive statistics, a far more responsible conclusion would have been to recommend studying the root causes explaining *why* so few training packages and qualifications dominate VET. Our hypothesis is that, were this research to be conducted, it would *not* conclude that the described phenomena is the result of ‘obsolete and superfluous qualifications’. A far more likely cause of enrolments being concentrated in a small number of training packages and qualifications is that training delivery has shifted to areas where RTOs can operate with income and regulatory security, where the requirements of the regulators can be met with low cost and relative ease. The collateral damage is that they are consequently withdrawing from areas where training costs are high and student numbers are low and geographically dispersed.

¹⁸ *ibid.*

Attachment

VET Sector Issues and proposed improvements from an industry perspective

Issues overview

1. Industry leadership is required at all stages of the VET sector, but is currently concentrated on describing training outcomes via training packages.
2. Developing proficiency is a journey. A staged approach to competency development is recommended to lift the quality and consistency of skill acquisition across industry, supported by VET delivery.
3. Skills are not being delivered to vital industry and occupational areas due to the challenges faced by RTOs. This is a critical accessibility and relevance issue. There are solutions.
4. Skills acquisition is a national economic/social imperative delivered largely by workplaces, not solely a VET sector outcome. Attempts to improve the VET sector need to consider contributions from industry wide, enterprise based, skilling efforts and outcomes.

Industry leadership is required at all stages of the VET sector, but is currently concentrated on describing training outcomes via training packages

Under the current AISC/IRC/SSO system, industry plays a key role in identifying the skills requirements of their sectors. They are involved in the development of units of competency (better described as vocational skill standards) and the packaging of these into qualifications with industry expectations restricted by multiple standards and framework requirements. Industry has limited influence over what, how and when training is delivered, and how it is funded. A truly industry-led system would have industry involved at all stages of the system, not only the beginning.

We recommend the system be reformed to involve industry participation across each part of the skills pipeline of the VET sector, not just through the training package development process. A reformed system would ensure that enterprises have a role to play in the development of competency for learners and on deeming a person as proficient. This improved system would support RTOs to do what they do best. It would also support enterprises, and where appropriate industry, to contribute to the development and assessment of competency.

Below is the image of the Skills Pipeline published in the *Skills Organisations National co-design Discussion Paper – September 2019*. It shows the stages under the current VET system to develop a competent workforce. Currently, industry is only involved in stages one and partially in stage two. I.e. industry is involved in the work to identify and forecast skills (stage 1) and in one of the three areas in stage two – ‘Skills Standards Development’. There are degrees of engagement with industry in the other stages, but this has not resulted in industry having significant influence over the delivery of training or how it is assessed. As a result, the VET sector has major accessibility issues where industry and learners cannot get the training they need, but only get the training they are offered by RTOs, on terms acceptable to the necessary business performance of RTOs.



A first step is to recognise that training packages are a collection of occupational standards, not a package of training. The units of competency, skill sets and qualifications that make up training packages do not describe how training is to be carried out. In fact, they describe the occupational standards for how work is done properly and what knowledge is needed. For training packages to become a tool that matched its name, they would require training and assessment support materials for RTOs/enterprises.

We propose a possible solution

We recommend retitling training packages more accurately, such as occupational or vocational skill standards, or **Industry Work Skill Standards**. This change clearly communicates to industry their direct connection to the VET sector. Industry engagement will be more effective if training packages are correctly titled to reflect their content. **Industry Work Skill Standards** are of interest to a wide range of industry practitioners, but packages of training, are mainly of interests to RTOs. Other materials to support RTO and enterprise delivery can be developed nationally, more on this below.

Developing proficiency is a journey. A staged approach to competency development is recommended to lift the quality and consistency of skill acquisition across industry, supported by VET delivery.

Industry and training providers each play a part in developing competency and this is not recognised under the current configuration of the VET system.

True competency or proficiency is built over time, in the workplace, in employment and with supervised and ongoing practice. The current system has a definition of competency (<https://www.asqa.gov.au/standards-vac/definitions>), that clearly requires these factors, but most VET courses are delivered without the capacity to deliver supervised workplace practice. It should also be recognised that proficiency itself is only a step on the journey towards expertise, specialisation, career progression, entrepreneurship and career change. It is important to accurately recognise the roles of VET in this journey if the system is to operate effectively.

The definition of competency used by ASQA is 'the consistent application of knowledge and skill to the standard of performance required in the workplace', which is an unrealistic expectation and can only rarely be delivered by RTOs in institutionalised training. Most competency assessment should be based on evidence of work performance as carried out in a workplace. Unfortunately, the current system places 100% responsibility on RTOs to deliver competency outcomes and assessments, and RTOs are often poorly positioned to do so.

The VET sector has shifted over time, to a system largely based on institutionalised learning approaches that cannot deliver to the current definition of competency in a consistent fashion. This

situation has now resulted in the understanding of competency shifting significantly to represent what a person can be expected to do as a result of institutionalised learning and not as a result of learning plus supervised practice in a workplace (i.e. real competency). The end result is that competency now has a new meaning, which has moved a long way from the definition cited above as used by ASQA. Most participants exit the VET sector with basic skills and up to date knowledge, but they are not competent or proficient in job roles to workplace standards. A “qualified” learner from the VET sector is knowledgeable and safe to start practicing in a workplace. The skills and knowledge they have gained support them to safely continue the journey of developing proficiency over time, providing they receive coaching and supervision in a workplace with good standards of work.

The system should be reconfigured to identify the parts of skill proficiency RTOs are able to deliver and the parts enterprises need to deliver. The outcomes that need to be delivered by RTOs must be identified under a revised definition of competency and then supplemented by identified outcomes (mainly supervised practice) delivered by enterprises.

Competency or proficiency that is assessed in real work settings, through a collective delivery outcome between RTOs and enterprises would better meet enterprise and employers’ expectations. This is what occurs through the highly regarded traditional apprenticeship model which now make up less than 10% of student enrolments in the VET Sector.

We propose a possible solution

RTOs should be supported to deliver learning and basic skill outcomes that contribute to the work outcomes described in units of competency rather than attempt to deliver final or endpoint proficiency. Enterprises should be supported to work with learners to develop their workplace proficiency and provide evidence of their successful work practice. Units of competency could be redesigned to identify the areas RTOs can deliver and assess and the parts enterprises can deliver and assess, to produce supporting materials for both RTO based training delivery and workplace practice and evidence. **National Skills and Training Materials** could be created to help define what an RTO is responsible for delivering, while offering a range of options to meet local requirements. **Industry Work Skill Standards** could be supplemented with enterprise guidance on delivering relevant workplace practice and evidence of competency, similar to the guidance provided in recognised ISO and ANZSO standards.

To assess learners, RTOs would draw on the delivery standards outlined in the **National Skills and Training Materials** (based on units of competency) to determine whether a learner is ‘safe to work’. In turn, workplace assessors or supervisors would use simplified versions of competency standards called **Industry Work Skill Standards** with enterprise supporting documents to provide practice and evidence guidance and to support the assessment of whether somebody is proficient.

Under this model, RTOs deliver in collaboration with enterprises a minimum acceptable standard of vocational training. Industry would be aware of the difference between the **Industry Work Skill Standards** and the RTO delivery standard, as outlined in **National Skills and Training Materials** and recognise that the final components of proficiency need to be gained by people learning in workplace situations with supervised work practice.

In this way, we can address the fundamental policy issue of the specific responsibilities for RTOs and those for industry. Until we do this, we will continue to experience significant quality issues combined with a lack of industry engagement in skill development to consistent high-quality national standards.

The solution in summary

This solution reflects industry’s views that most proficiency assessment is carried out following workplace-based practice and based on real evidence of work being performed. Unfortunately, the current system places 100% responsibility on RTOs to deliver these outcomes and assessments and RTOs are generally poorly positioned to do so. It is prohibitively expensive and inefficient to continue to maintain a system where RTOs are responsible for performing accurate industry-based assessment of competency, when they cannot afford the resources to do so and therefore rarely do this with quality or relevance. We recommend a system where RTOs deliver skills, capabilities and knowledge to the

degree possible within learning institutions and simulated worksites, and industry are responsible for delivering proficiency through workplace practice and supervision.

Supporting Training Delivery, Less Units, Contextualised Documents Instead

The system now consists of more than 18,000 units, despite policy efforts over the last 10 years to reduce the numbers. Training providers collectively struggle to deliver and be audited against 18,000 discrete units. Many units end up never being delivered, despite describing identified industry work practices and training needs.

We contend this is because of two issues:

- As work methodologies change, new units of competency are developed to meet new ways for working, but at the same time it is almost impossible to delete existing units of competency that describe older methods of work that are still in use. For this reason, multiple units of competency exist, that deal with similar subject matter, but contain different approaches to performing work and hence different skills and knowledge.
- When units are written broadly enough to apply across multiple industries, they lack contextualisation and become meaningless for each industry. Hence, under the current system units with the same subject matter exist across many industries as separate units each containing details specific to the industry, which also make them less relevant for adoption in other industries.

A massive reduction in units of competency could be achieved if the system was supported by national contextualisation statements and materials for each industry dealing with new and old methods of work, and issues of application to each specific industry. This approach has recently been demonstrated by the development of contextualisation materials for the new infection control units of competency as part of the COVID19 response.

Nationally recognised, IRC supported and endorsed, (no other level of endorsement needed), contextualisation materials are one of the missing pieces of a coherent VET sector. Their widespread development and use would allow the reduction of thousands of units of competency in the system. The smaller number of units that remain in the system will have resources to support the contextualisation of training for each industry sector.

Skills are not being delivered to vital industry and occupational areas due to the challenges faced by RTOs. This is a critical accessibility and relevance issue. There are solutions.

The training delivery market fails to operate in high cost and thin markets. The training market needs to be supported to function in thin markets to achieve the aim of a highly skilled productive workforce in all areas of Australia. High costs per learner are generated when there are:

- Low ratios of student to trainer, access and safety issues
- Highly technical skills and or skills requiring access to expensive materials and machinery
- Learners spread across large geographical areas with low numbers of students in any one area

Some of the skills most critical to our future are highly technical and therefore high cost to deliver. Skills Impact provides services to a portfolio of industries with a predominance of operations in regional, rural and remote locations. These areas are generally high cost training environments with student numbers spread over a broad geographic range, leading to lower potential enrolment numbers for RTOs working in any particular region. Regulatory requirements for providers in these thin markets are the same as for those in urban areas. The viability of delivery under these conditions is often not sustainable, resulting in the failure to offer training solutions to regions or in specific skill areas and/or a significant compromise in quality of delivery. This challenge has resulted in a lack of delivery options for many skills, occupations and areas in Australia.

The lack of delivery against any specific group of units or qualifications should not be a signal that these units or qualifications are unwanted and not relevant. It is a signal that identifies certain sectors and

regions are too challenging for RTOs for a number of reasons and RTOs have withdrawn from delivery in these areas.

We proposed a review of the operation of the VET marketplace, particularly in rural, regional and remote areas in order to address the following key concerns.

Training delivery is consolidating in areas where delivery is viable and not in areas of greatest industry need

RTOs now focus on delivery in areas that they are best able to meet demand under the current regulatory and funding settings. It is therefore not surprising that most training delivery is now against a small number of training packages focused on work that attracts high student numbers and simple delivery environments i.e. lower technical skills. These are in areas where training can be carried out in classrooms and simulated work environments, or driven by regulation guaranteeing a supply of students who need a “ticket” to perform a work function.

Cost and visibility of student numbers are key determinants of decisions made by RTOs whether to deliver a course, and not industry need

Quality of delivery is a huge issue in the VET sector. There are many instances of poor quality in the system. Poor quality is defined by a person receiving certification that describes a qualification or unit outcome and that person not being able to perform in a real workplace, to the standards described in the unit.

The current framework places unreasonable quality demands on RTOs. It is impossible to deliver quality without enough resources. It is clear that RTOs are now moving away from areas of high student costs and low student numbers to focus on delivery in areas of higher student numbers and lower cost. This is a rational move by RTOs to improve their viability, reduce risk and improve quality.

Simply put, it is not possible for RTOs to deliver quality in areas where funding is low and capacity of students or industry to pay is low. This is the reality of the training situation in rural, regional and remote locations. It is a clear example of market failure in a government supported market where funding does not reflect the additional costs associated with high quality delivery in rural, regional and remote areas. This also applies to delivery of complex technical skills that are more expensive to deliver relative to other less complex skills.

RTO delivery decisions are driven just as much by regulatory risk as they are by cost factors

RTOs are becoming more and more reluctant to take on new areas of scope due to the demanding level of regulation in the sector and the likelihood of low enrolment numbers until markets build. If an enterprise requires training outside the existing scope of training, an RTO needs to be fully compliant in all areas of new delivery before a single student can be enrolled or before a course can even be advertised. Traditionally RTOs would work with enterprises over time to develop capability for delivery and to learn how to deliver in new skill areas. Such an approach under the current regulatory approach would put the RTO at risk of deregistration. A thriving, useful RTO business can be put at risk by attempting to meet industry needs in new or challenging skill areas. The result is that RTOs are being forced to stick with what they know best and avoid offering new services. It has now become too challenging for them to deliver into new areas and it is not worth the risk. The result is that industry misses out on much needed training and perceptions are formed that due to low or no enrolments, a qualification or unit is not needed.

Part of the solution to reduce costs to RTOs, improve quality and increase access to skills

Following the training package endorsement process, the revised components are uploaded onto the National Register; training.gov.au. If the revision has been significant, RTOs across the nation are now faced with the challenge of revising all their training, learning and assessment strategies for each unit

of competency, and any related materials, including where necessary, improving trainer skills. This is an expensive and time-consuming process for RTOs.

Even though each RTO participates as part of a national system, each RTO has to carry out this work independently, for delivery at a regional or state level. There is no mandated approach for ensuring national consistency for RTOs as they go about this work.

For example, for a training package qualification that is delivered by 100 RTOs, each of the 100 RTOs will go through this process individually, developing and delivering materials, outcomes and processes that are unique to that RTO. This leads to three issues:

1. The expense is borne by each training provider
2. Duplication of effort
3. A lack of national consistency in this approach by shifting the development responsibilities for delivery materials to the part of the system with the largest number of organisations, namely RTOs.

While the current approach removes these costs from the government and pushes them down the system to RTOs, (and indirectly onto learners and industry, or expressed as a reduction in quality) the costs are magnified many times over, and greatly increase the risk to quality and national consistency. Instead we suggest that this work could be done once, nationally, in consultation with RTOs and held on a nationally accessible repository.

We recommend a national approach to the development of training materials i.e. **National Skills and Training Materials** to support RTO delivery, including national materials for enterprises to support workplace practice and evidence gathering via simplified units of competency, renamed **Industry Work Skill Standards**. These materials would be developed to deal with contextualization issues, in many cases replacing the need for the development of a new unit of competency.

Skills acquisition is a national economic/social imperative delivered largely by workplaces, not solely a VET sector outcome. Attempts to improve the VET sector need to consider industry wide skilling efforts and outcomes

There is ongoing confusion about skills in the economy and the VET sector's role in skill development/acquisition.

It is important that any system to improve Australia's bank of skills across society should look at skills across the economy, as distinct from focusing solely on VET sector provision. VET sector provision is driven by RTO viability and not industry need or productivity.

2017 statistics show that industry works more than 20,000 billion hours each year while the VET sector delivers less than 1 billion hours of training each year (closer to 750 million). If you conservatively estimate that 5% of hours worked in industry are worked by people learning or developing skills in their job role, i.e. being shown what to do and then practicing the activity with feedback and supervision until a new skill or level of is developed, then this equates to 1000 billion hours of worktime in industry being spent on learning and skills development each year. This is 1,000 times greater than the output of the VET sector and highlights the importance of the unregulated learning that takes place in industry enterprises each year.

It is critical that Australia's skills system recognises the quality and extent of that learning, and ways to capture data about it. We either need to change the scope of the VET sector so that it applies to industry learning activities or ensure that the VET sector is seen as a small but important contributor to the skills development capacity that exists within and around industry. By way of example, please see below media from government clearly confusing the role of the VET sector with the needs of the economy and ignoring the engine room of skills development, workplaces and on the job or experiential learning.

Skills for Victoria's Growing Economy

*The Victorian Government will undertake a significant review into Victoria's post-secondary education and training system to **ensure Victoria has the skills we need for our growing economy.***

*The review will be focused on **developing a system that meets the needs of both industry and government**, while supporting individual students to get the skills and education they need.*

The post-secondary education and training system can certainly be an important contributor to developing skills, but it can hardly ensure that a state has the skills it needs. This sort of thinking appears to ignore the role that enterprises play in developing skills through on the job learning, and with the provision of training from unregistered training providers, with or without support from the VET sector.

Units of competency are developed to describe all work carried out in Australia, except work supported by university qualifications. A large waste of resources follows if these units are then only recognised as applying to the operation of the VET sector when their role could be so much more given VET sector training hours represent less than 0.02% of the estimated time spent learning in workplaces across the country and the economy.

We recommend that units of competency are properly seen as the working IP of all Australian industries and available for use by industry in a supported manner. They should not just be seen as tools to be used by RTOs, and they should not be called training products. Where required these instruments can be used to develop **National Skills and Training Materials** for training providers and these would quite rightly be called training products.

Summary

The proposals in this paper are aligned to the outcomes and goals of the current reform processes being considered and undertaken by governments and supporting bodies, including the VET Reform Roadmap, the implementation of the Joyce Report, the establishment of the National Skills Commission and the National Careers Institute, and the Productivity Commission's consideration of the National Skills & Workforce Development Agreement.

The issues identified above and the solutions offered are designed to input into the current reform considerations with the aim that each of the parties involved in the sector is able to play to their strengths and to be supported with materials that clarify roles and responsibilities to reduce the burden of regulation currently in the sector. We are targeting the foundations for higher quality outcomes and training, as well as improved RTO and industry viability and accessibility to training and the ability to more appropriately target areas requiring government support.